



青島啤酒股份有限公司
TSINGTAO BREWERY CO., LTD.

(Stock Code 股份代號 : 168)



中期報告
INTERIM REPORT

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Note: The contents marked with * in the Notes to the Consolidated Financial Statements are disclosed in accordance with *Companies Ordinance* of Hong Kong and *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (“*Listing Rules*”).

TSINGTAO BREWERY COMPANY LIMITED
CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 30 JUNE 2013 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

	Note 5 (unless otherwise stated)	As at			
		30 June 2013 Consolidated	31 December 2012 Consolidated	30 June 2013 Company	31 December 2012 Company
ASSETS					
Current assets					
Cash at bank and on hand	(1)	10,043,214,035	7,118,248,041	3,692,839,769	3,087,112,980
Notes receivable	(2)	74,762,856	61,800,000	38,530,000	53,700,000
Accounts receivable	(3),13(1)	274,759,256	82,685,056	713,800,738	689,075,914
Advances to suppliers	(5)	114,222,475	83,739,085	90,177,460	31,459,444
Interest receivable	(6)	79,073,482	63,996,403	30,648,765	16,382,068
Dividends receivable	7(5)	30,000,000	—	50,000,000	50,000,000
Other receivables	(4),13(2)	209,535,819	87,291,890	167,823,914	155,080,986
Inventories	(7)	2,001,567,101	2,360,058,834	504,958,456	526,788,093
Other current assets	(8)	157,405,484	284,314,434	43,734,279	70,879,214
Total current assets		12,984,540,508	10,142,133,743	5,332,513,381	4,680,478,699
Non-Current assets					
Long-term receivables	7(5),13(3)	10,000,000	—	694,950,000	569,790,000
Long-term equity investments	(9),13(4)	1,321,484,608	163,876,932	8,073,646,544	7,317,328,354
Investment properties	(11)	7,069,327	7,252,927	20,635,088	21,018,594
Fixed assets	(12)	7,768,283,149	8,343,690,353	1,598,829,607	1,625,195,023
Construction in progress	(13)	863,852,761	678,285,333	408,262,491	250,717,330
Fixed assets pending for disposal	(14)	11,811,312	9,917,059	10,155,396	9,377,775
Intangible assets	(15)	2,512,510,808	2,546,579,520	490,335,286	505,086,472
Goodwill	(16)	1,079,925,496	1,081,684,918	—	—
Long-term prepaid expenses	(17)	9,267,864	6,425,454	635,034	907,191
Deferred tax assets	(18)	714,063,908	485,349,168	367,569,395	266,629,467
Other non-current assets	(20)	296,088,864	195,910,178	89,462,466	42,582,408
Total Non-Current assets		14,594,358,097	13,518,971,842	11,754,481,307	10,608,632,614
TOTAL ASSETS		27,578,898,605	23,661,105,585	17,086,994,688	15,289,111,313

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

AS AT 30 JUNE 2013 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

	Note 5	As at			
		30 June 2013 Consolidated	31 December 2012 Consolidated	30 June 2013 Company	31 December 2012 Company
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term borrowings	(21)	119,959,104	147,617,652	120,000,000	170,000,000
Notes payable	(22)	107,880,759	81,883,234	49,600,000	48,100,000
Accounts payable	(23)	3,354,134,012	1,993,401,689	2,374,391,022	1,647,514,644
Advances from customers	(24)	464,551,838	656,414,452	192,582,118	344,126,929
Employee benefits payable	(25)	1,030,679,784	886,635,390	297,333,497	294,413,393
Taxes payable	(26)	676,733,776	350,866,482	84,492,753	65,018,805
Interest payable		1,260,776	1,735,072	260,619	287,019
Dividends payable	(27)	540,393,118	1,101,571	540,393,118	—
Other payables	(28)	4,663,722,860	3,213,582,340	1,620,616,590	1,237,550,433
Current portion of non-current liabilities	(29)	313,315,241	2,786,281	—	—
Total current liabilities		11,272,631,268	7,336,024,163	5,279,669,717	3,807,011,223
Non-current liabilities					
Long-term borrowings	(30)	6,165,411	452,485,603	—	—
Debentures payable	(31)	1,442,446,896	1,409,316,153	1,442,446,896	1,409,316,153
Payables for specific projects	(32)	205,052,313	120,063,611	90,000,000	90,000,000
Deferred tax liabilities	(18)	185,179,737	178,572,908	—	—
Other non-current liabilities	(33)	1,121,192,201	1,381,212,241	52,862,205	51,836,628
Total non-current liabilities		2,960,036,558	3,541,650,516	1,585,309,101	1,551,152,781
Total liabilities		14,232,667,826	10,877,674,679	6,864,978,818	5,358,164,004
Shareholders' equity					
Share capital	(34)	1,350,982,795	1,350,982,795	1,350,982,795	1,350,982,795
Capital surplus	(35)	4,090,156,148	3,965,939,536	4,315,189,317	4,315,189,317
Surplus reserve	(36)	927,657,567	927,657,567	927,657,567	927,657,567
Undistributed profits	(37)	7,058,835,605	6,204,347,562	3,628,186,191	3,337,117,630
Difference on translation of foreign currency financial statements		22,966,049	19,025,550	—	—
Total equity attributable to shareholders of the Company		13,450,598,164	12,467,953,010	10,222,015,870	9,930,947,309
Minority interests	(38)	(104,367,385)	315,477,896	—	—
Total shareholders' equity		13,346,230,779	12,783,430,906	10,222,015,870	9,930,947,309
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		27,578,898,605	23,661,105,585	17,086,994,688	15,289,111,313

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 2013 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 5 (unless otherwise stated)	Six months ended 30 June			
		2013 Consolidated	2012 Consolidated	2013 Company	2012 Company
Revenue	(39), 13(5)	14,971,338,262	13,405,497,777	8,941,202,637	7,507,338,783
<i>Less:</i> Cost of sales	(39), 13(5)	(8,753,434,812)	(7,978,963,221)	(6,688,698,970)	(5,331,036,649)
Taxes and surcharges	(40)	(1,209,910,466)	(1,166,105,348)	(275,671,381)	(235,460,093)
Selling and distribution expenses	(41)	(3,094,353,638)	(2,461,537,136)	(1,562,986,039)	(1,294,356,903)
General and administrative expenses	(42)	(602,813,851)	(564,882,018)	(163,985,667)	(153,558,940)
Financial expenses — net	(43)	95,693,515	83,799,423	(12,582,353)	(22,249,609)
Asset impairment losses	(45)	6,415,244	(3,341,335)	7,839,107	(1,165,131)
<i>Add:</i> Investment income	(44), 13(6)	232,470,189	5,886,253	560,391,406	499,075,418
Including: Share of profit of associates and joint ventures	(44), 13(6)	21,430,790	5,886,253	29,661,673	5,886,253
Operating profit		1,645,404,443	1,320,354,395	805,508,740	968,586,876
<i>Add:</i> Non-operating income	(46)	299,947,243	114,569,567	5,167,073	9,095,993
<i>Less:</i> Non-operating expenses	(47)	(182,940,159)	(15,998,886)	(13,356,457)	(2,743,857)
Including: Losses on disposal of non-current assets	(47)	(45,311,744)	(8,136,098)	(5,168,201)	(1,072,858)
Total profit		1,762,411,527	1,418,925,076	797,319,356	974,939,012
<i>Less:</i> Income tax expenses	(48)	(325,021,815)	(368,736,836)	(56,219,887)	(131,401,969)
Net profit		1,437,389,712	1,050,188,240	741,099,469	843,537,043
Attributable to shareholders of the Company		1,394,881,161	1,007,406,644	741,099,469	843,537,043
Minority interests		42,508,551	42,781,596	Not Applicable	Not Applicable
Earnings per share					
Basic earnings per share	(49)	1.032	0.746	Not Applicable	Not Applicable
Diluted earnings per share	(49)	1.032	0.746	Not Applicable	Not Applicable
Other comprehensive income/(losses)	(50)	3,940,499	(2,250,648)	—	—
Total comprehensive income		1,441,330,211	1,047,937,592	741,099,469	843,537,043
Attributable to shareholders of the Company		1,398,821,660	1,005,155,996	741,099,469	843,537,043
Minority interests		42,508,551	42,781,596	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 FLOWS STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 5 (unless otherwise stated)	Six months ended 30 June			
		2013 Consolidated	2012 Consolidated	2013 Company	2012 Company
Cash flows from operating activities					
Cash received from sales of goods or rendering of services		16,171,354,853	14,727,400,519	9,666,934,557	8,169,818,781
Refund of taxes and surcharges		4,228,954	8,080,061	4,107,230	—
Cash received relating to other operating activities	(51)(a)	679,933,985	584,330,695	94,141,028	65,172,262
Sub-total of cash inflows		16,855,517,792	15,319,811,275	9,765,182,815	8,234,991,043
Cash paid for goods and services					
Cash paid to and on behalf of employees		(7,213,265,035)	(6,224,114,846)	(6,429,694,553)	(5,026,245,671)
Payments of taxes and surcharges		(1,545,813,386)	(1,373,575,981)	(508,869,695)	(441,387,722)
Cash paid relating to other operating activities	(51)(b)	(2,629,723,268)	(2,614,443,103)	(781,437,390)	(857,960,293)
		(1,642,745,750)	(1,533,374,239)	(881,661,607)	(830,894,109)
Sub-total of cash outflows		(13,031,547,439)	(11,745,508,169)	(8,601,663,245)	(7,156,487,795)
Net cash flows from operating activities	(52)(a), 13(7)(a)	3,823,970,353	3,574,303,106	1,163,519,570	1,078,503,248
Cash flows from investing activities					
Cash received from disposal of investments		—	—	142,700,002	266,865,942
Cash received from returns on investments		5,095,984	—	66,732,164	124,718,337
Net cash received from disposal of fixed assets and intangible assets		2,023,639	749,823	832,830	2,192,742
Net cash received from disposal of subsidiaries	13(7)(b)	—	—	—	381,149,419
Cash received relating to other investing activities	(51)(c)	371,112,870	328,054,782	1,276,025	116,024,600
Sub-total of cash inflows		378,232,493	328,804,605	211,541,021	890,951,040
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(953,158,185)	(1,252,868,405)	(222,756,286)	(291,078,296)
Cash paid to acquire investments		—	—	(477,860,000)	(603,300,000)
Cash paid relating to other investing activities	(51)(d)	(508,646,836)	(463,614,179)	(2,358,000)	(1,067,468)
Sub-total of cash outflows		(1,461,805,021)	(1,716,482,584)	(702,974,286)	(895,445,764)
Net cash flows from investing activities		(1,083,572,528)	(1,387,677,979)	(491,433,265)	(4,494,724)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 5 (unless otherwise stated)	Six months ended 30 June			
		2013 Consolidated	2012 Consolidated	2013 Company	2012 Company
Cash flows from financing activities					
Cash received from capital contributions		10,000,000	70,000,000	—	—
Including: Cash received from capital contributions by minority shareholders of subsidiaries		10,000,000	70,000,000	—	—
Cash received from borrowings		128,787,151	75,402,217	—	50,000,000
Cash received relating to other financing activities	(51)(e)	—	7,967,824	—	—
Sub-total of cash inflows		138,787,151	153,370,041	—	50,000,000
Cash repayments of borrowings		(266,550,401)	(78,523,410)	(50,000,000)	(50,000,000)
Cash payments for interest expenses and distribution of dividends or profits		(71,093,596)	(73,805,537)	(16,236,600)	(16,966,681)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		(50,042,959)	(51,091,095)	—	—
Cash payments relating to other financing activities	(51)(f)	(6,751)	(17,103,241)	—	—
Sub-total of cash outflows		(337,650,748)	(169,432,188)	(66,236,600)	(66,966,681)
Net cash flows from financing activities		(198,863,597)	(16,062,147)	(66,236,600)	(16,966,681)
Effect of foreign exchange rate changes on cash		(1,112,760)	407,491	(331,591)	243,033
Net increase/(decrease) in cash		2,540,421,468	2,170,970,471	605,518,114	1,057,284,876
<i>Add: Cash and cash equivalents at beginning of period</i>	(52)(a), 13(7)(c)	6,269,184,262	5,550,147,726	3,059,464,569	2,606,570,012
Cash and cash equivalent at end of period	(52)(a), 13(7)(c)	8,809,605,730	7,721,118,197	3,664,982,683	3,663,854,888

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 SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 5 (unless otherwise stated)	Attributable to shareholders 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 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)	—	—	—	—	(2,250,648)	—	(2,250,648)
Capital contribution and withdrawal by shareholders		—	—	—	—	—	70,000,000	70,000,000
Capital contribution by shareholders		—	—	—	—	—	70,000,000	70,000,000
Profit distribution	(37)	—	—	—	(351,255,527)	—	(50,329,637)	(401,585,164)
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>
Balance at 1 January 2013		<u>1,350,982,795</u>	<u>3,965,939,536</u>	<u>927,657,567</u>	<u>6,204,347,562</u>	<u>19,025,550</u>	<u>315,477,896</u>	<u>12,783,430,906</u>
Movements for the six months ended								
30 June 2013								
Net profit		—	124,216,612	—	854,488,043	3,940,499	(419,845,281)	562,799,873
Other comprehensive income	(50)	—	—	—	1,394,881,161	—	42,508,551	1,437,389,712
Capital contribution and withdrawal by shareholders		—	124,216,612	—	—	—	(413,412,440)	(289,195,828)
Others	(35), (38)	—	124,216,612	—	—	—	(413,412,440)	(289,195,828)
Profit distribution	(37)	—	—	—	(540,393,118)	—	(48,941,392)	(589,334,510)
Profit distribution to shareholders		—	—	—	(540,393,118)	—	(48,941,392)	(589,334,510)
Balance at 30 June 2013		<u>1,350,982,795</u>	<u>4,090,156,148</u>	<u>927,657,567</u>	<u>7,058,835,605</u>	<u>22,966,049</u>	<u>(104,367,385)</u>	<u>13,346,230,779</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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 5 (unless otherwise stated)	Share capital	Capital surplus	Surplus reserves	Undistributed profits	Total shareholders' equity
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						
Net profit		—	—	—	492,281,516	492,281,516
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>
Balance at 1 January 2013		<u>1,350,982,795</u>	<u>4,315,189,317</u>	<u>927,657,567</u>	<u>3,337,117,630</u>	<u>9,930,947,309</u>
Movements for the six months ended						
30 June 2013						
Net profit		—	—	—	291,068,561	291,068,561
Profit distribution	(37)	—	—	—	(540,393,118)	(540,393,118)
Profit distribution to shareholders		—	—	—	(540,393,118)	(540,393,118)
Others	13(4)	—	—	—	90,362,210	90,362,210
Balance at 30 June 2013		<u>1,350,982,795</u>	<u>4,315,189,317</u>	<u>927,657,567</u>	<u>3,628,186,191</u>	<u>10,222,015,870</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 2013

(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 its A shares have been listed on the Shanghai Stock Exchange since 27 August 1993. The total share capital upon issue amounted to RMB900,000,000. Subsequently, the Company increased its total share capital to RMB1,308,219,178 after 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 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 realised 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. Hence, all of the shares of the Company are tradable as at 30 June 2013.

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 29 August 2013.

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 2013 are in compliance with CAS, and truly and completely present the financial position of the Consolidated and the Company as of 30 June 2013 and the operating results, 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.

(5) Business combinations

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

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. 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 enterprises not under common control*

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's 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.

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits 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 between the Company and subsidiaries are inconsistent, 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 intra-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 under 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 shareholders' 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, deposits that can be readily drawn on demand, 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.

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

(8) Foreign currency translation (Cont'd)

(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.

(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.

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

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.

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.

The objective evidence which indicates impairment in fair value of available-for-sale equity instruments includes the significant and not temporary drop in fair value. The Group has separately tested various available-for-sale equity instruments at the balance sheet date. It will be defined as impairment if the fair value is lower than the initial investment cost by more than 50% (including 50%) or the low state has lasted for no less than 1 year. While the lower proportion is between 20% and 50%, the Group will take other factors such as price fluctuation into consideration to estimate whether the equity instrument has impaired or not.

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

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(iii) Impairment of financial assets (Cont'd)

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.

(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.

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

(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.

(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%

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

(10) Receivables (Cont'd)

- (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.

- (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.

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

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

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.

(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.

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

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

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

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

(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% to 5%	2.38% to 2.43%

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)).

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

(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.

(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 (Note 2 (26)(b)).

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

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

(14) Fixed assets (Cont'd)

(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)).

(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 revalued 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.

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

(17) Intangible assets (Cont'd)

(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) Baotouquan Sales Co., Ltd. (“Tsingtao Baotouquan”) and the sales network of Shandong Xin Immense Brewery Company Limited (“Immense Brewery”). Amortisation is calculated using the straight-line method over the estimated useful lives of 10 years.

(d) Computer software

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

(e) Technology known-how

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

(f) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review 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;

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

(17) Intangible assets (Cont'd)

(g) *Research and development (Cont'd)*

- 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 comprise 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.

(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.

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

(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.

(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.

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

(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.

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.

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

(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.

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.

(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.

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

(27) Held for sale and discontinued operations

A non-current asset or a component of 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 satisfy 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)).

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

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

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

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

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

(iii) Accounting estimates on recognition of deferred tax assets

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

As at 30 June 2013, deferred tax assets of RMB714,063,908 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 RMB361,746,000 as at 30 June 2013, 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) 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.

(v) 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 determines 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 realised 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:

Category	Tax 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 RMB3000 per ton	RMB250 per ton	
	Less than RMB3000 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.

In 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%.

3. TAXATION (CONT'D)

(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.

Tsingtao Brewery (Langfang) Company limited, the subsidiary of the Company, had outstanding VAT taxes in respect of prior years amounting to approximately RMB3,884,000. The VAT taxes in default were the preferential treatment on the holding over of tax given by local governments.

(6) Withholding Tax

According to Circular Guoshuihan [2008] No. 897 “Notice on the issue about withholding Corporate Income Tax on the dividends paid by Chinese resident enterprises to overseas non-resident enterprises H-share holders” issued by State Administration of Taxation on 6 November 2008, where a Chinese resident enterprise pays dividends to its H-share holders which are overseas non-resident enterprises, it shall withhold the corporate income tax on the basis of 10% of the dividends.

4. BUSINESS COMBINATION AND 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 Co., Ltd. ("Huanan Holding Company")	Directly	Shenzhen, the PRC	Finance	RMB200,000	Investment holding	Company limited	Zhao Jun	73414323-8
Tsingtao Brewery (Zhuhai) Co., Ltd. ("Zhuhai Company")	Indirectly	Zhuhai, the PRC	Manufacturing	RMB60,000	Manufacture and domestic trading of beer	Company limited	Zhao Jun	71223785-8
Tsingtao Brewery (Huangshi) Co., Ltd. ("Huangshi Company")	Directly & Indirectly	Huangshi, the PRC	Manufacturing	RMB5,000	Manufacture and domestic trading of beer	Company limited	Cai Zhiwei	17841848-X
Tsingtao Brewery (Yingcheng) Co., Ltd. ("Yingcheng Company")	Directly & Indirectly	Yingcheng, the PRC	Manufacturing	RMB5,000	Manufacture and domestic trading of beer	Company limited	Cai Zhiwei	70695005-9
Shenzhen Huanan Tsingtao Brewery Sales Co., Ltd. ("Huanan Sales Company")	Directly	Shenzhen, the PRC	Wholesale and retail sale	RMB20,000	Domestic trading of beer	Company limited	Zhao Jun	70841245-7
Tsingtao Brewery (Changsha) Co., Ltd. ("Changsha Company")	Directly & Indirectly	Changsha, the PRC	Manufacturing	RMB68,000	Manufacture and domestic trading of beer	Company limited	Yang Huajiang	75580445-3
Tsingtao Brewery Huadong Holding Co., Ltd. ("Huadong Holding Company")	Directly	Shanghai, the PRC	Finance	RMB100,000	Investment holding	Company limited	Wang Ruiyong	13213047-2
Tsingtao Brewery Huadong Shanghai Sales Co., Ltd. ("Shanghai Sales Company")	Directly & Indirectly	Shanghai, the PRC	Wholesale and retail sale	RMB100,300	Domestic trading of beer	Company limited	Wang Ruiyong	63171279-2
Tsingtao Brewery Huadong Nanjing Sales Co., Ltd. ("Nanjing Sales Company")	Indirectly	Nanjing, the PRC	Wholesale and retail sale	RMB1,000	Domestic trading of beer	Company limited	Ma Jiji	72457556-3
(4)								
Tsingtao Brewery (Wuhu) Co., Ltd. ("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) Co., Ltd. ("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) Co., Ltd. ("Shouguang Company")	Directly	Shouguang, the PRC	Manufacturing	RMB60,610	Manufacture and domestic trading of beer	Company limited	Dong Jianjun	72621713-7

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 (Weifang) Co., Ltd. ("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 Co., Ltd. ("Huaihai Sales Company") (4)	Indirectly	Xuzhou, the PRC	Wholesale and retail sale	RMB45,000	Domestic trading of beer	Company limited	Ma Jiji	78435470-3
Tsingtao Brewery (Xuecheng) Co., Ltd. ("Xuecheng Company")	Indirectly	Xuecheng, the PRC	Manufacturing	RMB45,000	Manufacture and domestic trading of beer	Company limited	Yu Jiaping	70617665-7
Tsingtao Brewery (Tengzhou) Co., Ltd. ("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) Co., Ltd. ("Heze Company")	Directly & Indirectly	Heze, the PRC	Manufacturing	RMB130,000	Manufacture and domestic trading of beer	Company limited	Yu Jiaping	16892261-5
Tsingtao Brewery (Taierzhuang) Malt Co., Ltd. ("Taierzhuang Malt")	Indirectly	Taierzhuang, the PRC	Manufacturing	RMB5,000	Manufacture and domestic trading of Malt	Company limited	Qu Jun	72329576-2
Tsingtao Brewery (Langfang) Co., Ltd. ("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 Co., Ltd. ("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 Co., Ltd. ("Hansi Baoji")	Indirectly	Baoji, the PRC	Manufacturing	RMB30,000	Manufacture and domestic trading of beer	Company limited	Zhang Anwen	78367236-3
Tsingtao Brewery (Anshan) Co., Ltd. ("Anshan Company")	Directly	Anshan, the PRC	Manufacturing	RMB50,000	Manufacture and domestic trading of beer	Company limited	Dong Jianjun	72370443-1
Tsingtao Brewery (Xingkaihu) Co., Ltd. ("Xingkaihu Company")	Directly	Jixi, the PRC	Manufacturing	RMB130,000	Manufacture and domestic trading of beer	Company limited	Yang Huajiang	70287259-1
Tsingtao Brewery (Mishan) Co., Ltd. ("Mishan Company")	Directly	Mishan, the PRC	Manufacturing	RMB23,400	Manufacture and domestic trading of beer	Company limited	Yang Huajiang	72135373-8

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 (Harbin) Co., Ltd. ("Harbin Company")	Directly	Harbin, the PRC	Manufacturing	RMB52,000	Manufacture and domestic trading of beer	Company limited	Yang Huajiang	72367275-9
Tsingtao Brewery Import/Export Co., Ltd. ("Import/Export Company")	Directly	Qingdao, the PRC	Wholesale and retail sale	RMB11,000	Import/Export trading of beer	Company limited	Sun Mingbo	70643063-5
Tsingtao Brewery (Pingyuan) Co., Ltd. ("Pingyuan Company")	Directly	Pingyuan, the PRC	Manufacturing	RMB25,000	Manufacture and domestic trading of beer	Company limited	Huang Zujiang	16741611-2
Tsingtao Brewery (Rizhao) Co., Ltd. ("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 Co., Ltd. ("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) Co., Ltd. ("Luzhou Company")	Indirectly	Luzhou, the PRC	Manufacturing	RMB111,110	Manufacture and domestic trading of beer	Company limited	Yang Huajiang	72323962-1
Tsingtao Brewery (Taizhou) Co., Ltd. ("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 Co., Ltd. ("Hong Kong Company")	Directly	Hong Kong, the PRC	Wholesale and retail sale	HKD40,500	Trading of beer in Hong Kong	Company limited	Sun Mingbo	Not Applicable
Tsingtao Brewery (Hanzhong) Co., Ltd. ("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 Co., Ltd. ("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) Co., Ltd. ("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 Co., Ltd. ("Dongnan Sales Company")	Directly	Xiamen, the PRC	Wholesale and retail sale	RMB215,000	Domestic trading of beer	Company limited	Wang Ruiyong	73786016-0

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 (Jinan) Co., Ltd. ("Jinan Company")	Directly	Jinan, the PRC	Manufacturing	RMB560,000	Manufacture and domestic trading of beer	Company limited	Fan Wei	79261928-1
Tsingtao Brewery (Chengdu) Co., Ltd. ("Chengdu Company")	Directly	Chengdu, the PRC	Manufacturing	RMB200,000	Manufacture and domestic trading of beer	Company limited	Yang Huajiang	66301928-X
Tsingtao Brewery (Yulin) Co., Ltd. ("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 Co., Ltd. ("Chengyang Sales Company")	Directly	Qingdao, the PRC	Manufacturing	RMB8,000	Pre-packaged food	Company limited	Dai Guoshun	69715829-6
Tsingtao Brewery Chenzhou Sales Co., Ltd. ("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 Co., Ltd. ("Machinery and Equipment Company")	Indirectly	Qingdao, the PRC	Construction	RMB2,000	Manufacture and trading of machinery, electrical equipment accessory	Company limited	Wang Zhaoping	68257486-0
Tsingtao Brewery (Shijiazhuang) Co., Ltd. ("Shijiazhuang Company")	Directly	Shijiazhuang, the PRC	Manufacturing	RMB321,010	Manufacture and domestic trading of beer	Company limited	Huang Kexing	55607563-0
Tsingtao Brewery (Taiyuan) Co., Ltd. ("Taiyuan Company")	Directly	Taiyuan, the PRC	Manufacturing	RMB200,000	Manufacture and domestic trading of beer	Company limited	Huang Kexing	56132576-1
Tsingtao Brewery Finance Co., Ltd. ("Finance Company")/ii)	Directly	Qingdao, the PRC	Financing	RMB500,000	Absorb deposits, entrusted loans and issue bank acceptance notes for subsidiaries and related parties	Company limited	Sun Yuguo	57575577-0
Tsingtao Brewery Sifang Sales Co., Ltd. ("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) Co., Ltd. ("Jieyang Company")	Directly	Jieyang, the PRC	Manufacturing	RMB200,000	Manufacture and domestic trading of beer	Company limited	Huang Kexing	57791531-X
Tsingtao Brewery (Shaoguan) Co., Ltd. ("Shaoguan Company")	Directly	Shaoguan, the PRC	Manufacturing	RMB200,000	Manufacture and domestic trading of beer	Company limited	Zhao Jun	58636851-4
Tsingtao Brewery (Hainan) Co., Ltd. ("Hainan Company")	Directly	Chengmai, the PRC	Manufacturing	RMB200,000	Manufacture and domestic trading of beer	Company limited	Zhao Jun	58394661-4
Tsingtao Brewery Shibei Sales Co., Ltd. ("Shibei Sales Company")	Directly	Qingdao, the PRC	Wholesale and retail sale	RMB8,000	Pre-packaged food	Company limited	Wang Ruiyong	59529728-7
Tsingtao Brewery (Jiujiang) Co., Ltd. ("Jiujiang Company")	Directly	Jiujiang, the PRC	Manufacturing	RMB200,000	Manufacture and domestic trading of beer	Company limited	Sui Zhanping	59654049-6
Tsingtao Brewery Pingdu Sales Co., Ltd. ("Pingdu Sales")	Directly	Qingdao, the PRC	Wholesale and retail sale	RMB5,000	Pre-packaged food	Company limited	Wang Ruiyong	05308936-0
Shanghai Tsingtao Brewery Sales Co., Ltd. ("New Shanghai Sales") (4)	Directly	Shanghai, the PRC	Wholesale and retail sale	RMB1,000	Pre-packaged food	Company limited	Ma Jiji	05458196-3
Tsingtao Brewery (Xuzhou) Enterprise Management Service Co., Ltd. ("Xuzhou Enterprise Management") (2),(4)	Directly	Xuzhou, the PRC	Wholesale and retail sale	RMB10,000	Pre-packaged food and asset management	Company limited	Liu Yingdi	05867534-2
Tsingtao Brewery (Luoyang) Co., Ltd. ("Luoyang Company") (2)	Directly	Luoyang, the PRC	Manufacturing	RMB200,000	Manufacture and domestic trading of beer	Company limited	Liu Yingdi	06001509-5
Tsingtao Brewery Suntory (Shanghai) Sales Co., Ltd. ("Sales Company")	Directly	Shanghai, the PRC	Wholesale and retail sale	RMB20,000	Pre-packaged food	Company limited	Wang Ruiyong	06257661-1

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
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	10,000,000	100%	100%	Yes	—	—
Shanghai Sales Company	100,300,000	—	100%	100%	Yes	—	—
Nanjing Sales Company (4)	1,000,000	—	50%	55.56%	Yes	—	—
Wuhu Company	114,516,072	24,000,000	100%	100%	Yes	—	—
Maanshan Company	85,626,047	20,000,000	100%	100%	Yes	—	—
Shouguang Company	60,000,000	—	99%	99%	Yes	1,835,771	—
Weifang Company	73,620,001	—	100%	100%	Yes	—	—
Huaihai Sales Company (4)	45,000,000	—	50%	55.56%	Yes	—	—
Xuecheng Company	2,078,659	130,000,000	85%	85%	Yes	(10,412,709)	—
Tengzhou Company	49,158,799	—	100%	100%	Yes	—	—
Heze Company	128,549,814	—	100%	100%	Yes	—	—
Taierzhuang Malt Company	5,000,000	11,000,000	97%	100%	Yes	—	—
Langfang Company	80,830,288	—	100%	100%	Yes	—	—
Xi'an Company	392,627,114	—	100%	100%	Yes	—	—
Hansi Baoji	30,000,000	—	100%	100%	Yes	—	—
Anshan Company	30,000,000	—	60%	60%	Yes	5,609,382	171,141
Xingkaihu Company	129,430,000	32,760,000	100%	100%	Yes	—	—
Mishan Company	23,920,000	56,300,000	100%	100%	Yes	—	—
Harbin Company	109,940,000	44,600,000	100%	100%	Yes	—	—
Import/Export Company	11,210,000	—	100%	100%	Yes	—	—
Pingyuan Company	21,730,001	3,500,000	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	6,892,390	—
Taizhou Company	62,808,167	—	100%	100%	Yes	—	—
Hongkong Company	41,728,681	—	100%	100%	Yes	—	—
Hanzhong Company	46,093,340	—	66%	66%	Yes	13,979,826	—
Beifang Sales Company	88,481,000	—	100%	100%	Yes	—	—
Xiamen Company	92,289,095	—	100%	100%	Yes	—	—
Dongnan Sales company	293,862,688	—	100%	100%	Yes	—	—
Jinan Company	560,000,000	—	100%	100%	Yes	—	—
Subtotal	3,781,928,180	332,160,000				17,904,660	171,141

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
Chengdu Company	200,000,000	—	100%	100%	Yes	—	—
Yulin Company	54,442,237	—	100%	100%	Yes	—	—
Chengyang Sales Company	8,000,000	—	100%	100%	Yes	—	—
Chenzhou Sales Company Machinery and Equipment Company	50,000 2,000,000	—	100%	100%	Yes	—	—
Shijiazhuang Company	321,010,000	—	100%	100%	Yes	—	—
Taiyuan Company	200,000,000	—	100%	100%	Yes	—	—
Finance Company (ii)	500,000,000	—	100%	100%	Yes	—	—
Sifang Sales Company	10,000,000	—	100%	100%	Yes	—	—
Jieyang Company	150,000,000	—	75%	75%	Yes	55,160,804	—
Shaoguan Company	200,000,000	—	100%	100%	Yes	—	—
Hainan Company	200,000,000	—	100%	100%	Yes	—	—
Shibei Sales Company	8,000,000	—	100%	100%	Yes	—	—
Jiujiang Company	180,000,000	—	90%	90%	Yes	19,710,285	277,399
Pingdu Sales	5,000,000	—	100%	100%	Yes	—	—
New Shanghai Sales (4)	1,000,000	—	50%	55.56%	Yes	—	—
Xuzhou Enterprise Management	10,000,000	—	100%	100%	Yes	—	—
Luoyang Company	200,000,000	—	100%	100%	Yes	—	—
Sales Company (2)(i)	10,000,000	—	50%	55.56%	Yes	(424,897,104)	26,216,816
Subtotal	<u>2,259,502,237</u>	<u>—</u>				<u>(350,026,015)</u>	<u>26,494,215</u>
Total	<u>6,041,430,417</u>	<u>332,160,000</u>				<u>(332,121,355)</u>	<u>26,665,356</u>

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

(ii) In April 2013, the Company increased investment to Finance Company by RMB200,000,000 in cash, the business registration procedures have been completed in April 2013.

As at 30 June 2013, 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) Co., Ltd. ("Sanshui Company")	Indirectly	Sanshui, the PRC	Manufacturing	USD5,000	Manufacture and domestic trading of beer	Company limited	Zhao Jun	71923008-5
Tsingtao Brewery (Chenzhou) Co., Ltd. ("Chenzhou Company")	Directly & Indirectly	Chenzhou, the PRC	Manufacturing	RMB70,000	Manufacture and domestic trading of beer	Company limited	Yang Huajiang	71700298-6
Shenzhen Tsingtao Brewery Asahi Co., Ltd. ("Shenzhen Asahi")	Directly	Shenzhen, the PRC	Manufacturing	USD30,000	Manufacture and trading of beer	Company limited	Sun Mingbo	61884189-9
Tsingtao Brewery (Nanning) Co., Ltd. ("Nanning Company")	Indirectly	Nanning, the PRC	Manufacturing	RMB730,000	Manufacture and domestic trading of beer	Company limited	Sun Mingbo	61930976-5
Beijing Tsingtao Brewery Three Ring Co., Ltd. ("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 Co., Ltd. ("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) Co., Ltd. ("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 Co., Ltd. ("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) Co., Ltd. ("Wuwei Company")	Indirectly	Lanzhou, the PRC	Manufacturing	RMB36,100	Manufacture and domestic trading of beer	Company Limited	Zhang Anwen	72022229-3
Tsingtao Brewery (Rongcheng) Co., Ltd. ("Rongcheng Company")	Directly	Rongcheng, the PRC	Manufacturing	RMB20,000	Manufacture and domestic trading of beer	Company Limited	Huang Zujiang	26712457-1
Tsingtao Brewery (Suizhou) Co., Ltd. ("Suizhou Company")	Indirectly	Suizhou, the PRC	Manufacturing	RMB24,000	Manufacture and domestic trading of beer	Company Limited	Cai Zhiwei	72829922-8
Tsingtao Brewery (Fuzhou) Co., Ltd. ("Fuzhou Company")	Indirectly	Fuzhou, the PRC	Manufacturing	USD26,830	Manufacture and domestic trading of beer	Company Limited	Sui Zhanping	61131714-6

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 (Zhangzhou) Co., Ltd. ("Zhangzhou Company")	Indirectly	Zhangzhou, the PRC	Manufacturing	RMB100,000	Manufacture and domestic trading of beer	Company Limited	Sui Zhanping	72971694-3
Tsingtao Brewery Construction Co., Ltd. ("Construction Company")	Directly	Qingdao, the PRC	Construction	RMB13,140	Indoor decoration, industrial equipment fixing	Company Limited	Liu Yingdi	26480798-3
Tsingtao Brewery (Penglai) Co., Ltd. ("Penglai Company")	Directly	Penglai, the PRC	Manufacturing	RMB37,500	Manufacture and domestic trading of beer	Company Limited	Huang Zuijiang	72073544-3
Tsingtao Brewery Cultural Communication Co., Ltd. ("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 Co., Ltd. ("Beverage Company")	Directly	Qingdao, the PRC	Manufacturing	RMB110,000	Manufacture and domestic trading of beverage	Company Limited	Xie Jianqiang	72402575-6
Baotuan Company	Directly	Jinan, the PRC	Wholesale and retail sale	RMB20,000	Domestic trading of beer	Company Limited	Yan Zhengguang	67727382-8
Immense Brewery	Directly	Mengyin, the PRC	Manufacturing	USD18,760	Manufacture and domestic trading of beer	Company Limited	Huang Kexing	78715752-9
Tsingtao Brewery (Hangzhou) Co., Ltd. ("Hangzhou Company")	Directly	Jiande, the PRC	Manufacturing	RMB230,000	Manufacture and domestic trading of beer	Company Limited	Wang Ruiyong	67399878-4
Asia Brewery (Macau) Co., Ltd. ("Macau Company") (ii)	Indirectly	Macau, the PRC	Wholesale and retail sale	MOP200	Trading of beer in Macau	Company limited	Ma Ning	Not Applicable
Suntory (shanghai) market service Co., Ltd. ("Shanghai Market Service")(2)/(ii)	Indirectly	Shanghai, the PRC	Wholesale and retail sale	RMB208,870	Wholesale and Pre-packaged food	Company limited	Ma Jiji	60740995-3
The Prince (Lian Yungang) beer sales Co., Ltd. ("The Prince Sales")(2)/(ii)	Indirectly	Lian Yungang, the PRC	Wholesale and retail sale	RMB1,000	Wholesale and Pre-packaged food	Company limited	Ma Jiji	05189831-6

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)

	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	22,998,454	—
Chenzhou Company	71,921,877	—	100%	100%	Yes	—	—
Shenzhen Asahi	126,746,680	—	51%	51%	Yes	192,214,435	—
Nanning Company	270,495,918	—	75%	75%	Yes	44,250,545	—
Three Ring Company	73,846,179	103,000,000	54%	54%	Yes	(11,858,613)	—
Five Star Company	75,917,538	96,000,000	62.64%	62.64%	Yes	(23,842,032)	—
Weinan Company	50,693,709	—	100%	100%	Yes	—	—
Gansu Nongken Company	64,292,092	207,000,000	55.06%	55.06%	Yes	(48,168,104)	—
Wuwei Company	35,710,000	23,000,000	54.91%	99.72%	Yes	153,247	—
Rongcheng Company	65,103,434	—	70%	70%	Yes	819,099	—
Suizhou Company	9,000,000	—	90%	90%	Yes	(1,950,888)	—
Fuzhou Company	68,094,738	—	100%	100%	Yes	—	—
Zhangzhou Company	69,367,401	—	90%	90%	Yes	11,390,254	—
Construction Company	2,490,000	—	100%	100%	Yes	—	—
Penglai Company	30,000,000	58,600,000	80%	80%	Yes	(12,622,942)	529,831
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	50,000,000	80%	80%	Yes	37,520,291	366,310
Macau Company (ii)	103,332	—	60%	100%	Yes	8,599,225	—
Shanghai Market Service	1	—	50%	55.56%	Yes	—	—
The Prince Sales (2)(ii)	2	—	50%	55.56%	Yes	—	—
Total	3,356,889,476	557,600,000				219,502,971	896,141

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

(ii) As stated in Note 5(35), by a consideration of RMB23,013, HongKong Company obtained 15% equity interest of Macau Company, which is a subsidiary of the company the same as Hong Kong Company at May 2013. 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 Macau Company calculated continuously from the date of the acquisition or merger based on the new shareholding proportion is adjusted against the capital surplus RMB3,074,969.

As at 30 June 2013, there is no debenture issued by the subsidiaries of the Company.

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

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

	Net assets on 30 June 2013	Net losses for the current period
Sales Company (i)	(849,794,209)	(441,729,019)
Shanghai Market Service (ii)	(410,070,504)	(19,248,710)
The Prince Sales (ii)	(7,266,963)	(6,954,351)

(i) Sales Company is the subsidiary established by the Company and Suntory (China) Investment Company Limited (“Suntory Company”) on 20 March 2013, both of which hold 50% and 50% equity interest respectively. The Company has control over Sales Company. Net losses for the current period are net losses from the establishment date to 30 June 2013.

(ii) Shanghai Market Service and Prince Sales are subsidiaries of Sales Company. Net losses for the current period are net losses from the establishment date to 30 June 2013.

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

	Net assets at the disposal date	Net profit/(losses) from 1 January 2012 to the disposal date
Suntory Tsingtao Brewery(shanghai) Co., Ltd. (“Manufacturing Company”) (i)	755,555,142	13,425,523
Tsingtao Brewery (Xuzhou) Pengcheng Co., Ltd. (“Pengcheng Company”) (ii)	198,827,623	4,095,979
Tsingtao Brewery (Suqian) Co., Ltd. (“Suqian Company”) (ii)	42,696,638	(1,219,099)
Tsingtao Brewery (Xuzhou) Co., Ltd. (“Xuzhou Company”) (ii)	27,463,247	(2,006,539)
Tsingtao Brewery (Yangzhou) Co., Ltd. (“Yangzhou Company”) (ii)	(50,840,113)	(2,284,486)

(i) Manufacturing Company has changed to an associate of the company from a subsidiary in the current period.

(ii) As stated above, all of the companies are subsidiaries of Manufacturing Company before and changed to associates in the current period.

(4) Decrease investment in subsidiaries of the Company

As stated in Note 10(1)(i), the Company transfer its 50% equity interest of Nanjing Sales Company, Huaihai Sales Company and New Shanghai Sales Company to Sales Company. Hence, the Company’s proportion of shareholding in the three companies changed from 100% to 50%.

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

	Assets and liabilities	
	30 June 2013	31 December 2012
Hong Kong Company	HKD1 = RMB0.7966	HKD1 = RMB0.8109
Macau Company	MOP1 = RMB0.7695	MOP1 = RMB0.7804

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 2013 (Unaudited)			31 December 2012		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
Cash on hand						
RMB	—	—	439,388	—	—	425,980
HKD	20,522	0.7966	16,348	16,650	0.8109	13,501
MOP	12,021	0.7695	9,250	17,451	0.7804	13,619
			<u>464,986</u>			<u>453,100</u>
Bank deposits						
RMB	—	—	1,111,200,667	—	—	1,349,596,216
USD	7,254,408	6.1787	44,822,811	8,194,195	6.2855	51,504,613
HKD	59,555,068	0.7966	47,441,567	235,092,183	0.8109	190,636,251
MOP	16,416,653	0.7695	12,632,614	9,144,188	0.7804	7,136,124
EUR	1,266,935	8.0536	10,203,388	5,858	8.3176	48,725
			<u>1,226,301,047</u>			<u>1,598,921,929</u>
Deposits with interbank (i)						
RMB	—	—	7,551,246,555	—	—	4,637,688,863
USD	5,113,234	6.1787	31,593,142	5,110,233	6.2855	32,120,370
Deposits with central bank (ii)						
RMB	—	—	1,189,979,531	—	—	802,560,000
Other cash balances (iii)						
RMB	—	—	43,628,774	—	—	46,503,779
			<u>10,043,214,035</u>			<u>7,118,248,041</u>

(i) Deposits with interbank represents bank deposits 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. At 30 June 2013, the statutory deposit reserve ratio for deposits of Finance Company is 15% (31 December 2012:15%).

(iii) As at 30 June 2013, other cash balances of RMB12,245,300 (31 December 2012: RMB8,413,180) is pledged as collateral for issuance of bank acceptance (Note 5(22)); other cash balances of RMB144,676 (31 December 2012: RMB6,924,613) represents guarantee deposits of the Company for the purpose of applying for letter of credit; other cash balances of RMB31,238,798 (31 December 2012: RMB31,165,986) represents housing maintenance fund deposited in the bank.

Cash and cash equivalent presented in cash flow statements

	30 June 2013	31 December 2012
Cash at bank and on hand	10,043,214,035	7,118,248,041
Less: Deposits with central bank under restrictions	(1,189,979,531)	(802,560,000)
Other deposits under restrictions	(43,628,774)	(46,503,779)
	<u>8,809,605,730</u>	<u>6,269,184,262</u>

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

(2) Notes receivable

	30 June 2013 (Unaudited)	31 December 2012
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Bank acceptance notes	<u>74,762,856</u>	<u>61,800,000</u>
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As at 30 June 2013, 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 Co., Ltd. ("Xinkangjian Company")	22/01/2013	22/07/2013	16,300,000
Xinkangjian Company	13/05/2013	13/11/2013	14,200,000
Qingdao Youdao Business Company	07/03/2013	04/09/2013	12,400,000
Xinkangjian Company	22/02/2013	22/08/2013	10,000,000
Qingdao Youdao Business Company	11/04/2013	09/10/2013	9,200,000
Others below RMB9,000,000	Not Applicable	Not Applicable	<u>196,103,462</u>
			<u>258,203,462</u>

As at 30 June 2013, there are no pledged notes receivables and no discounted trade acceptance notes that were not mature (31 December 2012: nil).

(3) Accounts receivable

	30 June 2013 (Unaudited)	31 December 2012
Accounts receivable	<u>485,708,629</u>	312,427,165
Less: provision for bad debts	<u>(210,949,373)</u>	<u>(229,742,109)</u>
	<u>274,759,256</u>	<u>82,685,056</u>

The majority of the Company's domestic sales are made with advances from customers. The remaining 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 2013 (Unaudited)	31 December 2012
Within 6 months	<u>248,212,620</u>	81,615,211
6 months to 1 year	<u>27,825,652</u>	234,437
1 to 2 years	<u>224,534</u>	1,694,260
2 to 3 years	<u>1,134,739</u>	298,209
Over 3 years	<u>208,311,084</u>	<u>228,585,048</u>
	<u>485,708,629</u>	<u>312,427,165</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 2013 (Unaudited)				31 December 2012			
	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	37,701,710	7.76%	(37,701,710)	100%	45,101,710	14.44%	(45,101,710)	100%
Subject to provision by groups								
Group C	448,006,919	92.24%	(173,247,663)	38.67%	267,325,455	85.56%	(184,640,399)	69.07%
	<u>485,708,629</u>	<u>100.00%</u>	<u>(210,949,373)</u>	<u>43.43%</u>	<u>312,427,165</u>	<u>100%</u>	<u>(229,742,109)</u>	<u>73.53%</u>

(c) As at 30 June 2013, 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
Gansu Nongken Brewery Co., Ltd. ("Nongken Brewery Company")	14,996,236	(14,996,236)	100%	(i)
Tsingtao Brewery (Guangzhou) General Agency Co., Ltd. ("Guangzhou General Agency")	11,459,690	(11,459,690)	100%	(ii)
Beijing Tsingtao Brewery Sales Co., Ltd. ("Beijing Sales Company")	11,245,784	(11,245,784)	100%	(iii)
	<u>37,701,710</u>	<u>(37,701,710)</u>		

- (i) 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.
- (ii) 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.
- (iii) The Company had ceased all business dealings with Beijing Sales Company since 2002. 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 2013 (Unaudited)				31 December 2012			
	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	248,212,620	55.41%	—	—	81,615,211	30.53%	—	—
6 months to 1 year	27,825,652	6.21%	(1,391,283)	5%	234,437	0.09%	(11,722)	5%
1 to 2 years	224,534	0.05%	(112,267)	50%	1,694,260	0.63%	(847,130)	50%
2 to 3 years	1,134,739	0.25%	(1,134,739)	100%	298,209	0.11%	(298,209)	100%
Over 3 years	170,609,374	38.08%	(170,609,374)	100%	183,483,338	68.64%	(183,483,338)	100%
	<u>448,006,919</u>	<u>100%</u>	<u>(173,247,663)</u>	<u>38.67%</u>	<u>267,325,455</u>	<u>100%</u>	<u>(184,640,399)</u>	<u>69.07%</u>

- (e) 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 are as follows (31 December 2012: nil).

	Reason for reversal/collection	Basis for determining the provision for bad debts	Cumulative amount of provision provided before reversal/collection (unaudited)	Amount of reversal/collection (Unaudited)
Guangzhou General Agency	Collected in a proportion in current period	The management of the Company considers that the possibility of recovery is low	<u>18,859,690</u>	<u>7,400,000</u>

- (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
Langfang Market etc.	Sales of beer	<u>183,501</u>	Deregistration etc.	No

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

	30 June 2013 (Unaudited)		31 December 2012	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Asahi Breweries, Ltd. ("Asahi Breweries")	<u>1,653,332</u>	<u>—</u>	<u>1,703,799</u>	<u>—</u>

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

(3) Accounts receivable (Cont'd)

(h) As at 30 June 2013, the five largest accounts receivable are analysed as follows:

	Relationship with the Group	Amount (Unaudited)	Ageing	% of total balance
Nongken Brewery Company (i)	Third party	14,966,236	Over 3 years	3.08%
Guangzhou General Agency (i)	Associate	11,459,690	Over 3 years	2.36%
Customer A	Third party	11,344,764	Within 6 months	2.34%
Tsingtao Brewery Beijing Sales	Associate	11,245,784	Over 3 years	2.32%
Customer B	Third party	8,341,734	Within 6 months	1.72%
		<u>57,358,208</u>		<u>11.82%</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 2013 (Unaudited)			31 December 2012		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Guangzhou General Agency	Associate	11,459,690	2.36%	(11,459,690)	18,859,690	6.04%	(18,859,690)
Beijing Sales Company	Associate	11,245,784	2.32%	(11,245,784)	11,245,784	3.60%	(11,245,784)
Tsingtao Brewery Import&Export S.A.R.L ("European Company")	Associate Shareholder of	10,619,328	2.19%	—	10,475,314	3.35%	—
Asahi Breweries	the Company Subsidiaries	1,653,332	0.34%	—	1,703,799	0.55%	—
Asahi Beer (China) Investment Co., Ltd. ("Asahi Investment")	of the shareholder of the Company	854,152	0.18%	—	616,798	0.20%	—
		<u>35,832,286</u>	<u>7.39%</u>	<u>(22,705,474)</u>	<u>42,901,385</u>	<u>13.74%</u>	<u>(30,105,474)</u>

(j) As at 30 June 2013, there are no accounts receivable derecognised due to the transfer of financial assets (31 December 2012: nil).

(k) As at 30 June 2013, there are no accounts receivable pledged as a guarantee to secure bank borrowings (31 December 2012: nil).

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

(3) Accounts receivable (Cont'd)

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

	30 June 2013 (Unaudited)			31 December 2012		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
HKD	43,464,581	0.7966	34,623,885	39,537,776	0.8109	32,061,183
USD	2,983,532	6.1787	18,434,349	3,136,324	6.2855	19,713,365
EUR	1,318,582	8.0536	10,619,332	1,264,892	8.3176	10,520,866
MOP	9,253,981	0.7695	7,120,938	6,392,179	0.7804	4,988,456
CAD	224,695	5.8901	1,323,476	194,078	6.3184	1,226,262
			<u>72,121,980</u>			<u>68,510,132</u>

(4) Other receivables

	30 June 2013 (Unaudited)	31 December 2012
Payment on behalf for recycled bottles	43,893,932	18,223,493
Staff advance	41,962,153	29,403,125
Deposits	35,014,355	17,065,831
Equity transfer receivable (i)	29,650,000	—
Refund for prepayment of land use rights	17,441,647	17,441,647
VAT refund	4,284,803	2,741,233
Others	122,205,752	88,112,945
	<u>294,452,642</u>	<u>172,988,274</u>
Less: provision for bad debts	<u>(84,916,823)</u>	<u>(85,696,384)</u>
	<u>209,535,819</u>	<u>87,291,890</u>

(i) The receivable amount is Xuzhou Enterprise Management's equity transfer receivable due from New songjiang manufacturing.

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

	30 June 2013 (Unaudited)	31 December 2012
Within 6 months	195,575,164	78,373,877
6 months to 1 year	10,641,625	3,468,822
1 to 2 years	3,284,165	9,485,980
2 to 3 years	5,583,204	5,101,603
Over 3 years	79,368,484	76,557,992
	<u>294,452,642</u>	<u>172,988,274</u>

(4) Other receivables (Cont'd)

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

	30 June 2013 (Unaudited)				31 December 2012			
	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	17,441,647	5.92%	(17,441,647)	100%	17,441,647	10.08%	(17,441,647)	100%
Subject to provision by groups								
Group A	5,945,803	2.02%	—	—	2,643,835	1.53%	—	—
Group C	271,065,192	92.06%	(67,475,176)	24.89%	152,902,792	88.39%	(68,254,737)	44.64%
	<u>294,452,642</u>	<u>100%</u>	<u>(84,916,823)</u>	<u>28.84%</u>	<u>172,988,274</u>	<u>100%</u>	<u>(85,696,384)</u>	<u>49.54%</u>

(c) As at 31 December 2013, 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	<u>17,441,647</u>	<u>(17,441,647)</u>	100%	(i)

(i) The land use right of the company was expropriated by the government years ago. The government provided to render another land use right instead. The management of the Company considers that the possibility of obtain land use right is low, therefore has transferred the cost of land use right with amount of RMB8,584,437 and cost of buildings RMB8,857,210 to other receivables, and full bad debt provision has been made 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 2013(Unaudited)				31 December 2012			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 6 months	194,227,554	71.65%	—	—	78,373,877	51.25%	—	—
6 months to 1 year	8,595,920	3.17%	(429,796)	5%	2,485,987	1.63%	(124,299)	5%
1 to 2 years	2,392,677	0.88%	(1,196,339)	50%	7,824,980	5.12%	(3,912,490)	50%
2 to 3 years	3,922,204	1.45%	(3,922,204)	100%	5,101,603	3.34%	(5,101,603)	100%
Over 3 years	61,926,837	22.85%	(61,926,837)	100%	59,116,345	38.66%	(59,116,345)	100%
	<u>271,065,192</u>	<u>100%</u>	<u>(67,475,176)</u>	<u>24.89%</u>	<u>152,902,792</u>	<u>100%</u>	<u>(68,254,737)</u>	<u>44.64%</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 2012: nil).

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

(4) Other receivables (Cont'd)

(f) Other receivables that were written off in current period are as follows:

Nature	Amount (Unaudited)	Reason	Arising from related party transactions or not
Staff advance	<u>478,246</u>	Amount due from individuals, no collection evidenced	No

(g) As at 30 June 2013, there are no other receivables from shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2012: nil).

(h) As at 30 June 2013, the five largest other receivables are analysed as follows:

	Relationship with the Group	Amount (Unaudited)	Ageing	% of total balance
Tsingtao Brewery Songjiang Manufacturing Co., Ltd. ("New Songjiang Manufacturing")	Associate	36,938,262	Within 6 months	12.55%
Suqian Company	Associate	15,615,701	Within 6 months	5.30%
Maanshan Taijing Packaging service Co., Ltd.	Third party	12,367,261	Within 6 months	4.20%
Qingdao Bureau of Land and Resources of Economic Technical Development Area (i)	Third party	8,584,437	Over 3 years	2.92%
Shanghai Songjiao Trading Co., Ltd.	Third party	<u>8,411,813</u>	Within 6 months	<u>2.86%</u>
		<u>81,917,474</u>		<u>27.83%</u>

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

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

(4) Other receivables (Cont'd)

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

	Relationship with the Group	30 June 2013 (Unaudited)			31 December 2012		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
New Songjiang Manufacturing	Associate	36,938,262	12.55%	—	—	—	—
Suqian Company	Associate	15,615,701	5.30%	—	—	—	—
China Jiangsu Suntory Food Co., Ltd. ("Suntory Jiangsu")	Associate	6,228,720	2.12%	—	—	—	—
Pengcheng Company	Associate	6,127,370	2.08%	—	—	—	—
Xuzhou Company	Associate	4,226,119	1.44%	—	—	—	—
Jiangsu Suntory (Huaian) Brewery Co., Ltd. ("Suntory Huaian")	Associate	1,837,585	0.62%	—	—	—	—
Yangzhou Company	Associate	1,017,141	0.35%	—	—	—	—
Manufacturing Company	Associate	188,151	0.06%	—	—	—	—
		<u>72,179,049</u>	<u>24.52%</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

- (j) As at 30 June 2013, there are no other receivables derecognised due to transfer of financial assets (31 December 2012: nil).

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

	30 June 2013 (Unaudited)			31 December 2012		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
HKD	1,547,980	0.7966	1,233,121	1,483,410	0.8109	1,202,897
MOP	849,527	0.7695	653,711	266,670	0.7804	208,109
			<u>1,886,832</u>			<u>1,411,006</u>

(5) Advances to suppliers

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

	30 June 2013 (Unaudited)		31 December 2012	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	110,619,693	96.84%	77,671,804	92.75%
1 to 2 years	1,298,728	1.14%	6,045,274	7.22%
2 to 3 years	2,282,047	2.00%	—	—
Over 3 years	22,007	0.02%	22,007	0.03%
	<u>114,222,475</u>	<u>100%</u>	<u>83,739,085</u>	<u>100%</u>

As at 30 June 2013, advances to suppliers over 1 year with a carrying amount of RMB3,602,782 (31 December 2012: RMB6,067,281) 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

(b) As at 30 June 2013, the five largest advances to suppliers are analysed as follows:

	Relationship with the Group	Amount (Unaudited)	% of total balance	Recognition	Reason for unsettled
Hailaer Maiduoli Beer Materials Co., Ltd.	Third party	17,130,026	15.00%	2013	Goods not received
Shanxi Anxing Glass Manufacturing Co., Ltd.	Third party	12,512,835	10.95%	2013	Goods not received
Jining Beihui Glass Manufacturing Co., Ltd.	Third party	10,100,000	8.84%	2013	Goods not received
Yancheng Haiyue Malt Company Co., Ltd.	Third party	9,358,648	8.19%	2013	Goods not received
Qingdao Guangyuanfa Glass Manufacturing Co., Ltd.	Third party	9,000,000	7.88%	2013	Goods not received
		<u>58,101,509</u>	<u>50.86%</u>		

(c) As at 30 June 2013, there are no advances to shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2012: nil).

(d) As at 30 June 2013, advances to related parties are analysed as follows (Note7(5)):

	30 June 2013	31 December 2012
Suntory Jiangsu	<u>6,769,320</u>	<u>—</u>

(e) As at 30 June 2013, there are no advances to suppliers dominated in foreign currency (31 December 2012: nil).

(6) Interest receivable

	31 December 2012	Increase in current period (Unaudited)	Decrease in current period (Unaudited)	30 June 2013 (Unaudited)
Interest receivable	<u>63,996,403</u>	<u>147,352,985</u>	<u>(132,275,906)</u>	<u>79,073,482</u>

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

As at 30 June 2013, there are no overdue interest receivable (31 December 2013: nil).

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

(7) Inventories

(a) Classification of inventories is as follow:

	30 June 2013 (Unaudited)			31 December 2012		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	587,265,454	(5,574,146)	581,691,308	644,045,118	(5,612,209)	638,432,909
Packaging materials	714,253,268	(11,664,462)	702,588,806	914,975,848	(12,496,324)	902,479,524
Low-value consumption goods	51,438,683	—	51,438,683	45,654,180	—	45,654,180
Material on consignment for further processing	1,798,729	—	1,798,729	13,017,185	—	13,017,185
Work in progress	356,862,248	—	356,862,248	373,284,933	—	373,284,933
Finished goods	307,187,327	—	307,187,327	387,190,103	—	387,190,103
	<u>2,018,805,709</u>	<u>(17,238,608)</u>	<u>2,001,567,101</u>	<u>2,378,167,367</u>	<u>(18,108,533)</u>	<u>2,360,058,834</u>

(b) Movement of inventories is as follows:

	31 December 2012	Increase in current period (Unaudited)	Decrease in current period (Unaudited)	30 June 2013 (Unaudited)
Raw materials	644,045,118	2,175,529,364	(2,232,309,028)	587,265,454
Packaging materials	914,975,848	4,126,339,136	(4,327,061,716)	714,253,268
Low-value consumption goods	45,654,180	190,844,940	(185,060,437)	51,438,683
Material on consignment for further processing	13,017,185	64,459,999	(75,678,455)	1,798,729
Work in progress	373,284,933	2,578,242,342	(2,594,665,027)	356,862,248
Finished goods	387,190,103	8,734,299,224	(8,814,302,000)	307,187,327
	<u>2,378,167,367</u>	<u>17,869,715,005</u>	<u>(18,229,076,663)</u>	<u>2,018,805,709</u>

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

	31 December 2012	Increase in current period (Unaudited)	Decrease in current period		30 June 2013 (Unaudited)
			Reversal (Unaudited)	Write-off (Unaudited)	
Raw materials	(5,612,209)	(2,057)	40,120	—	(5,574,146)
Packaging materials	(12,496,324)	(148,823)	76,376	904,309	(11,664,462)
	<u>(18,108,533)</u>	<u>(150,880)</u>	<u>116,496</u>	<u>904,309</u>	<u>(17,238,608)</u>

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

(7) Inventories (Cont'd)

(d) 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	0.01%
Finished goods	Amount of carrying amount over net realisable value	Not applicable	Not applicable

(8) Other current assets

	30 June 2013 (Unaudited)	31 December 2012
Input VAT	96,636,805	183,377,399
Prepaid enterprise income tax	55,711,903	98,997,204
Others	5,056,776	1,939,831
	<u>157,405,484</u>	<u>284,314,434</u>

(9) Long-term equity investments

	30 June 2013 (Unaudited)	31 December 2012
Joint ventures — unlisted (a)	—	—
Associates — unlisted (b)	1,321,395,966	163,788,290
Other long-term equity investments — unlisted (c)	10,116,821	10,116,821
	1,331,512,787	173,905,111
Less: Provision for impairment of long-term equity investments (d)	(10,028,179)	(10,028,179)
	<u>1,321,484,608</u>	<u>163,876,932</u>

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

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

(a) Joint ventures — unlisted

Accounting Method	Investment cost	31 December 2012	Current period movement (Unaudited)				30 June 2013 (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	Share of net 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 2013 amounted to RMB122,052 (six months ended 30 June 2012: RMB265,884). As at 30 June 2013, the cumulative unrecognised investment losses amounted to RMB1,276,060 (31 Dec 2012: RMB1,398,112).

(b) Associates — unlisted

Accounting Method	Investment cost	31 December 2012	Share of net profit using the equity method				30 June 2013 (Unaudited)	Equity interest held	Voting rights held	Explanation of disparity between percentages of share holding and voting rights	Provision for impairment (Unaudited)	Impairment provided in the current period (Unaudited)
			Increase/Decrease in investment (Unaudited)	Share of net profit using the equity method (Unaudited)	Cash dividend declared (Unaudited)	Other changes in equity (Unaudited)						
Manufacturing Company (i)	Equity Method	1,141,123,402	—	1,141,123,402	15,162,372	—	1,156,285,774	50%	44.4%	(ii)	—	—
Yantai Asahi	Equity Method	120,024,598	133,007,877	—	4,213,123	—	137,221,000	39%	39%	Not Applicable	—	—
Qingdao Zhaoshang Logistics Co., Ltd. ("Zhaoshang Logistics")	Equity Method	6,000,000	23,935,600	—	2,002,065	(4,946,516)	20,991,149	30%	30%	Not Applicable	—	—
Liaoning Shenyang Tsingtao Brewery Co., Ltd. ("Liaoning Shenyang")	Equity Method	600,000	3,517,552	—	53,230	—	3,570,782	30%	30%	Not Applicable	—	—
European Company	Equity Method	584,166	2,107,261	—	—	—	2,107,261	40%	40%	Not Applicable	—	—
Others	Equity Method	1,220,000	1,220,000	—	—	—	1,220,000	Not Applicable	Not Applicable	Not Applicable	(1,220,000)	—
			163,788,290	1,141,123,402	21,430,790	(4,946,516)	1,321,395,966				(1,220,000)	—

(i) As stated in Note 10(2)(v), the share of net profit using the equity method is RMB15,162,372, of which investment income RMB10,921,379 and RMB4,240,993 was attributed to the company's manufacturing business and Suntory's manufacturing business respectively based on adjusted net profit at fair value.

(ii) The Company hold 50% equity interest of Manufacturing Company and has significant influence on financial and operating policies of Manufacturing Company, which is recognised as associate.

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

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

(c) Other long-term equity investments — unlisted

	Accounting Method	Investment cost	31 December 2012	Increase/Decrease in investment (Unaudited)	30 June 2013 (Unaudited)	Provision for impairment (Unaudited)	Impairment provided in the current period (Unaudited)	Cash dividends declared in the current period (Unaudited)
Guangxi Beihai Real Estate Co., Ltd.	Cost method	3,610,000	3,610,000	—	3,610,000	(3,610,000)	—	—
Qingdao 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)	—	—

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

	31 December 2012	Increase in current period (Unaudited)	Decrease in current period (Unaudited)	30 June 2013 (Unaudited)
Guangxi Beihai Real Estate Co., Ltd.	(3,610,000)	—	—	(3,610,000)
Qingdao Yingxiao Club	(3,985,261)	—	—	(3,985,261)
Others	(2,432,918)	—	—	(2,432,918)
	(10,028,179)	—	—	(10,028,179)

(10) Investments in joint ventures and associates

	Share holding (%)	Voting rights (%)	30 June 2013 (Unaudited)			Six months ended 30 June 2013 (Unaudited)	
			Total assets	Total liabilities	Net assets	Revenue	Net profits/(losses)
Joint ventures —							
Equipment Manufacture	50%	50%	25,256,061	27,808,423	(2,552,362)	13,760,342	244,104
Associates —							
Manufacturing Company	50%	44.44%	3,935,982,333	1,719,615,105	2,216,367,228	1,090,928,081	90,337,745
Yantai Asahi	39%	39%	425,428,014	177,596,256	247,831,758	299,934,387	12,731,571
Zhaoshang Logistics	30%	30%	134,826,158	64,899,876	69,926,282	99,816,841	6,673,552
Liaoning Shenqing	30%	30%	83,736,648	71,429,012	12,307,636	148,624,144	177,432

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

(11) Investment properties

	31 December 2012	Increase in current period	Decrease in current period	30 June 2013
Cost	18,572,021	—	—	18,572,021
Buildings	18,572,021	—	—	18,572,021
Accumulated depreciation	(11,072,934)	(183,600)	—	(11,256,534)
Buildings	(11,072,934)	(183,600)	—	(11,256,534)
Net book value	7,499,087	—	—	7,315,487
Buildings	7,499,087	—	—	7,315,487
Provision for impairment	(246,160)	—	—	(246,160)
Buildings	(246,160)	—	—	(246,160)
Carrying amount	7,252,927	—	—	7,069,327
Buildings	7,252,927	—	—	7,069,327

For the six months ended 30 June 2013, depreciation of investment properties recognised in is RMB183,600 (six months ended 30 June 2012: nil).

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

(12) Fixed assets

	31 December 2012	Increase in current period (Unaudited)	Increase due to business combinations (Unaudited)	Decrease in current period (Unaudited)	Decrease due to disposal of subsidiaries (Unaudited)	30 June 2013 (Unaudited)
Cost	15,875,853,985	555,284,958	9,963,140	(128,762,711)	(1,302,102,558)	15,010,236,814
Buildings	5,102,127,514	171,945,657	311,997	(13,681,303)	(402,127,957)	4,858,575,908
Machinery and equipment	9,822,917,824	327,541,960	1,913,320	(74,017,948)	(849,040,439)	9,229,314,717
Motor vehicles	378,991,352	20,559,472	6,946,820	(26,823,823)	(21,429,211)	358,244,610
Other equipment	571,817,295	35,237,869	791,003	(14,239,637)	(29,504,951)	564,101,579
Accumulated depreciation	(6,863,323,799)	(368,694,160)	—	94,481,634	540,380,016	(6,597,156,309)
Buildings	(1,382,026,797)	(34,339,856)	—	5,583,986	95,382,344	(1,315,400,323)
Machinery and equipment	(4,920,559,264)	(291,258,127)	—	52,636,663	416,697,563	(4,742,483,165)
Motor vehicles	(207,686,965)	(11,209,131)	—	23,232,077	10,960,099	(184,703,920)
Other equipment	(353,050,773)	(31,887,046)	—	13,028,908	17,340,010	(354,568,901)
Net book value	9,012,530,186	—	—	—	—	8,413,080,505
Buildings	3,720,100,717	—	—	—	—	3,543,175,585
Machinery and equipment	4,902,358,560	—	—	—	—	4,486,831,552
Motor vehicles	171,304,387	—	—	—	—	173,540,690
Other equipment	218,766,522	—	—	—	—	209,532,678
Provision for impairment	(668,839,833)	(513,081)	—	21,624,884	2,930,674	(644,797,356)
Buildings	(87,405,550)	—	—	1,908,577	—	(85,496,973)
Machinery and equipment	(562,667,421)	(512,997)	—	14,221,650	2,913,011	(546,045,757)
Motor vehicles	(18,381,398)	—	—	5,444,873	—	(12,936,525)
Other equipment	(385,464)	(84)	—	49,784	17,663	(318,101)
Carrying amount	8,343,690,353	—	—	—	—	7,768,283,149
Buildings	3,632,695,167	—	—	—	—	3,457,678,612
Machinery and equipment	4,339,691,139	—	—	—	—	3,940,785,795
Motor vehicles	152,922,989	—	—	—	—	160,604,165
Other equipment	218,381,058	—	—	—	—	209,214,577

As at 30 June 2013, there is no fixed assets hold as a pledge. (31 December 2012: nil).

For the six months ended 30 June 2013, depreciation charged to fixed assets amounts to RMB368,694,160 (six months ended 30 June 2012: RMB331,215,104) of which RMB327,359,891, RMB5,057,506 and RMB36,276,763 (six months ended 30 June 2012: RMB300,567,292, RMB4,831,035 and RMB25,816,777) has been charged in cost of sales, selling and distribution expenses and general and administrative expenses, respectively.

The costs of fixed assets transferred from construction in progress amount to RMB479,462,532 (six months ended 30 June 2012: RMB524,966,414).

(12) Fixed assets (Cont'd)

(a) Temporarily idle fixed assets

As at 30 June 2013, the buildings and the machinery and equipment with carrying amount of RMB18,505,304 (cost of RMB58,803,220) are temporarily idle for the reason of products update (31 December 2012: carrying amount of RMB19,732,059 (cost of RMB68,508,409)), which are analysed as follow:

	Cost (Unaudited)	Accumulated depreciation (Unaudited)	Provision for impairment (Unaudited)	Carrying amount (Unaudited)
Buildings	4,840,962	(3,209,549)	—	1,631,413
Machinery and equipment	53,962,258	(36,350,974)	(737,393)	16,873,891
	<u>58,803,220</u>	<u>(39,560,523)</u>	<u>(737,393)</u>	<u>18,505,304</u>

(b) Fixed assets held under finance leases

As at 30 June 2013, there is no fixed assets held under finance leases (31 December 2012: nil).

(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 2013 (Unaudited)		31 December 2012	
	Cost	Carrying amount	Cost	Carrying amount
In the application process	788,232,000	676,059,000	745,984,000	643,895,000
Unable to obtain	140,709,000	65,810,000	156,165,000	86,511,000
	<u>928,941,000</u>	<u>741,869,000</u>	<u>902,149,000</u>	<u>730,406,000</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 Immense Brewery Company	In progress	2013
Partial buildings of Zhuhai Company	In progress	2013
Partial buildings of Sanshui Company	In progress	Not determined
Partial buildings of Three Ring Company	In progress	Not determined
Partial buildings of Taiyuan Company	In progress	Not determined
Partial buildings of Mishan Company	In progress	Not determined
Partial buildings of Hangzhou Company	In progress	Not determined
Partial buildings of Yulin Company	In progress	Not determined
Partial buildings of Wuwei Company	In progress	Not determined
Partial buildings of Weinan Company	In progress	Not determined
Partial buildings of Gansu Nongken Company	In progress	Not determined
Partial buildings of Wuhu Company	In progress	Not determined
Partial buildings of Suizhou Company	In progress	Not determined
Partial buildings of Luzhou Company	In progress	Not determined
Partial buildings of Zhangzhou Company	In progress	Not determined
Partial buildings of Shijiazhuang Company	In progress	Not determined
Partial buildings of Xiamen Company	In progress	Not determined
Partial buildings of Shaoguan Company	In progress	Not determined
Partial buildings of Chengdu Company	In progress	Not determined
Partial buildings of Shenzhen Asahi Company	In progress	Not determined
Partial buildings of Xuecheng Company	In progress	Not determined
Partial buildings of Maanshan Company	In progress	Not determined
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
Partial buildings of Chenzhou Company	Lack of document	Not applicable

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

(13) Construction in progress

	30 June 2013 (Unaudited)			31 December 2012		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Production Line Improvement of No. 2 Factory	199,838,532	(462,515)	199,376,017	178,535,980	(462,515)	178,073,465
New Factory Project of Malt Factory	137,945,626	—	137,945,626	16,862,188	—	16,862,188
New Factory Project of Jiujiang Company	124,480,126	—	124,480,126	20,300,581	—	20,300,581
Production Line Improvement of Gansu Nongken Company	99,100,960	—	99,100,960	98,775,677	—	98,775,677
New Factory Project of Wuwei Company	96,939,489	—	96,939,489	777,039	—	777,039
Production Line Improvement of No. 1 Factory	58,245,816	—	58,245,816	41,993,097	—	41,993,097
Production Line Improvement of Heze Company	31,605,031	—	31,605,031	671,224	—	671,224
Production Line Improvement of Harbin Company	30,914,164	—	30,914,164	21,386,161	—	21,386,161
Production Line Improvement of Five Star Company	8,641,581	—	8,641,581	749,400	—	749,400
Production Line Improvement of Immense Brewery Company	8,200,077	—	8,200,077	5,437,907	—	5,437,907
Production Line Improvement of Xiamen Company	7,243,341	—	7,243,341	652,427	—	652,427
Production Line Improvement of No. 4 Factory	6,352,233	—	6,352,233	5,560,852	—	5,560,852
Production Line Improvement of Chengdu Company	5,155,723	—	5,155,723	546,801	—	546,801
Production Line Improvement of Shaoguan Company	5,057,394	—	5,057,394	—	—	—
Production Line Improvement of Luzhou Company	4,905,271	—	4,905,271	626,350	—	626,350
New Factory Project of Fuzhou Company	4,731,050	—	4,731,050	—	—	—
Production Line Improvement of Shenzhen Asahi Company	3,972,019	—	3,972,019	4,808,731	—	4,808,731
Production Line Improvement of Chenzhou Company	3,014,391	—	3,014,391	—	—	—
Production Line Improvement of Zhangzhou Company	2,699,652	—	2,699,652	—	—	—
Production Line Improvement of Huangshi Company	2,273,596	—	2,273,596	—	—	—
Production Line Improvement of Taiyuan Company	2,174,813	—	2,174,813	1,728,355	—	1,728,355
Production Line Improvement of Changsha Company	2,159,074	—	2,159,074	—	—	—
Project of Equipment installation of Sales Company	2,032,171	—	2,032,171	—	—	—
Production Line Improvement of Jinan Company	1,937,684	—	1,937,684	11,315,692	—	11,315,692
Production Line Improvement of Sanshui Company	1,679,434	—	1,679,434	—	—	—
Production Line Improvement of Suizhou Company	1,461,538	—	1,461,538	—	—	—
New office building project of shanghai sales company	1,319,283	—	1,319,283	1,194,000	—	1,194,000

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

(13) Construction in progress (Cont'd)

	30 June 2013 (Unaudited)			31 December 2012		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Production Line Improvement of Shijiazhuang Company	1,319,053	—	1,319,053	222,232	—	222,232
New Factory Project of Jieyang Company	1,304,567	—	1,304,567	615,359	—	615,359
New Factory Project of Luoyang Company	1,282,872	—	1,282,872	—	—	—
Production Line Improvement of Xi'an Company	967,137	—	967,137	8,298,478	—	8,298,478
Production Line Improvement of Nanning Company	932,803	—	932,803	1,030,156	—	1,030,156
Production Line Improvement of Xingkaihu Company	792,940	—	792,940	221,361	—	221,361
Production Line Improvement of Three Ring Company	736,092	—	736,092	—	—	—
Production Line Improvement of Shouguang Company	551,420	—	551,420	3,905,870	—	3,905,870
Instruments Installation of Headquarters	542,480	—	542,480	364,604	—	364,604
Production Line Improvement of Rizhao Company	422,357	—	422,357	—	—	—
Production Line Improvement of Taizhou Company	421,006	—	421,006	175,912	—	175,912
Production Line Improvement of Hangzhou Company	382,367	—	382,367	240,863	—	240,863
Equipment protection Improvement of Xuecheng Company	209,257	—	209,257	144,300	—	144,300
Production Line Improvement of No.5 Factory	139,363	—	139,363	2,405,442	—	2,405,442
Other projects	231,493	—	231,493	249,200,809	—	249,200,809
	<u>864,315,276</u>	<u>(462,515)</u>	<u>863,852,761</u>	<u>678,747,848</u>	<u>(462,515)</u>	<u>678,285,333</u>

(13) Construction in progress (Cont'd)

(a) Movement in significant construction in progress

Name	Budget	31 December 2012	Increase in current period	Transfer to fixed assets	Decrease due to disposal of subsidiaries	30 June 2013	Proportion of expenditures incurred to budgeted amount	Progress of construction	Source of funds
Production Line Improvement of No. 2 Factory	666,150,000	178,535,980	36,387,931	(15,085,379)	—	199,838,532	86%	88%	Funding from the exercise of bonds
New Factory Project of Malt Factory	373,000,000	16,862,188	121,083,438	—	—	137,945,626	37%	37%	Funding from convertible bonds
New Factory Project of Jiujiang Company	299,540,000	20,300,581	104,179,545	—	—	124,480,126	42%	42%	Self-funding
Production Line Improvement of Gansu Nongken Company	296,200,000	98,775,677	325,283	—	—	99,100,960	35%	35%	Self-funding
New Factory Project of Wuwei Company	314,910,000	777,039	123,469,697	(27,307,247)	—	96,939,489	39%	39%	Self-funding
Production Line Improvement of No. 1 Factory	297,660,000	41,993,097	13,231,320	3,021,399	—	58,245,816	54%	54%	Self-funding
Production Line Improvement of Heze Company	291,640,000	671,224	30,939,363	(5,556)	—	31,605,031	11%	11%	Self-funding
Production Line Improvement of Harbin Company	215,400,000	21,386,161	9,528,003	—	—	30,914,164	15%	15%	Self-funding
Production Line Improvement of Five Star Company	15,782,300	749,400	13,675,870	(5,783,689)	—	8,641,581	91%	91%	Self-funding
Production Line Improvement of Immense Brewery Company	104,600,000	5,437,907	2,762,170	—	—	8,200,077	38%	38%	Self-funding
Production Line Improvement of Xiamen Company	186,670,000	652,427	6,590,914	—	—	7,243,341	53%	53%	Self-funding
Production Line Improvement of No. 4 Factory	10,885,342	5,560,852	8,816,324	(8,024,943)	—	6,352,233	81%	81%	Self-funding
Production Line Improvement of Chengdu Company	87,580,000	546,801	7,772,183	(3,163,261)	—	5,155,723	94%	94%	Self-funding
Production Line Improvement of Shaoguan Company	67,436,403	—	5,057,394	—	—	5,057,394	99%	99%	Self-funding
Production Line Improvement of Luzhou Company	29,238,340	626,350	5,822,665	(1,543,744)	—	4,905,271	44%	44%	Self-funding
New Factory Project of Fuzhou Company	410,082,900	—	6,902,730	(2,171,680)	—	4,731,050	100%	100%	Self-funding
Production Line Improvement of Shenzhen Asahi Company	153,257,352	4,808,731	18,057,462	(18,894,174)	—	3,972,019	91%	90%	Self-funding
Production Line Improvement of Chenzhou Company	8,552,300	—	4,700,682	(1,686,291)	—	3,014,391	55%	55%	Self-funding
Production Line Improvement of Zhangzhou Company	4,162,500	—	3,933,475	(1,233,823)	—	2,699,652	94%	94%	Self-funding
Production Line Improvement of Huangshi Company	11,409,000	—	4,546,596	(2,273,000)	—	2,273,596	40%	40%	Self-funding
Production Line Improvement of Taiyuan Company	24,577,339	1,728,355	9,703,528	(9,257,070)	—	2,174,813	70%	70%	Self-funding
Production Line Improvement of Changsha Company	7,765,300	—	2,455,774	(296,700)	—	2,159,074	32%	32%	Self-funding
Project of Equipment installation of Sales Company	2,064,129	—	2,032,171	—	—	2,032,171	98%	98%	Self-funding
Production Line Improvement of Jinan Company	54,890,000	11,315,692	37,260,871	(46,638,879)	—	1,937,684	91%	91%	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 2012	Increase in current period	Transfer to fixed assets	Decrease due to disposal of subsidiaries	30 June 2013	Proportion of expenditures incurred to budgeted amount	Progress of construction	Source of funds
Production Line Improvement of Sanshui Company	19,263,102	—	2,179,434	(500,000)	—	1,679,434	98%	98%	Self-funding
Production Line Improvement of Suizhou Company	1,900,000	—	1,461,538	—	—	1,461,538	77%	77%	Self-funding
New office building project of Shanghai sales company	140,000,000	1,194,000	125,283	—	—	1,319,283	1%	1%	Self-funding
Production Line Improvement of Shijiazhuang Company	5,001,000	222,232	4,048,988	(2,952,167)	—	1,319,053	26%	26%	Self-funding
New Factory Project of Jieyang Company	98,935,348	615,359	2,112,455	(1,423,247)	—	1,304,567	66%	66%	Self-funding
New Factory Project of Luoyang Company	336,000,000	—	1,400,178	(117,306)	—	1,282,872	1%	1%	Self-funding
Production Line Improvement of Xi'an Company	68,259,800	8,298,478	30,172,282	(37,503,623)	—	967,137	91%	91%	Self-funding
Production Line Improvement of Nanning Company	31,060,000	1,030,156	22,753,861	(22,851,214)	—	932,803	92%	92%	Self-funding
Production Line Improvement of Xingkaifu Company	5,748,000	221,361	571,579	—	—	792,940	98%	98%	Self-funding
Production Line Improvement of Three Ring Company	8,190,000	—	5,448,762	(4,712,670)	—	736,092	67%	67%	Self-funding
Production Line Improvement of Shouguang Company	14,489,100	3,905,870	7,731,363	(11,085,813)	—	551,420	72%	72%	Self-funding
Instruments Installation of Headquarters	10,773,648	364,604	539,895	(362,019)	—	542,480	56%	56%	Self-funding
Production Line Improvement of Rizhao Company	9,038,153	—	423,415	(1,058)	—	422,357	83%	83%	Self-funding
Production Line Improvement of Taizhou Company	15,954,300	175,912	10,101,825	(9,856,731)	—	421,006	64%	64%	Self-funding
Production Line Improvement of Hangzhou Company	62,540,000	240,863	12,584,897	(12,443,393)	—	382,367	98%	98%	Self-funding
Equipment protection Improvement of Xuecheng Company	1,200,000	144,300	295,757	(230,800)	—	209,257	37%	37%	Self-funding
Production Line Improvement of No.5 Factory	897,500	2,405,442	227,250	(2,493,329)	—	139,363	25%	25%	Self-funding
Other projects		249,200,809	114,707,318	(232,585,125)	(131,091,509)	231,493	Not applicable	Not applicable	Self-funding
		<u>678,747,848</u>	<u>796,121,469</u>	<u>(479,462,532)</u>	<u>(131,091,509)</u>	<u>864,315,276</u>			

As at 30 June 2013, the amount of the borrowing costs of new factory project of Malt Factory to be capitalised is RMB10,044,808. The capitalisation rate of borrowing costs is 6.53%. Interest expenses capitalised from convertible bonds amount to RMB11,434,853, less interest income amount to RMB1,390,045, of which receiving from proceeds deposited in the bank (six months ended 30 June 2012: nil).

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

(13) Construction in progress (Cont'd)

(b) Provision for impairment

	31 December 2012	Increase in current period (Unaudited)	Decrease in current period (Unaudited)	30 June 2013 (Unaudited)	Reason for provision
Tin Seamer Installation Project	(462,515)	—	—	(462,515)	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.

(14) Fixed assets pending for disposal

	30 June 2013 (Unaudited)	31 December 2012	Reason for transfer to assets pending for disposal
Machinery and equipment	11,811,312	9,917,059	Old machinery and equipment for disposal

(15) Intangible assets

	31 December 2012	Increase in current period (Unaudited)	Increase due to business combination (Unaudited)	Decrease in current period (Unaudited)	Decrease due to disposal of subsidiaries (Unaudited)	30 June 2013 (Unaudited)
Original cost	3,177,261,616	79,207,099	72,059,566	(11,860,253)	(115,594,975)	3,201,073,053
Land use rights	1,785,707,881	62,278,712	—	(966,996)	(99,396,347)	1,747,623,250
Patents	378,018,586	—	—	(396,000)	—	377,622,586
Proprietary	18,629,100	—	—	—	—	18,629,100
Marketing network	766,864,038	—	70,840,000	—	—	837,704,038
others	228,042,011	16,928,387	1,219,566	(10,497,257)	(16,198,628)	219,494,079
		Increase in current period (Unaudited)	Increase due to business combination (Unaudited)	Decrease in current period (Unaudited)	Decrease due to disposal of subsidiaries (Unaudited)	
Accumulated amortisation	(630,682,096)	(81,534,091)	—	3,415,064	20,238,878	(688,562,245)
Land use rights	(268,353,700)	(18,419,266)	—	60,771	15,715,751	(270,996,444)
Patents	(104,252,606)	(14,677,900)	—	396,000	—	(118,534,506)
Proprietary	(18,629,100)	—	—	—	—	(18,629,100)
Marketing network	(171,274,278)	(9,487,560)	—	—	—	(180,761,838)
others	(68,172,412)	(38,949,365)	—	2,958,293	4,523,127	(99,640,357)

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

(15) Intangible assets (Cont'd)

	31 December 2012	Increase in current period (Unaudited)	Increase due to business combination (Unaudited)	Decrease in current period (Unaudited)	Decrease due to disposal of subsidiaries (Unaudited)	30 June 2013 (Unaudited)
Net book value	2,546,579,520	—	—	—	—	2,512,510,808
Land use rights	1,517,354,181	—	—	—	—	1,476,626,806
Patents	273,765,980	—	—	—	—	259,088,080
Proprietary	—	—	—	—	—	—
Marketing network	595,589,760	—	—	—	—	656,942,200
others	159,869,599	—	—	—	—	119,853,722

For the six months ended 30 June 2013, amortisation of intangible assets amount to RMB81,534,091 in total, which is recognised in profit or loss for the current period. (six months ended 30 June 2012: RMB76,497,487).

As at 30 June 2013, there are no intangible assets pledged as collateral for bank borrowings (31 December 2012: 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 RMB55,768,000 (31 December 2012: RMB56,578,000) 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 2013, 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 RMB56,254,000 as at 30 June 2013 (31 December 2012: RMB77,523,000). 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 2012	Increase in current period (Unaudited)	Decrease in current period (Unaudited)	30 June 2013 (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(i)	50,657,188	—	(1,759,422)	48,897,766
	<u>1,279,095,657</u>	<u>—</u>	<u>(1,759,422)</u>	<u>1,277,336,235</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>(1,759,422)</u>	<u>1,079,925,496</u>

(i) as stated in Note 10(2), the decrease of goodwill resulted from disposal of subsidiaries.

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

(16) Goodwill (Cont'd)

(a) Impairment

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

	30 June 2013 (Unaudited)	31 December 2012
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 2012:

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.

(17) Long-term prepaid expenses

	31 December 2012	Increase in current period (Unaudited)	Amortisation in current period (Unaudited)	30 June 2013 (Unaudited)
Gardening expense	1,086,750	3,978,447	(1,519,399)	3,545,798
Decoration and renovation expenses	2,149,562	735,105	(536,493)	2,348,174
Occupancy expense	1,920,000	—	(80,000)	1,840,000
Rental charge	356,211	474,491	(353,674)	477,028
Others	912,931	352,499	(208,566)	1,056,864
	<u>6,425,454</u>	<u>5,540,542</u>	<u>(2,698,132)</u>	<u>9,267,864</u>

(18) Deferred tax assets and deferred tax liabilities

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

	30 June 2013 (Unaudited)		31 December 2012	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Accruals not tax deductible	696,596,296	2,786,385,184	473,510,133	1,894,040,538
Internal unrealised profit's elimination	19,482,460	77,929,840	18,859,739	75,438,955
Deferred government grants	6,656,751	26,627,004	6,024,639	24,098,557
Provision for assets impairment	6,466,677	25,866,708	7,064,248	28,256,991
Deductible losses	—	—	4,811,371	19,245,484
	729,202,184	2,916,808,736	510,270,130	2,041,080,525

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

	30 June 2013 (Unaudited)		31 December 2012	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Business combination involving entities not under common control	184,830,753	739,323,012	178,449,767	713,799,069
The difference between carrying amount and tax base of convertible bonds	15,138,276	60,553,104	24,920,962	99,683,848
The difference between carrying amount and tax base resulted from government grants charged in current profit and loss	348,984	1,395,936	123,141	492,563
	200,318,013	801,272,052	203,493,870	813,975,480

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

(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 2013 (Unaudited)	31 December 2012
Deductible temporary differences	441,706,943	489,701,736
Deductible losses	<u>1,005,277,218</u>	<u>856,256,894</u>
	<u>1,446,984,161</u>	<u>1,345,958,630</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 251,319,000 (31 December 2012: RMB214,064,000) arising from the accumulated losses that can set off against taxable incomes under tax laws in the five-year period from 2014 to 2018. 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 110,427,000 (31 December 2012: RMB122,425,000) 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 2013 (Unaudited)	31 December 2012
2013	—	155,672,168
2014	77,671,713	89,081,607
2015	89,505,044	81,286,262
2016	218,605,548	259,182,527
2017	252,892,438	271,034,330
2018	<u>366,602,475</u>	<u>—</u>
	<u>1,005,277,218</u>	<u>856,256,894</u>

(18) Deferred tax assets and deferred tax liabilities (Cont'd)*(e)* Offsetting of balances of deferred tax assets and liabilities:

	30 June 2013 (Unaudited)	31 December 2012
Deferred tax assets	15,138,276	24,920,962
Deferred tax liabilities	15,138,276	24,920,962

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

	<u>30 June 2013 (Unaudited)</u>		<u>31 December 2012</u>	
	Net amounts	Deductible/ taxable temporary differences after offsetting	Net amounts	Deductible/ taxable temporary differences after offsetting
Deferred tax assets	714,063,908	2,856,255,632	485,349,168	1,941,396,677
Deferred tax liabilities	185,179,737	740,718,948	178,572,908	714,291,632

(19) Provision for asset impairment

	31 December 2012	Increase in current period (Unaudited)	<u>Decrease in current period</u>			30 June 2013 (Unaudited)
			Reversal (Unaudited)	Write-off (Unaudited)	Disposal of subsidiaries (Unaudited)	
Provision for bad debts	315,438,493	1,821,945	(8,784,654)	(661,747)	(11,947,841)	295,866,196
Including:						
Provision for bad debts of accounts receivable	229,742,109	44,811	(8,510,105)	(183,501)	(10,143,941)	210,949,373
Provision for bad debts of other receivables	85,696,384	1,777,134	(274,549)	(478,246)	(1,803,900)	84,916,823
Provision for decline in value of inventories	18,108,533	150,880	(116,496)	(904,309)	—	17,238,608
Provision for impairment of long-term equity investments	10,028,179	—	—	—	—	10,028,179
Provision for impairment of fixed assets	668,839,833	513,081	—	(21,624,884)	(2,930,674)	644,797,356
Provision for impairment of investment properties	246,160	—	—	—	—	246,160
Provision for impairment of construction in progress	462,515	—	—	—	—	462,515
Provision for impairment of goodwill	197,410,739	—	—	—	—	197,410,739
	<u>1,210,534,452</u>	<u>2,485,906</u>	<u>(8,901,150)</u>	<u>(23,190,940)</u>	<u>(14,878,515)</u>	<u>1,166,049,753</u>

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

(20) Other non-current assets

	30 June 2013 (Unaudited)	31 December 2012
Payments for construction and equipment	256,588,864	195,910,178
Others (Note 10)	39,500,000	—
	<u>296,088,864</u>	<u>195,910,178</u>

As at 30 June 2013, there are no other non-current assets from shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2012: nil).

(21) Short-term borrowings

(a) Classification of short-term borrowings

	Currency	30 June 2013 (Unaudited)	31 December 2012
Unsecured	HKD	62,608,830	85,617,652
Entrusted (i)	RMB	57,350,274	62,000,000
		<u>119,959,104</u>	<u>147,617,652</u>

(i) As at 30 June 2013, represents short-term borrowings entrusted to Shanghai Market Service and The Prince Sales by Suntory, (31 December 2012: Represents short-term borrowings entrusted to Yangzhou Company by TB Group Company through bank) (note7(5)).

For the six months ended 30 June 2013, the weighted average interest rate of short-term borrowings is 4.39% (six months ended 30 June 2012: 4.53%).

As at 30 June 2013, there are no short-term borrowings that are due but have not been paid (31 December 2012: nil).

(22) Notes payable

	30 June 2013 (Unaudited)	31 December 2012
Trade acceptance notes	49,600,000	51,100,000
Bank acceptance notes	58,280,759	30,783,234
	<u>107,880,759</u>	<u>81,883,234</u>

As at 30 June 2013, other cash balances of RMB12,245,300 (31 December 2012: RMB8,413,180) is pledged as collateral for insurance of acceptance notes (Note 5(1)).

As at 30 June 2013, all notes payable are due within six months.

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

(23) Accounts payable

	30 June 2013	31 December 2012
	(Unaudited)	
Amount for purchase materials	2,609,987,280	1,956,408,429
Amount for purchase beer from related parties	705,100,096	21,792,927
Amount for purchase promotion goods	37,868,838	12,846,853
Others	1,177,798	2,353,480
	<u>3,354,134,012</u>	<u>1,993,401,689</u>

(a) As at 30 June 2013, there are no accounts payable to shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2012: nil).

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

	30 June 2013	31 December 2012
	(Unaudited)	
New Songjiang Manufacturing Suntory Brewery (Kunshan) Company Limited ("Suntory Kunshan")	254,232,378	—
Pengcheng Company	245,249,404	—
Yantai Asahi	70,166,251	—
Yangzhou Company	42,877,521	21,792,927
Suntory Brewery (Shanghai) Company Limited ("Suntory Shanghai")	30,367,602	—
Xuzhou Company	26,578,171	—
Suqian Company	18,762,513	—
Suntory Huaian	15,331,052	—
Suntory Brewery (Guangming) Company Limited ("Suntory Guangming")	4,289,293	—
	<u>1,535,203</u>	<u>—</u>
	<u>709,389,388</u>	<u>21,792,927</u>

(c) As at 30 June 2013, accounts payable over 1 year with carrying amount of RMB1,776,434,597 (31 December 2012: RMB35,826,187) are mainly payable on materials, for which final settlement has not yet been completed.

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

	30 June 2013	31 December 2012
	(Unaudited)	
Within 1 year	1,577,699,415	1,957,575,502
1 to 2 years	1,747,463,979	9,214,829
2 to 3 years	4,815,310	7,266,872
Over 3 years	24,155,308	19,344,486
	<u>3,354,134,012</u>	<u>1,993,401,689</u>

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

(24) Advances from customers

	30 June 2013 (Unaudited)	31 December 2012
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Advances on sales of beer	<u>464,551,838</u>	<u>656,414,452</u>
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(a) As at 30 June 2013, there are no advances from shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2012: nil).

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

	30 June 2013 (Unaudited)	31 December 2012
--	---	---------------------

Suqian Company	4,500,000	—
Liaoning Shenqing	<u>4,320,522</u>	<u>13,943,339</u>
	<u>8,820,522</u>	<u>13,943,339</u>

(c) As at 30 June 2013, advances from customers over 1 year with carrying amount of approximately RMB18,929,380 (31 December 2012: RMB11,234,894) 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 2013, there are no advances from customers denominated in foreign currency (31 December 2012: nil).

(25) Employee benefits payable

	31 December 2012	Current period additions (Unaudited)	Current period reductions (Unaudited)	30 June 2013 (Unaudited)
Salaries, bonuses, allowances and subsidies	419,918,735	1,134,228,404	(1,129,914,563)	424,232,576
Staff welfare	214,197	75,101,860	(73,028,962)	2,287,095
Social insurances	42,328,080	245,047,510	(240,056,909)	47,318,681
Including: Medical insurance	15,458,118	68,905,310	(67,967,995)	16,395,433
Pension insurance	18,942,606	146,983,820	(143,763,910)	22,162,516
Unemployment insurance	5,239,283	14,503,949	(13,928,544)	5,814,688
Other insurances	2,688,073	14,654,431	(14,396,460)	2,946,044
Housing funds	18,254,722	78,951,457	(76,493,149)	20,713,030
Labor union fund and employee education fund	131,840,114	42,433,730	(26,657,101)	147,616,743
Internal retirement benefits	<u>274,079,542</u>	<u>159,897,470</u>	<u>(45,465,353)</u>	<u>388,511,659</u>
	<u>886,635,390</u>	<u>1,735,660,431</u>	<u>(1,591,616,037)</u>	<u>1,030,679,784</u>

As at 30 June 2013, 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, labour union funds and employee education funds) is estimated to be used up in 2013. 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.

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

(26) Taxes payable

	30 June 2013 (Unaudited)	31 December 2012
Consumption tax	215,073,969	116,725,314
Enterprise income tax	197,683,559	98,824,419
VAT	171,498,153	60,000,947
City maintenance and construction tax	25,846,108	10,662,923
Education surcharge	25,308,921	11,423,364
Business tax	5,183,222	15,747,999
Withholding income tax	2,180,686	1,340,402
Others	33,959,158	36,141,114
	<u>676,733,776</u>	<u>350,866,482</u>

(27) Dividends payable

	30 June 2013 (Unaudited)	31 December 2012
Payable to ordinary shareholders' dividend of RMB	278,365,447	—
Payable to foreign shareholders' dividend of overseas listed	262,027,671	—
Payable to SITC Logistic (HK) Limited	—	1,101,571
	<u>540,393,118</u>	<u>1,101,571</u>

(28) Other payables

	30 June 2013 (Unaudited)	31 December 2012
Marketing expenses	2,012,273,675	1,346,765,571
Guarantee deposits	983,870,867	698,414,980
Payables to vendors of construction and machinery and equipment	505,776,202	545,993,754
Accruals for advertising expenses	321,270,135	55,196,781
Accruals for transportation expenses	206,227,599	110,418,916
Accruals for labour expenses	72,052,042	22,780,353
Accruals for general and administrative expenses	29,828,125	37,802,317
Accruals for electricity expenses	22,925,678	15,349,803
Accruals for steam expenses	19,232,027	13,610,483
Withholding overall social planning expenses for staff	10,152,740	10,060,927
Others	480,113,770	357,188,455
	<u>4,663,722,860</u>	<u>3,213,582,340</u>

- (a) As at 30 June 2013, there are no other payables to shareholders who hold more than 5% (including 5%) of the voting rights of the Company (31 December 2012: nil).

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

(28) Other payables (Cont'd)

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

	30 June 2013 (Unaudited)	31 December 2012
Yantai Asahi	53,466,318	20,128,779
Zhaoshang Logistics	51,937,013	49,704,038
Pengcheng company	36,674,868	—
Suqian company	16,785,251	—
Yangzhou company	10,153,921	—
Xuzhou company	4,278,704	—
Suntory Guangming	898,499	—
Suntory Shanghai	782,778	—
New songjiang manufacturing	382,694	—
Suntory Kunshan	153,583	—
	<u>175,513,629</u>	<u>69,832,817</u>

(c) As at 30 June 2013, other payables over 1 year with carrying amount of RMB292,341,401 (31 December 2012: RMB320,884,930) are mainly liabilities incurred on acquisition of subsidiaries.

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

	30 June 2013 (Unaudited)			31 December 2012		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
USD	602,979	6.1787	3,725,626	718,600	6.2855	4,516,760
HKD	9,172,603	0.7966	7,306,896	268,845	0.8109	218,006
MOP	398,449	0.7695	306,606	880,885	0.7804	687,443
			<u>11,339,128</u>			<u>5,422,209</u>

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

(29) Current portion of non-current liabilities

	30 June 2013 (Unaudited)	31 December 2012
Current portion of long-term borrowings (a)	312,315,241	1,786,281
Current portion of long-term payables	1,000,000	1,000,000
	<u>313,315,241</u>	<u>2,786,281</u>

(a) Current portion of long-term borrowings

	30 June 2013 (Unaudited)	31 December 2012
Guaranteed	312,315,241	1,786,281

As at 30 June 2013, there are no overdue borrowings (31 December 2012: 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 2013 (Unaudited)		31 December 2012	
					Amount in foreign currency	Amount in RMB	Amount in foreign currency	Amount in RMB
Import and Export Bank of China	1996.12.31	2013.12.31	EUR	—	152,348	1,226,948	152,348	1,267,168
Import and Export Bank of China	1996.10.1	2014.4.1	DKK	—	385,568	414,293	396,832	438,023
China Development Bank, Hong Kong Branch	2011.5.25	2014.5.26	HKD	3.14%	390,000,000	<u>310,674,000</u>	100,000	<u>81,090</u>
						<u>312,315,241</u>		<u>1,786,281</u>

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

(30) Long-term borrowings

	Currency	30 June 2013 (Unaudited)	31 December 2012
Guaranteed (a)	HKD	—	445,913,910
Guaranteed (a)	EUR	3,156,811	3,260,293
Guaranteed (a)	DKK	3,008,600	3,311,400
		6,165,411	452,485,603

As at 30 June 2013, guaranteed long-term borrowings include:

Bank guaranteed borrowing of RMB310,674,000 (Original foreign currency: HKD390,000,000) (31 December 2012: RMB445,995,000 (Original foreign currency: HKD550,000,000)) is guaranteed by the Company to Hong Kong company, a subsidiary, which falls due within one year (31 December 2012: the amount due within one year amounted to RMB81,090);

Bank guaranteed borrowing of RMB4,383,759 (Original foreign currency: EUR544,323) (31 December 2012: RMB4,527,461. (Original foreign currency: EUR544,323) 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 RMB1,226,948 (31 December 2012: RMB1,267,168);

Bank guaranteed borrowing of RMB3,422,893 (Original foreign currency: DKK3,185,568) (31 December 2012: RMB3,749,423, foreign currency: DKK3,396,832) 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 RMB414,293 (31 December 2012: RMB438,023).

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

	Starting date	Ending date	Currency	Interest rate (%)	30 June 2013 (Unaudited)		31 December 2012	
					Amount in foreign currency	Amount in RMB	Amount in foreign currency	Amount in RMB
China Development Bank, Hong Kong Branch	2011.05.25	2014.05.26	HKD	—	—	—	549,900,000	445,913,910
Import and Export Bank of China	1996.12.31	2016.12.31	EUR	—	391,975	3,156,811	391,975	3,260,293
Import and Export Bank of China	1996.10.01	2021.04.01	DKK	—	2,800,000	3,008,600	3,000,000	3,311,400
						6,165,411		452,485,603

For the six months ended 30 June 2013, the weighted average interest rate of long-term borrowings is 3.15% (six months ended 30 June 2012: 3.07%).

As at 30 June 2013, there are no overdue borrowings.

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

(31) Debentures payable

	31 December 2012	Current period additions (Unaudited)	Current period reductions (Unaudited)	30 June 2013 (Unaudited)
Convertible bonds	<u>1,409,316,153</u>	<u>45,130,743</u>	<u>(12,000,000)</u>	<u>1,442,446,896</u>

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

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

Accrued interests of debentures are analysed as follows:

	Accrued interests			30 June 2013 (Unaudited)
	31 December 2012	Current period accruals (Unaudited)	Current period payments (Unaudited)	
Convertible bonds	<u>—</u>	<u>12,000,000</u>	<u>(12,000,000)</u>	<u>—</u>

As at 30 June 2013, 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 2012	373,263,221
Interest paid up to 31 December 2012	<u>(48,000,000)</u>
Liability component as at 31 December 2012	1,409,316,153
Interest expenses for the six months ended 30 June 2013	45,130,743
Including: Capitalised interest expenses	11,434,853
Interest expenses recognised as financial expenses	<u>33,695,890</u>
Interest paid for the six months ended 30 June 2013	<u>(12,000,000)</u>
Liability component as at 30 June 2013	<u>1,442,446,896</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.

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

(33) Other non-current liabilities

	30 June 2013 (Unaudited)	31 December 2012
Deferred income (a)	<u>1,121,192,201</u>	<u>1,381,212,241</u>

(a) Deferred income

	30 June 2013 (Unaudited)	31 December 2012
Government grants related to income		
Projects on scientific research grant	<u>8,430,000</u>	<u>5,385,000</u>
Government grants related to assets		
Projects on relocation compensation for old factory	997,753,221	1,212,905,177
Projects on expansion or new factory construction	76,751,601	123,565,954
Projects on technology improvement	23,678,602	22,145,439
Project on sewage treatment	5,000,000	7,476,461
Other projects	<u>9,578,777</u>	<u>9,734,210</u>
	<u>1,112,762,201</u>	<u>1,375,827,241</u>
	<u>1,121,192,201</u>	<u>1,381,212,241</u>

(34) Share capital

	31 December 2012	Current period additions and reductions		30 June 2013 (Unaudited)
		Others (Unaudited)	Subtotal (Unaudited)	
Shares not subject to trading restriction —				
RMB-denominated ordinary shares	695,913,617	—	—	695,913,617
Foreign shares listed overseas	<u>655,069,178</u>	—	—	<u>655,069,178</u>
	<u>1,350,982,795</u>	<u>—</u>	<u>—</u>	<u>1,350,982,795</u>

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

(34) Share capital (Cont'd)

	31 December 2011	Current period additions and reductions		30 June 2012 (Unaudited)
		Others (Unaudited)	Subtotal (Unaudited)	
Shares not subject to trading restriction —				
RMB-denominated ordinary shares	695,913,617	—	—	695,913,617
Foreign shares listed overseas	<u>655,069,178</u>	<u>—</u>	<u>—</u>	<u>655,069,178</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 31 December 2011, 417,394,505 shares held by the original shareholders of non-circulating shares were subject to trading (Note 1).

(35) Capital surplus

	31 December 2012	Increase in current period (Unaudited)	Decrease in current period (Unaudited)	30 June 2013 (Unaudited)
Share premium (i)	3,868,211,548	124,216,612	—	3,992,428,160
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>3,965,939,536</u>	<u>124,216,612</u>	<u>—</u>	<u>4,090,156,148</u>
	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)

- (i) The increase in current period includes: as stated in Note 10(3), transferring its equity of sales business to Sales Company, the Company's subsidiary jointly established by the Company and Sutory Company, is deemed as disposal of equity interests in subsidiaries to minority shareholders and recognised as capital surplus of RMB121,141,643; as stated in Note 4(1)(b)(ii), Hongkong Company, one of the Company's subsidiary, acquired 15% of Macau Company's equity with amount of RMB3,074,969.

(36) Surplus reserve

	31 December 2012	Current period additions (Unaudited)	Current period reductions (Unaudited)	30 June 2013 (Unaudited)
Statutory surplus reserve	927,657,567	—	—	927,657,567
	31 December 2011	Current period additions (Unaudited)	Current period reductions (Unaudited)	30 June 2012 (Unaudited)
Statutory surplus reserve	808,735,661	—	—	808,735,661

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 2013		Six months ended 30 June 2012	
	Amount (Unaudited)	Ratio for appropriation or distribution	Amount (Unaudited)	Ratio for appropriation or distribution
Undistributed profits at the beginning of the year	6,204,347,562		4,915,661,595	
Add: Net profit attributable to the Company for the current period	1,394,881,161		1,007,406,644	
Less: Appropriation for statutory surplus reserve	—		—	
Ordinary shares dividend payable	(540,393,118)	0.40 per share	(351,255,527)	0.26 per share
Undistributed profits at the end of the year	7,058,835,605		5,571,812,712	

As at 30 June 2013, included in the undistributed profits, RMB589,294,835 is subsidiaries' surplus reserve attributable to the Company (31 December 2012: RMB589,294,835).

In accordance with the resolution at the Annual General Meeting dated 25 June 2013, the Company proposed a cash dividend to shareholders of the Company of RMB540,393,118 (RMB0.40 per share (pre-tax)), based on total number of shares 1,350,982,795 (2012: cash dividend for 2011 RMB0.26 per share (pre-tax) at RMB351,255,527). As at 30 June 2013, the dividend has not been paid yet.

(38) Minority interests*Minority interests attributable to the shareholders of subsidiaries*

	30 June 2013 (Unaudited)	31 December 2012
Shenzhen Asahi	192,214,435	205,508,590
Jieyang Company	55,160,804	51,705,397
Nanning Company	44,250,545	41,844,060
Hangzhou Company	37,520,291	37,886,601
Sanshui Company	22,998,454	28,542,904
Jiujiang Company	19,710,285	19,987,685
Hanzhong Company	13,979,826	12,822,976
Zhangzhou Company	11,390,254	10,799,014
Sales Company (i)	(424,897,104)	—
Gansu Nongken Company (ii)	(48,168,104)	(59,351,473)
Five Star Company (ii)	(23,842,032)	(27,768,471)
Three Ring Company (ii)	(11,858,613)	(22,909,910)
Xuzhou Company (iii)	—	11,628,605
Others	7,173,574	4,781,918
	<u>(104,367,385)</u>	<u>315,477,896</u>

(i) As stated in Note 4(2)(i), Sales Company became the Company's subsidiary in the current period. Due to the shareholders' equity of some of Sales Company's subsidiaries is below zero, the minority interest is negative.

(ii) The accumulated loss of the subsidiaries resulted in the negative net assets and therefore the equity shared by minority shareholders are also negative.

(iii) As stated in Note 4(3)(ii), Xuzhou Company has changed to an associate of the Company from subsidiary in the current period.

(39) Revenue and cost of sales

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Revenue from main operation	14,756,576,957	13,206,159,391
Revenue from other operation	214,761,305	199,338,386
	<u>14,971,338,262</u>	<u>13,405,497,777</u>
	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Cost of main operation	(8,570,690,749)	(7,837,496,311)
Cost of other operation	(182,744,063)	(141,466,910)
	<u>(8,753,434,812)</u>	<u>(7,978,963,221)</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 2013 (Unaudited)		Six months ended 30 June 2012 (Unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sales of Beer	<u>14,756,576,957</u>	<u>(8,570,690,749)</u>	<u>13,206,159,391</u>	<u>(7,837,496,311)</u>

Analysis by locations is as follow:

	Six months ended 30 June 2013 (Unaudited)		Six months ended 30 June 2012 (Unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Shandong Region	8,161,632,805	(4,848,455,968)	7,070,490,347	(4,265,238,061)
Huanan Region	2,764,510,140	(1,618,255,732)	2,420,054,691	(1,409,994,851)
Huabei Region	2,951,702,260	(2,002,322,524)	2,602,982,556	(1,824,910,231)
Huadong Region	1,662,332,785	(1,329,873,220)	1,239,320,799	(899,999,230)
Dongnan Region	1,008,536,256	(620,184,057)	850,753,177	(548,952,389)
Hong Kong, Macau and other overseas	<u>214,119,471</u>	<u>(129,023,503)</u>	<u>220,425,249</u>	<u>(119,578,223)</u>
	<u>16,762,833,717</u>	<u>(10,548,115,004)</u>	<u>14,404,026,819</u>	<u>(9,068,672,985)</u>
Less: eliminations	<u>(2,006,256,760)</u>	<u>1,977,424,255</u>	<u>(1,197,867,428)</u>	<u>1,231,176,674</u>
	<u>14,756,576,957</u>	<u>(8,570,690,749)</u>	<u>13,206,159,391</u>	<u>(7,837,496,311)</u>

(b) Revenue and cost of other operation

	Six months ended 30 June 2013 (Unaudited)		Six months ended 30 June 2012 (Unaudited)	
	Revenue from other operation	Cost of other operation	Revenue from other operation	Cost of other operation
Sale of materials and scraps	102,437,095	(97,353,652)	79,035,479	(67,852,727)
Sale of packaging materials	28,097,399	(25,811,500)	20,243,711	(18,683,645)
Transportation expenses	23,385,752	(17,810,723)	36,817,759	(27,341,655)
Others	<u>60,841,059</u>	<u>(41,768,188)</u>	<u>63,241,437</u>	<u>(27,588,883)</u>
	<u>214,761,305</u>	<u>(182,744,063)</u>	<u>199,338,386</u>	<u>(141,466,910)</u>

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

Revenue from the five largest customers of the Group with amount of RMB806,398,983 (six months ended 30 June 2012: RMB704,171,000) accounts for 5.39% (six months ended 30 June 2012: 5.25%).

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

(40) Tax and surcharges

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)	Tax basis
Consumption tax	954,947,022	907,876,379	Note 3
City maintenance and construction tax	142,845,998	144,570,722	Note 3
Education surcharge	107,834,225	109,894,132	Note 3
Business tax	4,259,433	3,660,877	Note 3
Others	23,788	103,238	
	<u>1,209,910,466</u>	<u>1,166,105,348</u>	

(41) Selling and distribution expenses

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Promotion-related expenses and advertising	1,587,268,688	1,160,472,774
Employee benefit expenses	656,504,878	524,547,364
Transportation expenses	629,918,704	562,611,205
Administrative and business travel expenses	73,080,921	68,925,073
Amortisation expenses	44,145,393	38,850,065
Materials consumption	40,699,401	24,317,916
Rental expenses	36,660,321	35,965,551
Depreciation expenses	5,057,506	4,831,035
Others	21,017,826	41,016,153
	<u>3,094,353,638</u>	<u>2,461,537,136</u>

(42) General and administrative expenses

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Employee benefit	290,108,229	271,957,295
Tax expenses	75,199,837	65,975,899
Administrative, business travel, and entertainment expenses	70,654,397	81,145,406
Amortisation expenses	37,584,391	39,764,485
Depreciation expenses	36,276,763	25,816,777
Materials consumption	14,103,197	10,382,229
Repair expenses	13,403,137	10,357,172
Rental expenses	9,620,932	8,302,140
Intermediary agency fees	9,601,387	8,609,103
Insurance premiums	4,225,391	2,896,439
Others	42,036,190	39,675,073
	<u>602,813,851</u>	<u>564,882,018</u>

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

(43) Financial income/(expenses) — net

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Interest expenses	42,756,307	53,291,556
Including: Bank borrowings	9,060,417	10,560,870
Debentures payable	33,695,890	42,730,686
Less: Interest income	(147,352,985)	(143,449,461)
Exchange losses	(388,864)	(75,659)
Future finance charges	4,916,058	4,015,766
Others	4,375,969	2,418,375
	<u>(95,693,515)</u>	<u>(83,799,423)</u>

(44) Investment income

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Income from long-term equity investment under equity method (a)	21,430,790	5,886,253
Income from disposal of long-term equity investment (b)	210,767,899	—
Others	271,500	—
	<u>232,470,189</u>	<u>5,886,253</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 2012 (Unaudited)	Reason for current period additions or reductions
Manufacturing Company	15,162,372	—	Newly increased associate
Yantai Asahi	4,213,123	3,295,873	Increase in profit of the investee for the year
Zhaoshang Logistics	2,002,065	2,516,398	Decrease in profit of the investee for the year
Liaoning Shenqing	53,230	73,982	Decrease in profit of the investee for the year
	<u>21,430,790</u>	<u>5,886,253</u>	

(b) As stated in note 10(2)(iii), the company disposes partial of subsidiary's equity in transaction with Suntory. The difference caused by fair value of the Company's manufacturing business surpassing the book value of net asset (including goodwill) is recognised as investment income.

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

(45) Asset impairment losses

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Impairment loss of fixed assets	513,081	—
Impairment loss on decline in the values of inventories	34,384	(225,304)
Reversal of bad debts	<u>(6,962,709)</u>	<u>3,566,639</u>
	<u><u>(6,415,244)</u></u>	<u><u>3,341,335</u></u>

(46) Non-operating income

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Influence due to transaction with Suntory (a)	178,591,992	—
Government grants (b)	108,965,265	95,201,061
Gain on unpaid debts	3,059,242	536,118
Gain on disposal of non-current assets	1,184,799	8,686,433
Including: gain on disposal of fixed assets	1,184,799	8,686,433
Penalty gains	378,206	361,713
Others	<u>7,767,739</u>	<u>9,784,242</u>
	<u><u>299,947,243</u></u>	<u><u>114,569,567</u></u>

(a) As stated in note 10(4)(i), this amount is calculated through the combination cost less net identifiable assets of the acquiree on the acquisition date.

(b) Details of government grants

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)	Remarks
Relocation compensation	29,554,373	49,179,437	Relocation compensation for manufacturing factories
Project support fund	17,506,854	14,497,516	Grants for technology improvement projects and sewage treatment projects
Tax return	12,147,037	5,043,662	Return of certain portion of tax paid
Enterprise development funds	14,515,490	13,924,100	Grants for company development
Others	<u>35,241,511</u>	<u>12,556,346</u>	
	<u><u>108,965,265</u></u>	<u><u>95,201,061</u></u>	

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

(47) Non-operating expenses

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Staff settlement expenses (i)	120,931,669	—
Losses on disposal of non-current assets	45,311,744	8,136,098
Including: Losses on disposal of fixed assets	45,311,744	8,136,098
Public welfare donations	9,068,100	460,000
Penalty losses	1,004,582	126,595
Compensation and overdue fine	537,603	740,381
Others	6,086,461	6,535,812
	182,940,159	15,998,886

- (i) According to the agreement among Baoji company, people's Government of Baoji District and the State-owned Assets Supervision and Administration Commission signed on 2 May 2013, Baoji Company should aftercare the staff and by 30 June 2013 it has signed early retirement agreement with the staff and confirm early retirement benefits of RMB120,931,669.

(48) Income tax expenses

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Current income tax calculated according to tax law and related regulations – China enterprise income tax	544,449,366	438,834,446
Current profits tax calculated according to tax law and related regulations – HongKong profits tax	2,150,274	158,678
Current profits tax calculated according to tax law and related regulations –Macau profits supplemental tax	530,086	1,090,864
Deferred income tax	(222,107,911)	(71,347,152)
	325,021,815	368,736,836

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 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Total profit	1,762,411,527	1,418,925,076
Income tax expenses calculated at applicable tax rates	439,292,070	347,169,569
Tax impact for equivalent sales and expenses not deductible	14,100,781	18,518,721
Income not subject to tax (i)	(107,535,836)	(3,659,738)
Utilisation of previously unrecognised deferred tax assets	(36,094,569)	(30,891,635)
Tax impact for which no deferred tax assets was recognised	15,259,369	37,599,919
Income tax expenses	325,021,815	368,736,836

- (i) Income not subject to tax is mainly comprised of investment and non-operating income free from tax, which arises from transactions with Suntory. Details of abovementioned transaction are stated in Note 10.

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

(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 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	1,394,881,161	1,007,406,644
Weighted average number of ordinary shares outstanding	1,350,982,795	1,350,982,795
Basic earnings per share	<u>1.032</u>	<u>0.746</u>
Including:		
— Basic earnings per share relating to continuing operations	1.032	0.746

(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 2013 and 30 June 2012, diluted earnings per share equal to basic earnings per share.

(50) Other comprehensive income

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Exchange differences arising from translating foreign operations	<u>3,940,499</u>	<u>(2,250,648)</u>

(51) Notes to consolidated cash flow statement

(a) Cash received relating to other operating activities

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Deposits	396,923,870	334,626,621
Income from sales of materials and scraps	80,825,199	101,837,221
Government grants	78,283,491	34,626,168
Others	<u>123,901,425</u>	<u>113,240,685</u>
	<u>679,933,985</u>	<u>584,330,695</u>

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

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

(b) Cash paid relating to other operating activities

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Transportation and loading expenses	613,971,898	518,123,355
Marketing and promotion expenses	318,524,091	234,729,750
Advertising expenses	297,500,139	377,844,649
Administrative expenses	140,004,078	125,189,232
Deposits	100,494,282	113,302,254
Others	172,251,262	164,184,999
	<u>1,642,745,750</u>	<u>1,533,374,239</u>

(c) Cash received relating to other investing activities

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Government compensation for relocation and expansion projects	128,223,725	219,865,300
Interest income of Finance Company	126,269,746	102,901,900
Absorption of related party deposits by Finance Company	95,573,934	—
Deposit for acquisition of a subsidiary (Note 10(4)(ii))	12,637,454	—
Receipt of tender deposits etc.	8,408,011	5,287,582
	<u>371,112,870</u>	<u>328,054,782</u>

(d) Cash paid relating to other investing activities

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Deposit reserve of Finance Company	387,419,531	454,700,000
Payment of net cash in disposal of subsidiaries (Note 10(2)(i))	91,093,122	—
Payment of tender deposits etc.	30,134,183	8,914,179
	<u>508,646,836</u>	<u>463,614,179</u>

(e) Cash received relating to other financing activities

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Recovery of deposit for acceptance notes and letter of credit	—	7,967,824
	<u>—</u>	<u>7,967,824</u>

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

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

(f) Cash paid relating to other financing activities

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Others	6,751	—
Deposits paid for issuance of acceptance notes and letter of credit	—	16,461,994
Payment of finance lease payables	—	641,247
	<u>6,751</u>	<u>17,103,241</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 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Net profit	1,437,389,712	1,050,188,240
<i>Add:</i> Provisions for asset impairment	(6,415,244)	3,341,335
Depreciation of fixed assets	368,877,760	331,215,104
Amortisation of intangible assets	81,534,091	76,497,487
Amortisation of long-term prepaid expenses	2,698,132	2,117,063
Losses/(gains) on disposal of fixed assets, intangible assets and other long-term assets	44,126,945	(550,335)
Financial income	(101,029,983)	(77,467,890)
Investment income	(232,470,189)	(5,886,253)
Increase in deferred tax assets	(231,484,703)	(59,501,133)
Decrease in deferred tax liabilities	(12,100,189)	(11,846,019)
Decrease/(increase) in inventories	240,413,877	605,306,995
Decrease/(increase) in operating receivables	(519,083,003)	195,991,356
Increase in operating payables	2,751,513,147	1,464,897,156
Net cash flows from operating activities	<u>3,823,970,353</u>	<u>3,574,303,106</u>

Investment activities not related to cash inflow and outflow

As stated in note 10, cash consideration is not involved in the establishment of Manufacturing Company and Sales Company in transactions with Suntory.

Net increase in cash

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Cash at the end of the period (b)	8,809,605,730	7,721,118,197
Less: cash at the beginning of the period	<u>(6,269,184,262)</u>	<u>(5,550,147,726)</u>
Net (decrease)/increase in cash	<u>2,540,421,468</u>	<u>2,170,970,471</u>

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

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

(b) Cash

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Cash (Note 5(1))	8,809,605,730	7,721,118,197
Including: Cash on hand	464,986	594,206
Cash at bank that can be readily drawn on demand	8,809,140,744	7,720,523,991
Cash at end of period	<u>8,809,605,730</u>	<u>7,721,118,197</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 pricing 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.

6. SEGMENT INFORMATION (CONT'D)

(a) Segment information as at and for the six months ended 30 June 2013 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	7,589,254,937	2,668,158,767	2,148,284,778	1,340,774,793	1,009,122,482	215,715,984	26,521	—	—	14,971,338,262
Inter-segment revenue	1,112,127,258	137,511,922	834,540,782	108,109,058	4,767,582	3,904,313	15,057,531	—	(2,216,018,446)	—
Selling and distribution expenses	(1,804,676,750)	(516,837,456)	(223,785,812)	(256,029,895)	(246,582,468)	(46,419,777)	(21,480)	—	—	(3,094,353,638)
Interest income	11,181,478	5,202,040	23,330,984	502,885	2,183,884	1,753,421	141,330,120	32,212,926	(70,344,752)	147,352,986
Interest expenses	214,079	(5,536,580)	(21,481,110)	(5,688,325)	—	(6,471,184)	(74,361,436)	(37,905,490)	108,473,739	(42,756,307)
Share of profit of associates and joint ventures	—	—	—	—	—	—	—	21,430,790	—	21,430,790
Asset impairment losses	7,399,813	30,939	59,481	(1,004,251)	(540,461)	469,723	(907,600)	—	907,600	6,415,244
Depreciation and amortisation	(179,830,353)	(131,667,630)	(66,142,883)	(32,457,784)	(21,012,860)	(1,154,709)	(453,891)	—	—	(452,092,071)
Total profit	822,441,468	301,919,707	247,290,727	(98,495,158)	78,929,775	25,227,313	156,750,600	331,455,692	(103,108,597)	1,762,411,527
Income tax expenses	(177,209,294)	(76,509,250)	(47,674,097)	5,835,040	(10,371,100)	(4,353,629)	(21,441,945)	—	6,702,460	(325,021,815)
Net profit	645,232,174	225,410,457	199,616,630	(92,660,118)	68,558,675	20,873,684	135,308,655	331,455,692	(96,406,137)	1,437,389,712
Total assets	9,855,587,936	5,017,103,374	4,925,845,239	1,022,414,479	1,477,765,530	253,774,819	9,200,717,055	5,865,771,789	(10,040,081,616)	27,578,898,605
Total liabilities	5,110,349,377	2,398,643,932	3,319,897,655	1,678,458,434	746,563,383	322,850,622	8,491,456,662	2,320,754,383	(10,156,306,624)	14,232,667,826
Long-term equity investments in associates and joint ventures	—	—	—	—	—	—	—	1,321,484,608	—	1,321,484,608
Additions to non-current assets other than long-term equity investments	339,902,293	116,961,802	240,849,293	189,679,656	120,437,687	685,220	876,900	31,050,794	(103,243,424)	937,200,221

(b) 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)	(447,066,504)	(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 joint ventures	—	—	—	—	—	—	—	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	(8,625,797,066)	24,436,866,402
Total liabilities	4,336,381,111	2,439,329,824	2,726,510,640	1,265,280,587	742,756,151	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 joint ventures	—	—	—	—	—	—	—	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) (Cont'd)

The Group's revenue from external customers domestically 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 as follows:

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Revenue from external customers		
Domestic	14,676,860,432	13,109,391,531
Hong Kong and Macau	122,179,779	122,871,872
Other countries/geographical areas	172,298,051	173,234,374
	<u>14,971,338,262</u>	<u>13,405,497,777</u>
Total non-current assets	30 June 2013 (Unaudited)	30 June 2012 (Unaudited)
Domestic	14,582,979,583	12,510,485,138
Hong Kong and Macau	11,378,514	11,890,104
	<u>14,594,358,097</u>	<u>12,522,375,242</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(1).

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

(2) Information of joint ventures entity and associates

	Type	Place of registration	Legal representative	Nature of business	Registered capital	Equity interest (%)	Voting rights (%)	Code of organisation
Joint ventures —								
Equipment Manufacture	Chinese-foreign cooperative enterprise	Qingdao, the PRC	Matsuzawa Hideo	Manufacture & installation of equipment and accessories	USD350,000	50%	50%	71375865-5
Associates —								
Yantai Asahi	Company limited	Yantai, the PRC	Yamazaki Fumio	Producing & trading of beer and wine etc.	RMB218,804,435	39%	39%	61341620-1
Zhaoshang Logistics	Company limited	Qingdao, the PRC	Li Yasheng	Logistics service and management	RMB20,000,000	30%	30%	73353404-2
Liaoning Shenqing	Company limited	Liaoning, the PRC	Wang Zhi	Domestic trading of beer	RMB2,000,000	30%	30%	74275001-1
European Company	Stock corporation	France	Not applicable	Import & Export trading of beer	EUR152,449	40%	40%	Not applicable
Manufacturing Company	Company limited	Shanghai the PRC	Matsumoto	Producing & trading of beer and wine etc.	RMB907,320,000	50%	44.44%	60733504-2
New Songjiang Manufacturing	Company limited	Shanghai the PRC	Liu Yingdi	Producing & trading of beer and wine etc.	RMB50,000,000	50%	44.44%	06378694-4
Pengcheng Company	Company limited	Xuzhou the PRC	Higashiyama Yuansuke	Producing & trading of beer and wine etc.	RMB155,000,000	50%	44.44%	70617665-7
Yangzhou Company	Company limited	Yangzhou the PRC	Higashiyama Yuansuke	Producing & trading of beer and wine etc.	RMB16,000,000	50%	44.44%	84088001-2
Xuzhou Company	Company limited	Xuzhou the PRC	Higashiyama Yuansuke	Producing & trading of beer and wine etc.	RMB39,336,899	50%	44.44%	70358441-X
Suqian Company	Company limited	Suqian the PRC	Higashiyama Yuansuke	Producing & trading of beer and wine etc.	RMB25,000,000	50%	44.44%	72220045-0
Suntory Kunshan	Company limited	Jiangsu the PRC	Chi Tianbo	Producing & trading of beer and wine etc.	RMB731,535,952	50%	44.44%	71150466-X
Suntory Shanghai	Company limited	Shanghai the PRC	Chi Tianbo	Producing & trading of beer and wine etc.	RMB377,251,020	50%	44.44%	60733654-7
Suntory Guangming	Company limited	Shanghai the PRC	Chi Tianbo	Producing & trading of beer and wine etc.	RMB948,005,310	50%	44.44%	60723351-3
Suntory Huaian	Company limited	Jiangsu the PRC	Wang Li	Producing & trading of beer and wine etc.	RMB30,000,000	50%	44.44%	79905582-9
Suntory Jiangsu	Company limited	Jiangsu the PRC	Chi Tianbo	Producing & trading of beer and wine etc.	RMB166,093,523	50%	44.44%	60839259-1

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

(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 Investment	Same shareholder of the Company	71092096-0

(4) Related party transactions

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

Purchases of goods and receiving services:

Name of related party	Nature of transaction	Pricing policies and procedures for decision-making	Six months ended 30 June 2013		Six months ended 30 June 2012	
			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	296,102,548	4.08%	309,371,013	3.98%
Suntory Kunshan	Purchase of beer and materials	Mutually-agreed prices and approval of board of directors	100,309,492	1.38%	—	—
Suntory Shanghai	Purchase of beer and materials	Mutually-agreed prices and approval of board of directors	85,033,188	1.17%	—	—
New Songjiang manufacturing	Purchase of beer and materials	Mutually-agreed prices and approval of board of directors	84,577,817	1.17%	—	—
Manufacturing Company	Purchase of beer and materials	Mutually-agreed prices and approval of board of directors	76,247,453	1.05%	—	—
Pengcheng Company	Purchase of beer and materials	Mutually-agreed prices and approval of board of directors	71,855,248	0.99%	—	—
Yangzhou Company	Purchase of beer	Mutually-agreed prices and approval of board of directors	51,413,609	0.71%	—	—
Xuzhou Company	Purchase of beer	Mutually-agreed prices and approval of board of directors	50,172,781	0.69%	—	—
Suqian Company	Purchase of beer	Mutually-agreed prices and approval of board of directors	33,016,463	0.45%	—	—
Suntory Jiangsu	Purchase of beer	Mutually-agreed prices and approval of board of directors	27,173,855	0.37%	—	—
Suntory Guangming	Purchase of beer and materials	Mutually-agreed prices and approval of board of directors	10,754,677	0.15%	—	—
Suntory Huaian	Purchase of beer	Mutually-agreed prices and approval of board of directors	6,373,096	0.09%	—	—
Zhaoshang Logistics	Purchase logistics service (including paid on behalf)	Mutually-agreed prices and approval of board of directors	133,640,217	22.88%	114,594,172	21.75%

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

(4) Related party transactions (Cont'd)

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

Sales of goods and materials

Name of related party	Nature of transaction	Pricing policies and procedures for decision-making	Six months ended 30 June 2013		Six months ended 30 June 2012	
			Amount (Unaudited)	Percentage of like transactions (Unaudited)	Amount (Unaudited)	Percentage of like transactions (Unaudited)
Liaoning Shenqing	Sale of beer	Mutually-agreed prices and approval of board of directors	151,723,308	1.03%	177,219,025	1.34%
European Company	Sale of beer	Mutually-agreed prices and approval of board of directors	29,816,682	0.20%	28,464,077	0.22%
Asahi Breweries	Sale of beer	Mutually-agreed prices and approval of board of directors	8,985,587	0.06%	26,056,328	0.20%
New Songjiang manufacturing	Sale of materials	Mutually-agreed prices and approval of board of directors	7,480,719	0.05%	—	—
Suqian Company	Sale of materials	Mutually-agreed prices and approval of board of directors	7,180,847	0.05%	—	—
Pengcheng Company	Sale of materials	Mutually-agreed prices and approval of board of directors	7,127,454	0.05%	—	—
Manufacturing Company	Sale of materials	Mutually-agreed prices and approval of board of directors	5,529,090	0.04%	—	—
Xuzhou Company	Sale of materials	Mutually-agreed prices and approval of board of directors	4,088,449	0.03%	—	—
Yangzhou Company	Sale of materials	Mutually-agreed prices and approval of board of directors	3,481,688	0.02%	—	—
Asahi Investment	Sale of beer	Mutually-agreed prices and approval of board of directors	3,244,364	0.02%	6,285,851	0.05%

(b) Operational entities entrusted by related parties

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Suntory Company	128,787,151	—
TB Group Company	—	62,000,000
	128,787,151	62,000,000

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

(4) Related party transactions (Cont'd)

(c) Repayment funds

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Suntory Company	122,631,052	—
TB Group Company	5,000,000	57,000,000
	<u>127,631,052</u>	<u>57,000,000</u>

(d) Financing

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Xuzhou company	<u>10,000,000</u>	<u>—</u>

(e) Deposits

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Yantai Asahi	411,390,156	193,881,952
Pengcheng company	78,767,580	—
Manufacturing Company	76,921,852	—
Yangzhou company	58,007,058	—
Xuzhou company	46,853,381	—
Suqian company	45,854,061	—
	<u>717,794,088</u>	<u>193,881,952</u>

(f) Payment of interest

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Yantai Asahi	108,325	35,218
Pengcheng Company	60,304	—
Yangzhou Company	17,717	—
Manufacturing Company	16,701	—
Suqian Company	8,027	—
Xuzhou Company	4,748	—
	<u>215,822</u>	<u>35,218</u>

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

(4) Related party transactions (Cont'd)

(g) Interest fees

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Xuzhou Company	<u>271,500</u>	<u>—</u>

(h) Service charge

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Yantai Asahi	4,533	2,228
Manufacturing Company	3,113	—
Pengcheng Company	1,784	—
Yangzhou Company	1,419	—
Suqian Company	1,159	—
Xuzhou Company	<u>1,037</u>	<u>—</u>
	<u>13,045</u>	<u>2,228</u>

(i) Remuneration of key management

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Remuneration of key management	<u>6,231,929</u>	<u>6,099,548</u>

(5) Receivables from and payables to related parties

Receivables from related parties:

	30 June 2013 (Unaudited)		31 December 2012	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable (Note 5(3))				
Guangzhou General Agency	11,459,690	(11,459,690)	18,859,690	(18,859,690)
Beijing Sales Company	11,245,784	(11,245,784)	11,245,784	(11,245,784)
European Company	10,619,328	—	10,475,314	—
Asahi Breweries	1,653,332	—	1,703,799	—
Asahi Investment	854,152	—	616,798	—
	<u>35,832,286</u>	<u>(22,705,474)</u>	<u>42,901,385</u>	<u>(30,105,474)</u>

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

(5) Receivables from and payables to related parties (Cont'd)

	30 June 2013 (Unaudited)		31 December 2012	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Dividends receivable				
Pengcheng Company	<u>30,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other Receivable (Note 5(4))				
New songjiang manufacturing	36,938,262	—	—	—
Suqian Company	15,615,701	—	—	—
Suntory Jiangsu	6,228,720	—	—	—
Pengcheng Company	6,127,370	—	—	—
Xuzhou Company	4,226,119	—	—	—
Suntory Huaian	1,837,585	—	—	—
Yangzhou Company	1,017,141	—	—	—
Manufacturing Company	<u>188,151</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>72,179,049</u>	<u>—</u>	<u>—</u>	<u>—</u>
Advances to suppliers (Note 5(5))				
Suntory Jiangsu	<u>6,769,320</u>	<u>—</u>	<u>—</u>	<u>—</u>
Interest Receivable				
Xuzhou Company	<u>16,500</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other non-current assets —				
Prepayments for construction				
Equipment Manufacture				
Equipment Manufacture	<u>9,662,030</u>	<u>—</u>	<u>9,662,030</u>	<u>—</u>
Long-term receivables				
Xuzhou Company	<u>10,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Payables to related parties:				
			30 June 2013 (Unaudited)	31 December 2012
Accounts payable (Note 5(23))				
New songjiang manufacturing			254,232,378	—
Suntory Kunshan			245,249,404	—
Pengcheng Company			70,166,251	—
Yantai Asahi			42,877,521	21,792,927
Yangzhou Company			30,367,602	—
Suntory Shanghai			26,578,171	—
Xuzhou Comoany			18,762,513	—
Suqian Company			15,331,052	—
Suntory Huaian			4,289,293	—
Suntory Guangming			<u>1,535,203</u>	<u>—</u>
			<u>709,389,388</u>	<u>21,792,927</u>

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

(5) Receivables from and payables to related parties (Cont'd)

	30 June 2013 (Unaudited)	31 December 2012
Other payables (<i>Note 5(28)</i>)		
Zhaoshang Logistics	53,466,318	49,704,038
Yantai Asahi	51,937,013	20,128,779
Pengcheng Company	36,674,868	—
Suqian Company	16,785,251	—
Yangzhou Company	10,153,921	—
Xuzhou Company	4,278,704	—
Suntory Guangming	898,499	—
Suntory Shanghai	782,778	—
New songjiang manufacturing	382,694	—
Suntory Kunshan	153,583	—
	<u>175,513,629</u>	<u>69,832,817</u>
Advances from customers (<i>Note 5(24)</i>)		
Suqian Company	4,500,000	—
Liaoning Shenqing	4,320,522	13,943,339
	<u>8,820,522</u>	<u>13,943,339</u>
Short-term borrowings from (<i>Note 5(21)</i>)		
Suntory Company (<i>i</i>)	57,350,274	—
TB Group Company (<i>ii</i>)	—	62,000,000
	<u>57,350,274</u>	<u>62,000,000</u>

(i) This represents short-borrowing entrusted to Shagnhai Market Service and The Prince Sales by Suntory Company, the balance is RMB51,194,175 on Consolidated financial statement date, by 30 June 2013 is RMB57,350,274.

(ii) This represents the short-borrowing entrusted to Yangzhou Company by TB Group Company, it has been repaid RMB5,000,000 in current period, by 30 June 2013, Yangzhou Company has become the Company's associate, therefore the balance of RMB57,000,000 is not reflected in the consolidated statements.

(6) Commitments in relation to related parties

The 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 are as follows:

Equipment procurement

	30 June 2013 (Unaudited)	31 December 2012
Equipment Manufacture	<u>767,970</u>	<u>767,970</u>

8. CONTINGENCIES

As stated in Note 3 (2)(i), the Group's potential risk of income tax 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 2013 (Unaudited)	31 December 2012
Buildings, machinery and equipment	<u>536,026,120</u>	<u>592,911,698</u>

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

	30 June 2013 (Unaudited)	31 December 2012
Buildings, machinery and equipment and intangible assets	<u>3,192,686,399</u>	<u>3,465,487,656</u>

As at 30 June 2013, joint ventures 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 2013 (Unaudited)	31 December 2012
Within one year	6,270,122	6,125,104
Between 1 and 2 years	3,660,694	4,780,555
Between 2 and 3 years	2,100,000	2,520,000
Over 3 years	<u>—</u>	<u>420,000</u>
	<u>12,030,816</u>	<u>13,845,659</u>

(3) Performance status of previous commitments

The Group has fulfilled the capital expenditure commitments, operating lease, and investment commitments as at 31 December 2012.

(1) Background

On 5 June 2012, the Company and Suntory Company entered into two framework agreements for establishing two joint-investment companies, whereby the Company and Suntory Company agreed to reorganize and integrate their assets and business of the subsidiaries in Shanghai and Jiangsu Province into two joint-investment companies, namely, Tsingtao-Suntory (Shanghai) Sales Company Limited (the “Sales Company”) and Suntory-Tsingtao (Shanghai) Company Limited (the “Manufacturing Company”).

(i) Transaction process

Manufacturing company

Manufacturing Company was established on the basis of Tsingtao Brewery Shanghai Songjiang Company Limited (the “Songjiang Company”), the former subsidiary of the Company, which holds 100% equity interests in Yangzhou Company, Suqian Company, Pengcheng Company and 66% equity interests in Xuzhou Company (collectively, the “Manufacturing Business invested by the Company”). Suntory Company subscribed RMB453.66 million increase of registered capital by transferring 86.5% equity interests of Suntory Shanghai and 93.2% equity interests of Suntory Kunshan and settled RMB175.49 million cash payment to obtain 50% share in Songjiang Company increased registered capital.

Songjiang Company purchased 100% equity interests from Suntory Guangming for approximately RMB1, 66.6% equity interests from Suntory Jiangsu for approximately RMB55.1 million, 10% equity interests from Suntory Shanghai for approximately RMB49.95 million, and 6.8% equity interests from Suntory Kunshan for approximately RMB54.32 million respectively. After the completion of the transactions, Songjiang Company was renamed as Suntory-Tsingtao (Shanghai) Company Limited (“Manufacturing Company”), holding 96.5% equity interests of Suntory Shanghai, 66.6% equity interests of Suntory Jiangsu, and 100% equity interests of Suntory Kunshan and Suntory Guangming (collectively, the “Manufacturing Business invested by Suntory Company”).

Sales Company

The Sales Company was established under joint investment of both companies, with the registered capital of RMB20 million, with RMB10 million contributed by each of the two. The Company transferred to the Sales Company the 100% equity interests of the sales business and assets in Shanghai and Jiangsu Province held by Nanjing Sales, Huaihai Sales and the new Shanghai Sales (collectively, the “Sales Business invested by the Company”). Meanwhile, the 100% equity interests in the Shanghai Market Services and Prince Sales (collectively, the “Sales Business invested by Suntory Company”) were transferred to the Sales Company.

(ii) Judgment on package deal and date of acquisition/disposal

The management believes the establishment of Sales Company and Manufacturing Company should be treated as package deal transactions in the accounting treatment. The acquisition date and disposal date of the transactions is on 28 April 2013, the completing date confirmed as jointly signed by the Company and Suntory Company.

10. TRANSACTION WITH SUNTORY (CONT'D)

(2) Lose control over subsidiaries as a result of the sale of shares

	Date of Disposal	Gain/Loss
Manufacturing Business invested by the Company	28 April 2013	Refer to (2)(iii)

(i) Cash flow paid for subsidiary disposal:

	Amount
Cash and cash equivalent invested in Manufacturing business	91,093,122
Net cash for subsidiary disposal	<u>91,093,122</u>

(ii) Disposal gain/loss:

	Amount
Fair value of the equity interest in Manufacturing Business invested by the Company (a)	899,355,156
Less: net assets in Manufacturing Business invested by the Company as at date of disposal	(686,827,835)
Goodwill of Songjiang Company	<u>(1,759,422)</u>
Investment income due to disposal	<u>210,767,899</u>

(a) Fair value of equity interest in Manufacturing Business invested by the Company is based on the valuation report issued by Qingdao Tianhe Assets Appraisal Co., Ltd.

(iii) Measurement of the remaining shares in the Manufacturing Company:

	Amount
Fair value of the equity interest in Manufacturing Business invested by the Company (a)	899,355,156
Fair value of the equity interest in Manufacturing Business invested by Suntory Company (a)	1,366,776,128
Cash and cash equivalent in Manufacturing Business invested by Suntory Company (b)	<u>16,115,519</u>
Equity value of the Manufacturing Company	<u>2,282,246,803</u>
Long-term equity investment in Manufacturing Company (50% of equity value mentioned above)	1,141,123,402

(a) In accordance with the valuation report issued by Qingdao Tianhe Assets Appraisal Co., Ltd., valuation techniques are applied to measuring the fair value of equity interest in Manufacturing Business at the acquisition date. The result of income approach is applied to Manufacturing Company, Yangzhou Company, Pengcheng Company, Suntory Shanghai and Suntory Kunshan. The result of asset-based approach is adapted for Xuzhou Company, Suqian Company, Suntory Jiangsu and Suntory Guangming.

(b) Cash solely contributed by Suntory to the Manufacturing Company. As stated in note 10(1), this amount is calculated by the difference between RMB175.49 million capital injection and RMB159.37 million payment to other shareholders to acquire the Manufacturing Business invested by Suntory Company.

10. TRANSACTION WITH SUNTORY (CONT'D)

(3) Transactions with minority shareholders

As stated in note 10(1), the Company transferred the equity interest in Sales Business invested by the Company to the Sales Company, which is under the control of the Company although the Company and Suntory Company hold 50% equity interest respectively. Thus this equity transaction is deemed as disposal of equity interest in a subsidiary to minority shareholders.

	Amount
50% fair value of Sales Business equity interest invested by the Company (a)	(92,890,950)
Less: 50% net assets of Sales Business invested by the Company at the date of disposal	<u>214,032,593</u>
Capital surplus due to disposal	<u>121,141,643</u>

(a) Fair value of equity interest in Sales Business invested by the Company is based on the valuation report issued by Qingdao Tianhe Assets Appraisal Co., Ltd.

(4) Business combinations involving enterprises not under common control

	Non-operating income	Calculation approach
Sales Business invested by Suntory Company	178,591,992	The difference between combination cost and the fair value of acquiree's identifiable net assets at the acquisition date is recognized as non-operating income. Refer to (i):
(i) Combination consideration and non-operating income are as follows:		
Combination cost —		
50% fair value of Sales Business equity interest invested by the Company		(92,890,950)
Add: 50% fair value of Manufacturing Business equity interest invested by the Company		449,677,578
Less: 50% fair value of Manufacturing Business equity interest invested by Suntory Company		(683,388,064)
50% of Cash invested in Manufacturing Business by Suntory Company		(8,057,759)
50% supplementary payment in cash by Suntory Company (a)		<u>(39,500,000)</u>
Total combination cost		(374,159,195)
Less: 50% fair value of identifiable net assets of Sales Business invested by Suntory Company		<u>195,567,203</u>
Goodwill/(non-operating income)		<u>(178,591,992)</u>

(a) The Company and Suntory Company are still negotiating over the matter of supplementary payment. In accordance with the present situation of the negotiation, Suntory plans to infill part of the supplementary fund to the Manufacturing Company, which will not affect the ratio of investment from the Company and Suntory Company. Based on the current situation of the ongoing negotiation, the Company concludes a best estimate of a RMB79 million investment from Suntory Company, whereby the Company recognizes 50% of the abovementioned amount as other non-current assets. The Company and Suntory Company will adjust the amount of other non-current assets and non-operating income based on the final agreed amount of the supplementary payment.

10. TRANSACTION WITH SUNTORY (CONT'D)

(4) Business combinations involving enterprises not under common control (Cont'd)

- (ii) Assets, liabilities of Sales Business invested by Suntory Company at the acquisition date and the cash flows relating to the acquisition are as follows:

	Date of acquisition Fair value	Date of acquisition Carrying amount	31 December 2012 Carrying amount
Cash at bank and on hand	12,637,454	12,637,454	13,774,090
Notes receivable	1,087,729	1,087,729	107,238
Accounts receivable	57,751,380	57,751,380	31,165,585
Advances to suppliers	9,262,020	9,262,020	16,047,991
Other receivables	7,791,639	7,791,639	2,801,346
Inventories	37,365,356	37,441,848	16,235,852
Other current assets	194,857	194,857	59,773
Long-term equity investments	—	—	1,000,000
Fixed assets	9,963,140	5,898,572	5,743,313
Construction in progress	755,671	755,671	—
Intangible assets	72,059,566	1,219,566	1,158,972
Less: Short-term borrowings	(51,194,175)	(51,194,175)	(37,939,778)
Accounts payable	(249,841,598)	(249,841,598)	(183,459,799)
Advance from customers	(24,503,649)	(24,503,649)	(14,849,922)
Employee benefits payable	(3,691,132)	(3,691,132)	(7,856,120)
Taxes payable	(181,688)	(181,688)	(734,047)
Other payables	(251,883,957)	(251,883,957)	(194,343,540)
Deferred tax liabilities	(18,707,019)	—	—
Net assets	<u>(391,134,406)</u>	<u>(447,255,463)</u>	<u>(351,089,046)</u>
Cash and cash equivalents in the subsidiary acquired	<u>12,637,454</u>		
Net cash flow on acquisition of the subsidiary	<u>12,637,454</u>		

Valuation techniques are applied to measuring the fair value of net assets of Sales Business invested by Suntory Company at the acquisition date. In accordance with the valuation report issued by Qingdao Tianhe Assets Appraisal Co., Ltd., valuation methods and critical applied are as follows:

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

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

The valuation method used for sales network is the income approach, using the following critical assumptions:

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

10. TRANSACTION WITH SUNTORY (CONT'D)

(4) Business combinations involving enterprises not under common control (Cont'd)

(iii) Revenue, cost, expense and profit of Manufacturing Business invested by Suntory Company from acquisition date to 30 June 2013:

Revenue	266,661,152
Net Income	(26,203,061)
Cash flow from operating activities	(11,128,256)
Net cash flow	16,197,059

11. 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 2013, the Group did not enter into any forward exchange contracts. (six months ended 30 June 2012: nil).

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

	30 June 2013 (Unaudited)		
	HKD	Foreign Currencies	Total
Financial assets denominated in foreign currency —			
Cash at bank and on hand (Note 5(1))	47,457,915	99,261,205	146,719,120
Accounts receivable (Note 5(3)(l))	34,623,885	37,498,095	72,121,980
Other receivable (Note 5(4)(k))	1,233,121	653,711	1,886,832
	<u>83,314,921</u>	<u>137,413,011</u>	<u>220,727,932</u>
Financial liabilities denominated in foreign currency —			
Short-term borrowings (Note 5(21))	62,608,830	—	62,608,830
Other payables (Note 5(28)(d))	7,306,896	4,032,232	11,339,128
Current portion of non-current liabilities (Note 5(29))	310,674,000	1,641,241	312,315,241
Long-term borrowings (Note 5(30))	—	6,165,411	6,165,411
	<u>380,589,726</u>	<u>11,838,884</u>	<u>392,428,610</u>

11. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

	31 December 2012		
	HKD	Other foreign currencies	Total
Financial assets denominated in foreign currency —			
Cash at bank and on hand (Note 5(1))	190,649,752	90,823,451	281,473,203
Accounts receivable (Note 5(3)(l))	32,061,183	36,448,949	68,510,132
Other receivables (Note 5(4)(k))	1,202,897	208,109	1,411,006
	<u>223,913,832</u>	<u>127,480,509</u>	<u>351,394,341</u>
Financial liabilities denominated in foreign currency —			
Short-term borrowings (Note 5(21))	85,617,652	—	85,617,652
Other payables (Note 5(28)(d))	218,006	5,204,203	5,422,209
Current portion of non-current liabilities (Note 5(29))	81,090	1,705,191	1,786,281
Long-term borrowings (Note 5(30))	445,913,910	6,571,693	452,485,603
	<u>531,830,658</u>	<u>13,481,087</u>	<u>545,311,745</u>

As at 30 June 2013, 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 RMB22,346,000 (31 December 2012: RMB23,094,000) higher/lower for various financial assets and liabilities denominated in HKD.

(b) Interest rate risk

The Group's interest rate risk arises from interest bearing debts including bank borrowings and debentures payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 30 June 2013, the Group's interest bearing debts were mainly RMB-denominated and HKD-denominated with floating rates, amounting to RMB430,633,104 (31 December 2012: RMB531,612,652), and RMB-denominated with fixed rates, amounting to RMB1,442,446,896 (31 December 2012: RMB1,471,316,153).

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

For the Six months ended 30 June 2013, 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 RMB728,000 (six months ended 30 June 2012: RMB1,097,000).

11. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(1) Market risk (Cont'd)

(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 Company 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.

(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.

11. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(3) Liquidity risk (Cont'd)

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 2013 (Unaudited)				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets —					
Cash at bank and on hand	10,043,214,035	—	—	—	10,043,214,035
Notes receivable	58,762,856	—	—	—	58,762,856
Accounts receivable	485,708,629	—	—	—	485,708,629
Interest receivable	79,073,482	—	—	—	79,073,482
Dividends receivables	30,000,000	—	—	—	30,000,000
Other receivables	295,517,642	—	—	—	295,517,642
	<u>10,992,276,644</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,992,276,644</u>
Financial liabilities —					
Short-term borrowings	120,406,094	—	—	—	120,406,094
Notes payable	107,880,759	—	—	—	107,880,759
Accounts payable	3,354,134,012	—	—	—	3,354,134,012
Interest payable	1,260,776	—	—	—	1,260,776
Dividends payable	540,393,118	—	—	—	540,393,118
Other payables	4,673,722,857	—	—	—	4,673,722,857
Current portion of non-current liabilities	323,068,199	—	—	—	323,068,199
Long-term borrowings	—	1,707,243	3,168,768	1,289,400	6,165,411
Debentures payable	1,512,000,000	—	—	—	1,512,000,000
	<u>10,632,865,815</u>	<u>1,707,243</u>	<u>3,168,768</u>	<u>1,289,400</u>	<u>10,639,031,226</u>
31 December 2012					
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets —					
Cash at bank and on hand	7,118,248,041	—	—	—	7,118,248,041
Notes receivable	61,800,000	—	—	—	61,800,000
Accounts receivable	312,427,165	—	—	—	312,427,165
Interest receivable	63,996,403	—	—	—	63,996,403
Other receivables	172,988,274	—	—	—	172,988,274
	<u>7,729,459,883</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,729,459,883</u>
Financial liabilities —					
Short-term borrowings	149,650,966	—	—	—	149,650,966
Notes payable	81,883,234	—	—	—	81,883,234
Accounts payable	1,993,401,689	—	—	—	1,993,401,689
Interest payable	1,735,072	—	—	—	1,735,072
Dividends payable	1,101,571	—	—	—	1,101,571
Other payables	3,213,582,340	—	—	—	3,213,582,340
Current portion of non-current liabilities	2,788,835	—	—	—	2,788,835
Long-term borrowings	14,046,288	461,721,036	3,265,534	1,545,320	480,578,178
Debentures payable	12,000,000	1,512,000,000	—	—	1,524,000,000
	<u>5,470,189,995</u>	<u>1,973,721,036</u>	<u>3,265,534</u>	<u>1,545,320</u>	<u>7,448,721,885</u>

11. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(3) Liquidity risk (Cont'd)

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

	30 June 2013 (Unaudited)		31 December 2012	
	Bank borrowings	Debentures payable	Bank borrowings	Debentures payable
Wholly repayable within five years	435,016,864	1,500,000,000	598,140,113	1,500,000,000
Not wholly repayable within five years	3,422,892	—	3,749,423	—
	<u>438,439,756</u>	<u>1,500,000,000</u>	<u>601,889,536</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 2013 (Unaudited)		31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Debentures payable	<u>1,442,446,896</u>	<u>1,434,553,187</u>	<u>1,409,316,153</u>	<u>1,391,612,879</u>

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

(b) As at 30 June 2013, there are no financial instruments of the Group measured at fair value (31 December 2012: nil).

12. FINANCIAL ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

	31 December 2012	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 2013 (Unaudited)
Financial assets —					
Cash at bank and on hand (Note 5(1))	281,473,203	—	—	—	146,719,120
Accounts receivable (Note 5(3)(l))	68,510,132	—	—	—	72,121,980
Other receivables (Note 5(4)(k))	1,411,006	—	—	—	1,886,832
Subtotal	<u>351,394,341</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>220,727,932</u>
Financial liabilities					
Short-term borrowings (Note 5(21))	85,617,652	—	—	—	62,608,830
Other payables (Note 5(28)(d))	5,422,209	—	—	—	11,339,128
Current portion of non- current liabilities (Note 5(29))	1,786,281	—	—	—	312,315,241
Long-term borrowings (Note 5(30))	452,485,603	—	—	—	6,165,411
Subtotal	<u>545,311,745</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>392,428,610</u>

13. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Accounts receivable

	30 June 2013 (Unaudited)	31 December 2012
Accounts receivable	786,552,812	769,677,309
Less: provision for bad debts	(72,752,074)	(80,601,395)
	<u>713,800,738</u>	<u>689,075,914</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 2013 (Unaudited)	31 December 2012
Within 6 months	698,123,293	677,617,981
6 months to 1 year	8,901,119	5,764,278
1 to 2 years	2,971,493	2,371,448
2 to 3 years	35,000	—
Over 3 years	76,521,907	83,923,602
	<u>786,552,812</u>	<u>769,677,309</u>

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

	30 June 2013 (Unaudited)				31 December 2012			
	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	22,705,474	2.89%	(22,705,474)	100%	30,105,474	3.91%	(30,105,474)	100%
Subject to provision by groups								
Group B	681,728,769	86.67%	—	—	659,820,172	85.73%	—	—
Group C	82,118,569	10.44%	(50,046,600)	60.94%	79,751,663	10.36%	(50,495,921)	63.32%
	<u>786,552,812</u>	<u>100%</u>	<u>(72,752,074)</u>	<u>9.25%</u>	<u>769,677,309</u>	<u>100%</u>	<u>(80,601,395)</u>	<u>10.47%</u>

(c) As at 30 June 2013, 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	11,459,690	(11,459,690)	100%	Note 5(3)
Beijing Sales Company	11,245,784	(11,245,784)	100%	Note 5(3)
	<u>22,705,474</u>	<u>(22,705,474)</u>	100%	

13. 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 2013 (Unaudited)				31 December 2012			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total		Amount	Ratio	% of total		Amount	Ratio
	Amount	balance			Amount	balance		
Within 6 months	31,654,446	38.55%	—	—	28,490,227	35.72%	—	—
6 months to 1 year	324,817	0.40%	(16,241)	5%	175,224	0.22%	(8,761)	5%
1 to 2 years	217,893	0.27%	(108,946)	50%	1,198,104	1.50%	(599,052)	50%
2 to 3 years	35,000	0.04%	(35,000)	100%	—	—	—	—
Over 3 years	49,886,413	60.74%	(49,886,413)	100%	49,888,108	62.56%	(49,888,108)	100%
	<u>82,118,569</u>	<u>100%</u>	<u>(50,046,600)</u>	<u>60.94%</u>	<u>79,751,663</u>	<u>100%</u>	<u>(50,495,921)</u>	<u>63.32%</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 2012: nil).

	Reason for reversal/ collection	Basis for determining the provision for bad debts	Cumulative amount of provision provided before reversal/ collection (unaudited)	Amount of reversal/ collection (Unaudited)
Guangzhou General Agency	Collected in a proportion in current period	The management of the Company considers that the possibility of recovery is low	<u>18,859,690</u>	<u>7,400,000</u>

- (f) For the six months ended 30 June 2013, there are no accounts receivable that are written off (six months ended 30 June 2012: nil).
- (g) As at 30 June 2013, there are no accounts receivable from shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2012: nil).
- (h) As at 30 June 2013, the five largest accounts receivable are analysed as follows:

	Relationship with the Company	Amount (Unaudited)	Ageing	% of total balance
Pingdu Sales	Subsidiary	163,477,873	Within 6 months	20.78%
Dongnan Sales Company	Subsidiary	78,211,530	Within 6 months	9.94%
Chengyang Sales Company	Subsidiary	53,721,047	Within 6 months	6.83%
Sifang Sales Company	Associate	44,575,469	Within 6 months	5.67%
Shibei Sales Company	Subsidiary	44,561,970	Within 6 months	5.67%
		<u>384,547,889</u>		<u>48.89%</u>

13. 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 2013 (Unaudited)			31 December 2012		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Subsidiaries (Group B)		681,728,769	86.67%	—	659,820,172	85.73%	—
Pingdu Sales	Subsidiary	163,477,873	20.78%	—	67,003,365	8.71%	—
Dongnan Sales Company	Subsidiary	78,211,530	9.94%	—	63,262,938	8.22%	—
Chengyang Sales Company	Subsidiary	53,721,047	6.83%	—	1,343,062	0.17%	—
Sifang Sales	Subsidiary	44,575,469	5.67%	—	60,224,149	7.82%	—
Shibei Sales	Subsidiary	44,561,970	5.67%	—	205,701,558	26.73%	—
Beifang Sales Company	Subsidiary	33,616,070	4.27%	—	20,264,663	2.63%	—
Sanshui Sales	Subsidiary	19,955,878	2.54%	—	30,779,357	4.00%	—
New Shanghai Sales	Subsidiary	18,740,606	2.38%	—	—	—	—
Immense Brewery Company	Subsidiary	16,769,129	2.13%	—	11,411,915	1.48%	—
Jinan Company	Subsidiary	16,393,762	2.08%	—	4,359,490	0.57%	—
Shouguang Company	Subsidiary	13,342,638	1.70%	—	4,307,939	0.56%	—
Xingkaifu Company	Subsidiary	11,877,060	1.51%	—	12,112,849	1.57%	—
Jiayang Company	Subsidiary	11,483,154	1.46%	—	9,092,235	1.18%	—
Tengzhou Company	Subsidiary	10,436,143	1.33%	—	—	—	—
Three Ring Company	Subsidiary	9,021,045	1.15%	—	5,778,688	0.75%	—
Nanning Company	Subsidiary	7,646,092	0.97%	—	17,222,624	2.24%	—
Xuecheng Company	Subsidiary	7,524,773	0.96%	—	5,572,070	0.72%	—
Five Star Company	Subsidiary	7,412,931	0.94%	—	3,289,982	0.43%	—
Huanan Sales Company	Subsidiary	7,184,950	0.91%	—	1,403,560	0.18%	—
Hangzhou Company	Subsidiary	7,066,642	0.90%	—	5,104,215	0.66%	—
Macau Company	Subsidiary	6,710,166	0.85%	—	4,049,978	0.53%	—
Rizhao Company	Subsidiary	5,953,912	0.76%	—	8,534,606	1.11%	—
Harbin Company	Subsidiary	5,524,173	0.70%	—	5,539,660	0.72%	—
Changsha Company	Subsidiary	5,311,831	0.68%	—	2,300,451	0.30%	—
Heze Company	Subsidiary	4,954,650	0.63%	—	2,232,667	0.29%	—
Huangshi Company	Subsidiary	4,832,141	0.61%	—	4,755,636	0.62%	—
Hong Kong Company	Subsidiary	4,749,151	0.60%	—	25,998,305	3.38%	—
Other subsidiaries	Subsidiary	60,673,983	7.72%	—	78,154,210	10.16%	—
Guangzhou General Agency	Associate	11,459,690	1.46%	(11,459,690)	18,859,690	2.45%	(18,859,690)
Beijing Sales Company	Associate	11,245,784	1.43%	(11,245,784)	11,245,784	1.46%	(11,245,784)
European Company	Associate	10,619,328	1.35%	—	10,475,314	1.36%	—
		<u>715,053,571</u>	<u>90.91%</u>	<u>(22,705,474)</u>	<u>700,400,960</u>	<u>91.00%</u>	<u>(30,105,474)</u>

(j) As at 30 June 2013, there are no accounts receivable derecognised due to transfer of financial assets (31 December 2012: nil).

(k) As at 30 June 2013, there are no accounts receivable pledged as collateral for the Group's borrowings (31 December 2012: nil).

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

(2) Other receivables

	30 June 2013 (Unaudited)	31 December 2012
Receivables from subsidiaries	131,435,061	139,697,116
Deposits	17,781,009	10,865,599
Refund for prepayment of land use rights	17,441,647	17,441,647
Staff advance	9,159,828	12,332,944
Advance for hops	3,736,667	—
Others	32,627,405	19,091,169
	212,181,617	199,428,475
<i>Less: provision for bad debts</i>	(44,357,703)	(44,347,489)
	167,823,914	155,080,986

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

	30 June 2013 (Unaudited)	31 December 2012
Within 6 months	84,413,800	53,992,133
6 months to 1 year	1,038,564	2,787,433
1 to 2 years	1,048,328	2,065,530
2 to 3 years	2,002,470	870,890
Over 3 years	123,678,455	139,712,489
	212,181,617	199,428,475

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

	30 June 2013 (Unaudited)				31 December 2012			
	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	17,441,647	8.22%	(17,441,647)	100%	17,441,647	8.75%	(17,441,647)	100%
Subject to provision by groups								
Group A	1,661,000	0.78%	—	—	1,661,000	0.83%	—	—
Group B	131,435,061	61.95%	—	—	139,697,116	70.05%	—	—
Group C	61,643,909	29.05%	(26,916,056)	43.66%	40,628,712	20.37%	(26,905,842)	66.22%
	212,181,617	100%	(44,357,703)	20.91%	199,428,475	100%	(44,347,489)	22.24%

(c) As at 30 June 2013, 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%	<i>Note 5(4)(c)</i>

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

(2) Other receivables (Cont'd)

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

	30 June 2013 (Unaudited)				31 December 2012			
	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	34,027,474	55.20%	—	—	13,156,222	32.38%	—	—
6 months to 1 year	420,820	0.68%	(21,041)	5%	392,484	0.97%	(19,624)	5%
1 to 2 years	601,200	0.98%	(300,600)	50%	387,577	0.95%	(193,789)	50%
2 to 3 years	341,470	0.55%	(341,470)	100%	466,591	1.15%	(466,591)	100%
Over 3 years	26,252,945	42.59%	(26,252,945)	100%	26,225,838	64.55%	(26,225,838)	100%
	<u>61,643,909</u>	<u>100%</u>	<u>(26,916,056)</u>	<u>43.66%</u>	<u>40,628,712</u>	<u>100%</u>	<u>(26,905,842)</u>	<u>66.22%</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 2012: nil).
- (f) For the six months ended 30 June 2013, there are no other receivables that are written off (six months ended 30 June 2012: nil).
- (g) As at 30 June 2013, there are no other receivables from shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2012: nil).
- (h) As at 30 June 2013, the five largest other receivables are analysed as follows:

	Relationship with the Group	Amount (Unaudited)	Ageing	% of total Balance
Xinan Sales Company	Subsidiary	51,659,963	Over 3 years	24.35%
Dongnan Sales Company	Subsidiary	20,062,211	Over 3 years	9.46%
New Shanghai Sales	Subsidiary	15,733,301	Over 3 years	7.42%
Wuhu Company	Subsidiary	12,021,105	Within 6 months	5.67%
Tsingtao Xianghong Shangwu Company Limited ("Xianghong Shangwu")	Subsidiary	<u>11,271,106</u>	Over 3 years	<u>5.31%</u>
		<u>110,747,686</u>		<u>52.21%</u>

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

(2) Other receivables (Cont'd)

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

	Relationship with the Company	30 June 2013 (Unaudited)			31 December 2012		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
		Subsidiaries (Group B)	131,435,061	61.95%	—	139,697,116	70.05%
Xinan Sales Company	Subsidiary	51,659,963	24.35%	—	51,659,963	25.91%	—
Dongnan Sales Company	Subsidiary	20,062,211	9.46%	—	23,636,335	11.85%	—
New Shanghai Sales Company	Subsidiary	15,733,301	7.42%	—	16,630,957	8.34%	—
Wuhu Company	Subsidiary	12,021,105	5.67%	—	3,883,720	1.95%	—
Xianghong Shangwu	Subsidiary	11,271,106	5.31%	—	10,455,613	5.24%	—
Other subsidiaries	Subsidiary	20,687,375	9.74%	—	33,430,528	16.76%	—
New Songjiang Manufacturing	Associate	5,508,295	2.60%	—	—	—	—
Pengcheng Company	Associate	4,622,022	2.18%	—	—	—	—
Xuzhou Company	Associate	3,409,952	1.61%	—	—	—	—
Suqian Company	Associate	1,802,524	0.85%	—	—	—	—
Yangzhou Company	Associate	877,887	0.41%	—	—	—	—
Manufacturing Company	Associate	102,052	0.05%	—	—	—	—
		<u>147,757,793</u>	<u>69.65%</u>	<u>—</u>	<u>139,697,116</u>	<u>70.05%</u>	<u>—</u>

(3) Long-term receivables

	31 December 2012		30 June 2013 (Unaudited)
Entrusted loans to Subsidiaries (i)	765,750,000		890,910,000
		Increase in current period (Unaudited)	Decrease in current period (Unaudited)
Less: provisions for bad debts	<u>(195,960,000)</u>	<u>—</u>	<u>(195,960,000)</u>
	<u>569,790,000</u>		<u>694,950,000</u>

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

(4) Long-term equity investments

	30 June 2013 (Unaudited)	31 December 2012
Subsidiaries — unlisted (a)	7,672,035,552	8,026,445,552
Associates — unlisted (b)	1,227,409,219	161,681,029
Other long-term equity investments — unlisted (c)	<u>6,485,263</u>	<u>6,485,263</u>
	<u>8,905,930,034</u>	<u>8,194,611,844</u>
Less: Provision for impairment of long-term equity investments (d)	<u>(832,283,490)</u>	<u>(877,283,490)</u>
	<u>8,073,646,544</u>	<u>7,317,328,354</u>

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

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

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

(a) Subsidiaries — unlisted

	Accounting treatment	Investment cost	31 December 2012	Current period movement (Unaudited)	30 June 2013 (Unaudited)	Equity interest held	Voting rights held	Explanation of inconsistency of equity interest held and voting rights held	Provision for impairment (Unaudited)	Impairment losses recognised in the current period (Unaudited)	Cash dividends declared in the current period (Unaudited)
Shenzhen Asahi	Cost method	126,746,680	126,746,680	—	126,746,680	51%	51%	Not applicable	—	—	39,397,500
Chengzhou Company	Cost method	62,601,208	62,601,208	—	62,601,208	88.8%	88.8%	Not applicable	—	—	—
Huanan Sales Company	Cost method	45,070,000	45,070,000	—	45,070,000	100%	100%	Not applicable	—	—	—
Huanan Holding Company	Cost method	208,790,000	208,790,000	—	208,790,000	100%	100%	Not applicable	—	—	—
Huadong Holding Company	Cost method	96,855,102	96,855,102	—	96,855,102	100%	100%	Not applicable	(96,855,102)	—	—
Songjiang Company (i)	Cost method	—	518,410,000	(518,410,000)	—	—	—	Not applicable	—	—	—
Shouguang Company	Cost method	60,000,000	60,000,000	—	60,000,000	99%	99%	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	—	—	—
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	—	—	—
Xingkaifu 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)	—	—
Harbin Company	Cost method	109,940,000	109,940,000	—	109,940,000	100%	100%	Not applicable	(109,940,000)	—	—
Penglai Company	Cost method	30,000,000	30,000,000	—	30,000,000	80%	80%	Not applicable	(30,000,000)	—	—
Rongcheng Company	Cost method	65,103,434	65,103,434	—	65,103,434	70%	70%	Not applicable	(65,103,434)	—	—
Import/Export Company	Cost method	11,210,000	11,210,000	—	11,210,000	100%	100%	Not applicable	—	—	—
Tsingtao Brewery (Laoshan) Co., Ltd.	Cost method	18,089,491	18,089,491	—	18,089,491	96.90%	96.90%	Not applicable	—	—	—
Hong Kong Company	Cost method	41,728,681	41,728,681	—	41,728,681	100%	100%	Not applicable	—	—	—
Xinan Sales Company	Cost method	99,300,000	99,300,000	—	99,300,000	100%	100%	Not applicable	(82,310,170)	—	—
Tsingtao Brewery Kai Fa Co., Ltd.	Cost method	1,320,000	1,320,000	—	1,320,000	100%	100%	Not applicable	(1,320,000)	—	—
Taizhou Company	Cost method	60,000,000	60,000,000	—	60,000,000	86.43%	86.43%	Not applicable	—	—	—
Maanshan Company	Cost method	80,000,000	80,000,000	—	80,000,000	94.12%	94.12%	Not applicable	—	—	—
Xiangsheng Shangwu	Cost method	5,760,000	5,760,000	—	5,760,000	100%	100%	Not applicable	—	—	—
Dongnan Sales Company	Cost method	293,088,560	293,088,560	—	293,088,560	97.44%	97.44%	Not applicable	—	—	—
Changsha Company	Cost method	47,600,000	47,600,000	—	47,600,000	70%	70%	Not applicable	—	—	—
Huaihai Sales Company (i)	Cost method	—	45,000,000	(45,000,000)	—	—	—	Not applicable	—	—	—
Jinan Company	Cost method	560,000,000	560,000,000	—	560,000,000	100%	100%	Not applicable	—	—	—
Guangrunlong Logistics	Cost method	16,465,405	16,465,405	—	16,465,405	100%	100%	Not applicable	—	—	—
Chengdu Company	Cost method	200,000,000	200,000,000	—	200,000,000	100%	100%	Not applicable	—	—	—
Cultural Communication Company	Cost method	5,290,000	5,290,000	—	5,290,000	100%	100%	Not applicable	—	—	—
Rizhao Company	Cost method	339,239,300	339,239,300	—	339,239,300	100%	100%	Not applicable	—	—	—
Wefang Company	Cost method	73,620,001	73,620,001	—	73,620,001	100%	100%	Not applicable	—	—	—
Pingyuan Company	Cost method	21,730,001	21,730,001	—	21,730,001	100%	100%	Not applicable	—	—	—
Construction Company	Cost method	2,490,000	2,490,000	—	2,490,000	100%	100%	Not applicable	—	—	—
Langfang Company	Cost method	79,090,000	79,090,000	—	79,090,000	80.80%	80.80%	Not applicable	—	—	—
Heze Company	Cost method	124,590,000	124,590,000	—	124,590,000	93.08%	93.08%	Not applicable	(51,301,600)	—	—
Tengzhou Company	Cost method	48,310,000	48,310,000	—	48,310,000	76.65%	76.65%	Not applicable	—	—	—
Shanghai Company	Cost method	1,570,000	1,570,000	—	1,570,000	5%	5%	Not applicable	—	—	—
Wuhu Company	Cost method	94,290,000	94,290,000	—	94,290,000	84.25%	84.25%	Not applicable	—	—	—
Shanghai Sales	Cost method	47,300,000	97,300,000	—	97,300,000	97.01%	97.01%	Not applicable	(47,300,000)	—	—

13. 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 2012	Current period movement (Unaudited)	30 June 2013 (Unaudited)	Equity interest held	Voting rights held	Explanation of inconsistency of equity interest held and voting rights held	Provision for impairment (Unaudited)	Impairment losses recognised in the current period (Unaudited)	Cash dividends declared in the current period (Unaudited)
Chengyang Sales Company	Cost method	8,000,000	8,000,000	—	8,000,000	100%	100%	Not applicable	—	—	—
Baotiquan 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	—	—	—
Finance Company (i)	Cost method	300,000,000	300,000,000	200,000,000	500,000,000	100%	100%	Not applicable	—	—	—
Immense Brewery Company	Cost method	1,404,558,400	1,404,558,400	—	1,404,558,400	75%	75%	Not applicable	—	—	—
Hangzhou Company	Cost method	186,000,000	186,000,000	—	186,000,000	80%	80%	Not applicable	—	—	—
Sifang Sales	Cost method	10,000,000	10,000,000	—	10,000,000	100%	100%	Not applicable	—	—	—
Jieryang Company	Cost method	150,000,000	150,000,000	—	150,000,000	75%	75%	Not applicable	—	—	—
Beverage Company	Cost method	10,044,252	10,044,252	—	10,044,252	100%	100%	Not applicable	—	—	—
Shaoguan Company	Cost method	200,000,000	200,000,000	—	200,000,000	100%	100%	Not applicable	—	—	—
Haiman Company	Cost method	200,000,000	200,000,000	—	200,000,000	100%	100%	Not applicable	—	—	—
Shibei Sales	Cost method	8,000,000	8,000,000	—	8,000,000	100%	100%	Not applicable	—	—	—
Jiuliang Company	Cost method	180,000,000	180,000,000	—	180,000,000	90%	90%	Not applicable	—	—	—
New Shanghai Sales (j)	Cost method	—	1,000,000	(1,000,000)	—	—	—	Not applicable	—	—	—
Xuzhou Enterprise Management	Cost method	10,000,000	10,000,000	—	10,000,000	100%	100%	Not applicable	(10,000,000)	—	—
Pingdu Sales	Cost method	5,000,000	5,000,000	—	5,000,000	100%	100%	Not applicable	—	—	—
Luoyang Company	Cost method	200,000,000	200,000,000	—	200,000,000	100%	100%	Not applicable	—	—	—
Sales Company (i)	Cost method	20,000,000	—	10,000,000	10,000,000	50%	55.56%	Not applicable	—	—	—
			8,026,445,552	(354,410,000)	7,672,035,552				(825,578,229)	—	39,397,500

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

(b) Associates-unlisted

	Accounting treatment	Investment cost	31 December 2012	Retain earning adjusted from cost method Increased charge to equity method (Unaudited)	Share of Profits using equity method (Unaudited)	Cash dividend declared (Unaudited)	30 June 2013 (Unaudited)	Equity interest held	Voting rights held	Explanation of inconsistency of equity interest held and voting rights held	Provision for impairment (Unaudited)	Impairment losses recognised in the current period (Unaudited)
Manufacturing Company (j)	Equity method	950,650,823	—	950,650,823	90,362,210	23,393,255	1,064,406,288	50%	44.44%	(ii)	—	—
Yantai Asahi	Equity method	120,024,598	133,007,877	—	—	4,213,123	137,221,000	39%	39%	Not Applicable	—	—
Zhaozhang Logistics	Equity method	6,000,000	23,935,600	—	—	2,002,065	(4,946,516)	30%	30%	Not Applicable	—	—
Liaoning Shengqing	Equity method	600,000	3,517,552	—	—	53,230	3,570,782	30%	30%	Not Applicable	—	—
Others	Equity method	1,220,000	1,220,000	—	—	—	1,220,000	Not Applicable	Not Applicable	Not Applicable	(1,220,000)	—
			161,681,029	950,650,823	90,362,210	(4,946,516)	1,227,409,219				(1,220,000)	—

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

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

(b) Associates-unlisted (Cont'd)

- (i) As stated in Note 10(1), the Company and Suntory Company entered into two framework agreements for establishing two joint-investment companies, whereby the Company and Suntory Company agreed to reorganise and integrate their assets and business of the subsidiaries in Shanghai and Jiangsu Province into two joint-investment companies, namely the Sales Company and the Manufacturing Company. After the completion of the transactions, the Manufacturing Company (originally known as Songjiang Company) became from a subsidiary into an associate with 50% equity interest held by the Company.

As for disposal of 50% equity interest of Manufacturing Company, the investment income is calculated based on the followings:

- long-term equity investment cost determined as 50% of the fair value of equity interest and cash and cash equivalent in Manufacturing Business invested by Suntory Company, equivalent to RMB 691,445,823 (as calculation process stated below);
- 50% of the supplementary payment by Suntory Company, equivalent to RMB39,500,000, which was recognized as other non-current assets;
- less the 50% carrying amount of long-term investment, equivalent to RMB259,205,000

The Company recognised the calculation result from abovementioned transactions as investment income, equivalent to RMB471,740,823.

50% fair value of equity interest in Manufacturing Business invested by Suntory Company	683,388,064
50% of cash in Manufacturing Business invested by Suntory Company	<u>8,057,759</u>
	<u>691,445,823</u>

As for remaining 50% equity interest of Manufacturing Company, the treatment of the long-term equity investment is changed from cost method to equity method and long-term equity investment (profit or loss adjustment) is calculated of RMB96,474,607, of which the net profit RMB90,362,210 realized from initial acquisition date to 31 December 2012 is recognised as undistributed profit and the net profit RMB6,112,397 realized from 1 January 2013 to the disposal date is recognised as investment income.

The net profit or loss adjustment in the current period under equity method is RMB 17,280,858, of which RMB13,039,865 is calculated on the share of net profit at book value realized by the Manufacturing Business invested by the Company, and RMB4,240,993 is calculated on the share of net profit realized by the Manufacturing Business invested by Suntory Company at fair value calculated continuously from the date of acquisition.

- (ii) The Company hold 50% equity interest of Manufacturing Company and has significant influence on financial and operating policies of Manufacturing Company. Therefore, Manufacturing Company is an associate of the Company.

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

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

(c) Other long-term equity investments — unlisted

	Accounting treatment	Investment cost	31 December 2012	Current period movement (Unaudited)	30 June 2013 (Unaudited)	Provision for impairment (Unaudited)	Impairment losses recognised in the current period (Unaudited)	Cash dividends declared in the current period (Unaudited)
Yingxiao Club	Cost method	3,985,261	3,985,261	—	3,985,261	(3,985,261)	—	—
Others	Cost method	2,500,002	2,500,002	—	2,500,002	(1,500,000)	—	—
			<u>6,485,263</u>	<u>—</u>	<u>6,485,263</u>	<u>(5,485,261)</u>	<u>—</u>	<u>—</u>

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

	31 December 2012	Increase in current period (Unaudited)	Decrease in current period (Unaudited)	30 June 2013 (Unaudited)
Subsidiaries	(870,578,229)	—	45,000,000	(825,578,229)
Associates	(1,220,000)	—	—	(1,220,000)
Other long-term equity investments	<u>(5,485,261)</u>	<u>—</u>	<u>—</u>	<u>(5,485,261)</u>
	<u>(877,283,490)</u>	<u>—</u>	<u>45,000,000</u>	<u>(832,283,490)</u>

(5) Revenue and cost of sales

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Revenue from main operation	8,270,146,995	7,041,420,875
Revenue from other operation	<u>671,055,642</u>	<u>465,917,908</u>
	<u>8,941,202,637</u>	<u>7,507,338,783</u>
	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Cost of main operation	(6,024,219,368)	(4,867,097,000)
Cost of other operation	<u>(664,479,602)</u>	<u>(463,939,649)</u>
	<u>(6,688,698,970)</u>	<u>(5,331,036,649)</u>

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

(5) Revenue and cost of sales

(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 2013		Six months ended 30 June 2012	
	Revenue from main operation (Unaudited)	Cost of main operation (Unaudited)	Revenue from main operation (Unaudited)	Cost of main operation (Unaudited)
Sale of Beer	<u>8,270,146,995</u>	<u>(6,024,219,368)</u>	<u>7,041,420,875</u>	<u>(4,867,097,000)</u>

Analysis by locations is summarised as follow:

	Six months ended 30 June 2013		Six months ended 30 June 2012 (Unaudited)	
	Revenue from main operation (Unaudited)	Cost of main operation (Unaudited)	Revenue from main operation (Unaudited)	Cost of main operation (Unaudited)
Shandong Region	7,196,664,887	(5,081,602,159)	6,407,570,071	(4,338,460,070)
Hong Kong, Macau and other overseas	141,807,319	(121,542,651)	137,755,644	(111,149,728)
Other regions	<u>931,674,789</u>	<u>(821,074,558)</u>	<u>496,095,160</u>	<u>(417,487,202)</u>
	<u>8,270,146,995</u>	<u>(6,024,219,368)</u>	<u>7,041,420,875</u>	<u>(4,867,097,000)</u>

(b) Revenue and cost of other operation

	Six months ended 30 June 2013		Six months ended 30 June 2012	
	Revenue from other operation (Unaudited)	Cost of other operation (Unaudited)	Revenue from other operation (Unaudited)	Cost of other operation (Unaudited)
Sale of materials	658,582,413	(655,513,503)	457,067,241	(458,051,806)
Others	<u>12,473,229</u>	<u>(8,966,099)</u>	<u>8,850,667</u>	<u>(5,887,843)</u>
	<u>671,055,642</u>	<u>(664,479,602)</u>	<u>465,917,908</u>	<u>(463,939,649)</u>

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

Revenue from the five largest customers of the company amounting to RMB1,515,207,181 (Six months ended 30 June 2012: RMB910,168,355) accounts for 16.95% (six months ended 30 June 2012: 12.12%) of the total revenue of the Company.

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

(6) Investment income

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Income from long-term equity investment under cost method (a)	39,397,500	138,339,421
Income from long-term equity investment under equity method (b)	29,661,673	5,886,253
Income from disposal of long-term equity investment (c)	470,740,825	325,944,096
Income from entrusted loans	20,591,408	28,905,648
	<u>560,391,406</u>	<u>499,075,418</u>

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

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

The investees are set out as follows:

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)	Reason for current period additions or reductions
Shenzhen Asahi Huanan Holding Company	39,397,500	37,699,200	Increase in distributed profit
Pengcheng Company	—	55,130,221	No profit distribution of profit
	—	45,510,000	The subsidiary become associate
	<u>39,397,500</u>	<u>138,339,421</u>	

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

The investees are set out as follows:

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)	Reason for current period additions or reductions
Manufacturing Company	23,393,255	—	Newly increased associate
Yantai Asahi	4,213,123	3,295,873	Increase in distributed profit of the investee
Zhaoshang Logistics	2,002,065	2,516,398	Decrease in profit of investee
Liaoning Shenqing	53,230	73,982	Decrease in profit of investee
	<u>29,661,673</u>	<u>5,886,253</u>	

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

(6) Investment income (Cont'd)

(c) The investment income of disposal of long-term equity investment comprise:

- (i) As stated in Note (13)(4)(b), the investment income of RMB471,740,823 comes from the disposal of 50% equity of Manufacturing Company (the original Songjiang Company).
- (ii) The loss on equity transfer of RMB999,998 comes from that the Company transfers its 100% equity of New Shanghai Sales to Sale Company.

(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 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Net profit	741,099,469	843,537,043
<i>Add:</i> Provisions for asset impairment	(7,839,107)	1,165,131
Depreciation of fixed assets	75,654,722	61,928,831
Amortisation of intangible assets	20,899,615	19,037,889
Amortisation of long-term prepaid expenses	272,157	284,823
Losses on disposal of fixed assets	4,992,413	412,941
Financial expenses	38,529,466	47,936,523
Investment income	(560,391,406)	(499,075,418)
Increase in deferred tax assets	(100,939,928)	(32,618,446)
(Increase)/Decrease in inventories	21,829,637	279,885,455
(Increase)/Decrease in operating receivables	(30,806,811)	(55,791,979)
(Increase)/Decrease in operating payables	960,219,343	411,800,455
Net cash flows from operating activities	<u>1,163,519,570</u>	<u>1,078,503,248</u>

(b) Disposal of subsidiaries

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Cash received for disposal	—	—
<i>Less:</i> cash in the subsidiaries disposed	—	(381,149,419)
Net cash received for disposal	<u>—</u>	<u>381,149,419</u>

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

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

(c) Net increase in cash

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Cash at end of period	3,664,982,683	3,663,854,888
Less: cash at beginning of period	(3,059,464,569)	(2,606,570,012)
Net increase in cash	<u>605,518,114</u>	<u>1,057,284,876</u>

14. NET CURRENT ASSETS

	30 June 2013 Group (Unaudited)	31 December 2012 Group	30 June 2013 Company (Unaudited)	31 December 2012 Company
Current assets	12,984,540,508	10,142,133,743	5,332,513,381	4,680,478,699
Less: Current liabilities	<u>(11,272,631,268)</u>	<u>(7,336,024,163)</u>	<u>(5,279,669,717)</u>	<u>(3,807,011,223)</u>
Net current assets	<u>1,711,909,240</u>	<u>2,806,109,580</u>	<u>52,843,664</u>	<u>873,467,476</u>

15. TOTAL ASSETS LESS CURRENT LIABILITIES

	30 June 2013 Group (Unaudited)	31 December 2012 Group	30 June 2013 Company (Unaudited)	31 December 2012 Company
Total assets	27,578,898,605	23,661,105,585	17,086,994,688	15,289,111,313
Less: Current liability	<u>(11,282,631,268)</u>	<u>(7,336,024,163)</u>	<u>(5,279,669,717)</u>	<u>(3,807,011,223)</u>
Total assets less current liabilities	<u>16,296,267,337</u>	<u>16,325,081,422</u>	<u>11,807,324,971</u>	<u>11,482,100,090</u>

SUPPLEMENTARY INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2013

(All amounts in RMB Yuan unless otherwise stated)

1. SUMMARY OF NON-RECURRING PROFIT OR LOSS

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Losses on disposal of non-current assets	(44,126,945)	550,335
Government grants recognised in profits	108,965,265	95,201,061
Bad debt reversed of individually impairment testing for accounting receivables	7,400,000	—
Investment income of transaction with Suntory	210,767,899	—
Non-operating income of transaction with Suntory	178,591,992	—
Staff resettlement expense	(120,931,669)	—
Other non-operating income and expenses other than aforesaid items	(5,491,559)	2,819,285
	335,174,983	98,570,681
Impact on the income tax	21,932,915	(9,152,672)
Impact on the minority interests (after tax)	(8,469,599)	(2,467,144)
	348,638,299	86,950,865

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

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

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return on net assets (%)		Earnings per share			
	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)	Basic earnings per share		Diluted earnings per share	
			Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Net profit attributable to ordinary shareholders of the Company	10.56%	8.67%	1.032	0.746	1.032	0.746
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	7.92%	7.93%	0.774	0.681	0.774	0.681

MANAGEMENT DISCUSSION AND ANALYSIS

(I) REVIEW OF OPERATIONAL RESULTS FOR THE FIRST HALF-YEAR

In the first half year, the Company's sales volume reached 45.8 million hl in aggregate, increased by 9.62% from the corresponding period in previous year; revenues reached RMB14.971 billion, increased by 11.68% from the corresponding period in previous year, net profit attributable to shareholders of listed Company amounted to RMB1.395 billion, increased by 38.46% from the corresponding period in previous year. The output volume in the national beer industry reached 249.8 million hl, increased by 5.85% from the corresponding period in previous year (statistics: the National Bureau of Statistics). During the Reporting Period, the Company achieved a much higher growth rate of sales volume than the average rate of the industry, and a higher growth rate of net profits than that of the revenues while a higher growth rate of revenues than that of the sales volume by actively exploring the domestic mid-and-high-end markets and adjusting the product mix.

During the Reporting Period, the sales volume of Company's principal brand, Tsingtao Beer, reached 24 million hl, increased by 9% from the corresponding period in previous year, in which that of the high-end products including canned beer reached 8.3 million hl, increased by 19% from the corresponding period in previous year, which further optimized and improved the Company's product mix. In the first half year, the production costs decreased at certain rate from the corresponding period in previous year. Furthermore, the Company's gross profits increased 1.27 percentage points from the corresponding period in previous year.

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

1. Analysis of the principal business

Analysis of changes in items in the Profit Statement

Item	Amount in this period	Unit: '000 Yuan, Currency: RMB	
		Amount in corresponding period in previous year	Increase/ (Decrease) (%)
Revenues	14,971,338	13,405,498	11.68
Costs of sales	8,753,435	7,978,963	9.71
Selling and distribution expenses	3,094,354	2,461,537	25.71
General and administrative expenses	602,814	564,882	6.72
Financial expenses	(95,694)	(83,799)	(14.19)
Asset impairment losses	(6,415)	3,341	(292.00)
Investment incomes	232,470	5,886	3,849.37
Non-operating incomes	299,947	114,570	161.80
Non-operating expenses	182,940	15,999	1,043.46

- (1) In the first half of 2013, the revenues increased by 11.68% from the corresponding period in previous year, which was mainly due to the increase in revenues caused by the increase in the sales volume of principal products during the Reporting Period.

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

Unit: '000 Yuan, Currency: RMB

Principal business by industries

By industries	Revenues	Costs of sales	Gross profits (%)	Increase/Decrease in revenues from previous year (%)	Increase/Decrease in costs of sales from previous year (%)	Increase/Decrease in gross profits from previous year (%)
Beer	14,756,577	8,570,691	41.92	11.74	9.35	Increased by 1.27 percentage points

Principal business by products

By products	Revenues	Costs of sales	Gross profits (%)	Increase/Decrease in revenues from previous year (%)	Increase/Decrease in costs of sales from previous year (%)	Increase/Decrease in gross profits from previous year (%)
Beer	14,756,577	8,570,691	41.92	11.74	9.35	Increased by 1.27 percentage points

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

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

Unit: '000 Yuan, Currency: RMB

Region	Revenues	Increase/Decrease in revenues from previous year (%)
Shandong Province	8,161,633	15.43
South China	2,764,510	14.23
North China	2,951,702	13.40
East China	1,662,333	34.13
South-East China	1,008,536	18.55
Hong Kong, Macau and other overseas	214,119	(2.86)
Sub-total	16,762,834	16.38
Less: Eliminations	2,006,257	67.49
Total	14,756,577	11.74

- (2) In the first half of 2013, the costs of sales increased by 9.71% from the corresponding period in previous year, which was mainly due to the increase in costs of sales caused by the growth of sales volume of principal products during the Reporting Period.
- (3) *Expenses during the period*
- (i) In the first half of 2013, the selling and distribution expenses increased by 25.71% from the corresponding period in previous year, which was mainly due to the increase in marketing inputs, brand promoting expenses and staff remunerations caused by the growth of sales volume and market expansion during the Reporting Period.
- (ii) In the first half of 2013, the general and administrative expenses increased by 6.72% from the corresponding period in previous year, which was mainly due to the increase in operating expenses and staff remunerations during the Reporting Period.
- (iii) In the first half of 2013, the financial expenses decreased by 14.19% from the corresponding period in previous year, which was mainly due to the decrease in interests paid during the Reporting Period.
- (4) In the first half of 2013, assets impairment losses decreased by 292.00% from the corresponding period in previous year, which was mainly due to the collection of bad debts of receivable accounts during the Reporting Period.
- (5) In the first half of 2013, the investment income increased by 3,849.37% from the corresponding period in previous year, which was mainly due to the disposing gains arising from the difference by which the fair value of the Company's former subsidiary Tsingtao Brewery Shanghai Songyang Company Limited (renamed as Suntory-Tsingtao (Shanghai) Company Limited) exceeds its book value in the Suntory project.
- (6) In the first half of 2013, the non-operating incomes increased by 161.80% from the corresponding period in previous year, which was mainly due to the negative goodwill generated from the Suntory project during the Reporting Period.
- (7) In the first half of 2013, the non-operating expenses increased by 1,043.46% from the corresponding period in previous year, which was mainly due to the staff settlement expenses undertaken by the Company subsidiary during its assets reorganization.

2. Analysis of changes in items in the balance sheet

Item	Unit: '000 Yuan, Currency: RMB		
	30 June 2013	31 December 2012	Increase/ (Decrease) (%)
Cash at bank and on hand	10,043,214	7,118,248	41.09
Accounts receivable	274,759	82,685	232.30
Advances to suppliers	114,222	83,739	36.40
Other receivables	209,536	87,292	140.04
Other current assets	157,405	284,314	(44.64)
Long-term investments in equity interests	1,321,485	163,877	706.39
Deferred income tax assets	714,064	485,349	47.12
Other non-current assets	296,089	195,910	51.14
Notes payable	107,881	81,883	31.75
Accounts payable	3,354,134	1,993,402	68.26
Taxes payable	676,734	350,866	92.88
Dividends payable	540,393	1,102	48,956.59
Other payables	4,663,723	3,213,582	45.13
Non-current liabilities to mature in 1 year	313,315	2,786	11,144.93
Long-term borrowings	6,165	452,486	(98.64)
Specific payables	205,052	120,064	70.79
Minority interests	(104,367)	315,478	(133.08)

- (1) At the end of the Reporting Period, the cash at bank and on hand increased by 41.09% from the beginning of the Reporting Period, which was mainly due to the increase in net cash flow from the operative activities during the Reporting Period.
- (2) At the end of the Reporting Period, the accounts receivable increased by 232.30% from the beginning of the Reporting Period, which was mainly due to the increase in balance of accounts receivable in the peak seasons and inflow of receivable accounts from newly acquired units in the joint investment project with Suntory during the Reporting Period.
- (3) At the end of the Reporting Period, the advances to suppliers increased by 36.40% from the beginning of the Reporting Period, which was mainly due to the increase in prepayments for purchasing raw materials during the Reporting Period.
- (4) At the end of the Reporting Period, the other receivables increased by 140.04% from the beginning of the Reporting Period, which was due to the increase in the reimbursed payment for recycled bottles, pledge and warranty caused by the growth of sales volume in the peak seasons during the Reporting Period.
- (5) At the end of the Reporting Period, the other current assets decreased by 44.64% 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 in prepaid income tax.
- (6) At the end of the Reporting Period, the long-term investments in equity interests increased by 706.39% from the beginning of the Reporting Period, which was mainly due to the reorganization of long-term equity investment of the associate subsidiary held as to 50% by the Company. Such associate subsidiary was changed from Tsingtao Brewery Shanghai Songjiang Company Limited, the Company's former wholly-owned subsidiary, in the joint investment project with Suntory during the Reporting Period.
- (7) At the end of the Reporting Period, the deferred income tax assets increased by 47.12% from the end of the Reporting Period, which was mainly due to the increase in deferred income tax caused by the increase in pending payments and staff remuneration in the peak seasons during the Reporting Period.
- (8) At the end of the Reporting Period, the other non-current assets increased by 51.14% 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.
- (9) At the end of the Reporting Period, the notes payable increased by 31.75% from the beginning of the Reporting Period, which was mainly due to the increase in amounts of payable notes used for purchasing the materials during the Reporting Period.
- (10) At the end of the Reporting Period, the accounts payables increased by 68.26% from the beginning of the Reporting Period, which was mainly due to the increase in accounts payable caused by the increase in purchasing raw materials for the production in the peak seasons during the Reporting Period.
- (11) At the end of the Reporting Period, the taxes payable increased by 92.88% from the beginning of the Reporting Period, which was mainly due to the increase in payable value-added taxes, income taxes and consumption taxes caused by the increase in sales volume and revenues during the Reporting Period.
- (12) At the end of the Reporting Period, the dividends payable increased by 48,956.59% from the beginning of the Reporting Period, which was mainly due to that the distribution of cash dividends according to the resolution passed at the general meeting had not been made during the Reporting Period.
- (13) At the end of the Reporting Period, the other payables increased by 45.13% from the beginning of the Reporting Period, which was mainly due to the increase in the pending payments, pledges and guarantee amounts caused by the growth of sales volume during the Reporting Period.

(14) At the end of the Reporting Period, the payables for specific projects increased by 70.79% from the beginning of the Reporting Period, which was mainly due to that some subsidiaries received relocation compensations from the local government during the Reporting Period.

(15) At the end of the Reporting Period, the minority interests decreased by 133.08% from the beginning of the Reporting Period, which was mainly due to the minority interest of Suntory-Tsingtao (Shanghai) Sales Co., Ltd., a subsidiary established in the joint investment project with Suntory during the Reporting Period.

(16) Bank borrowings

At the end of the Reporting Period, the short-term borrowings decreased by 18.74% from the beginning of the Reporting Period, which was mainly due to the repayment of borrowings by subsidiaries during the Reporting Period.

At the end of the Reporting Period, the non-current liabilities to mature within 1 year increased by 11,144.93% while the long-term liabilities decreased by 98.64% from the beginning of the Reporting Period, which was mainly due to that, during the Reporting Period, some subsidiaries transformed the long-term borrowings to mature within 1 year to the non-current liabilities to mature within 1 year in this year.

At the end of the Reporting Period, the total amount of bank borrowings of the Group was RMB438,440,000, which included RMB119,959,000 of short-term borrowings and RMB318,481,000 of long-term borrowings. Among the long-term borrowings, those would mature within 1 year were amounted to RMB312,315,000, those would mature in 1-5 years were amounted to RMB4,877,000, and those would mature over 5 years were amounted to RMB1,289,000.

At the end of the Reporting Period, the borrowings in Renminbi amounted to RMB57,350,000, borrowings in Hong Kong dollars amounted to RMB373,283,000, borrowings in Euro amounted to RMB4,384,000, and borrowings in Danish krone were amounted to RMB3,423,000.

All borrowings of the Group were affected by the fluctuation of the interest rate in the market. As at the settlement date, the effective annual interest rate of Renminbi and Hong Kong dollar were 3.300% and 3.027% respectively.

3. Analysis of changes to items in cash flow

Item	Unit: '000 Yuan, Currency: RMB		
	Amount in this period	Amount in the corresponding period in last year	Increase/ (Decrease) (%)
Cash flow from operating activities-net	3,823,970	3,574,303	6.99%
Cash flow from investing activities-net	(1,083,573)	(1,387,678)	21.91%
Cash flow from financing activities-net	(198,864)	(16,062)	(1,138.09%)

(1) The net cash flow from operating activities increased by 6.99% from the corresponding period in previous year, which was mainly due to the increase in cash received from selling the goods, during the Reporting Period.

(2) The net cash flow from investing activities increased by 21.91% from the corresponding period in previous year, which was mainly due to the decrease in the constructions of fixed assets during the Reporting Period compared with that in the corresponding period in previous year.

(3) The net cash flow from financing activities decreased by 1,138.09% from the corresponding period in previous year, which was mainly due to the increase in cash paid for repaying the liabilities during the Reporting Period compared with that in the corresponding period in previous year.

Interpretation for other operational situations

(1) Debt/Capital ratio

On 30 June 2013, the Group's debt/capital ratio was 9.7% (13.0% on 31 December 2012). The calculation of debt/capital is: total amount of long-term borrowings/(total amount of long-term borrowings + interests attributable to the shareholders of listed company).

(2) Assets mortgage

As at 30 June 2013, none of the bank borrowings of the Group was with mortgage (Nil as at 31 December 2012).

(3) Risk of fluctuations of exchange rate

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

(4) Capital expenses

In 2013, the Company will further strive to improve the efficiency in utilizing the existing assets. According to the Company's current situation in funds and profitability, it has sufficient funds and continuous in-flow of operational cash flow to satisfy 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) INTERPRETATION OF THE PROGRESS OF THE OPERATING PLAN

In 2013, the Company's operating goal is to consolidate and enlarge the Company's leading position in the national mid-and-high-end markets by fully playing its advantages in brand and actively adjusting the product mix, thus to finally build a solid foundation for realizing the goal of 100 million hl in 2014.

In the first half-year, although there were negative factors including the low temperature in spring, the Company still almost realized the expected development goal with the joint efforts of all staff. In the second half-year, the Company will further play its advantages including brands, quality, technologies and channels to continue the brand promotion and market exploration, keep increasing the market share. The Company is confident and determined to realize its full-year operational goals.

It is the 110th anniversary of Tsingtao Brewery in 2013. With this new start, the Company will further maintain and improve its leading position in the national beer market.

The Company's century-old brewing history cultivates the outstanding quality culture. In 2013, Tsingtao's brand value has reached RMB80.585 billion (published by the World Brand Lab), being the No. 1 among China's beer brands again. The Company focuses on building up a young and fashionable brand image to ensure the feel of times and freshness of the brand. In 2013, by the opportunity of the 110th anniversary ceremony, the Company started the promotional activities in the theme of "110 years, only for brewing tasty beer", which further improved Tsingtao beer's reputation.

The Company's mission is to produce the beer which can meet the consumers' taste. In the development of new products, based on the general concept of "To sell the 1st generation, R&D the 2nd generation, and reserve the 3rd generation", it continues to develop the well-liked new products to expand the consumption demands. In this year, the aluminum bottled beer "Lucky Strike" and the black beer with brand-new wrapping, the newly-launched high-end products, won broad fondness from the consumers, which will continue to improve the Company's advantages in the competition in the high-end markets.

(IV) ANALYSIS OF CORE COMPETITIVENESS

During the Reporting Period, there were no changes to the Company's core competitiveness.

SIGNIFICANT EVENTS

(I) PROGRESS OF THE COOPERATIVE TRANSACTION BETWEEN THE COMPANY AND SUNTORY CHINA

On 5 June 2012, an extraordinary meeting of the Company's 7th Board was held to consider and approve the cooperative transaction between the Company and Suntory (China) Holding Co., Ltd. ("Suntory China"). On the same day, the both parties entered into Business Joint Investment Company Framework Agreement and Sales Joint Investment Company Framework Agreement, whereby the Company and Suntory China would integrate their respective assets and business in the target subsidiaries in Shanghai and whole Jiangsu Province into two joint investment companies, namely, Tsingtao-Suntory (Shanghai) Sales Co., Ltd. ("Sales Company") and Suntory-Tsingtao Co., Ltd. ("Manufacturing Company"). As at the end of the Reporting Period, the two companies have completed the registration and filing procedures and started the operations.

1. Establishment of the companies

1.1 About Sales Company

Company name:	Tsingtao-Suntory (Shanghai) Sales Co., Ltd.
Chairman:	WANG Rui Yong
Registered capital:	RMB20 million
Investment ratio:	50% for each of Suntory China and the Company (as the Company has actual power to control the composition of its board of directors, therefore, it was listed as a subsidiary in the Company's consolidated financial statements)

1.2 About Manufacturing Company

Company name:	Suntory-Tsingtao (Shanghai) Co., Ltd.
Registered capital:	RMB907.32 million
Investment ratio:	50% for each of Suntory China and the Company (as the Company does not have actual power to control the composition of its board of directors, therefore, it was listed as an associate subsidiary in the Company's consolidated financial statements)

2. Financial influence of the transaction

The Company and Suntory China formally conducted the transfer procedures of equity interests and business integration concerned in the abovementioned transaction on 28 April 2013, and from the next day of which the Company included the Sales Company and its subsidiaries into the consolidation scope. At the same time, after the Company and Suntory China negotiated for the supplementary investment to the transaction consideration arising during the transitional period before the transfer date of the cooperation transaction, the management team of the Company was of the view that, based on the negotiation situation, RMB79 million was the best estimation for the supplementary investment to be made by Suntory China, and the actual investment amount, which shall not affect the ratio of investment made by the Company and Suntory China in the Manufacturing Company under the framework agreement, would be determined by the agreement to be entered into by the Company and Suntory China. With reference to the rules in the CAS and related documents, this integration matter of equity interests and business is deemed as a package deal, whose financial influence to the Group is as follows:

2.1 When the Company obtained the net assets of Sales Company invested by Suntory China, the negative goodwill arised from the difference that the consolidated costs belows the fair value of the net identifiable assets on the acquisition date obtained from the acquiree in the consolidation was recognised as non-operating income of the period, which made the Company's net profits attributable to the parent company increased by approximately RMB178.59 million.

- 2.2 The difference by which the fair value of equity interests of the related subsidiary of Manufacturing Company invested by the Company exceeds the net assets and goodwill of the subsidiaries on the disposal date was recognised as investment income of the period, which made the Company's net profits attributable to the parent company increased by approximately RMB210.77 million.

(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 total amount of the entrusted loan provided by the Company to its subsidiaries including Tsingtao Brewery (Xuecheng) Company Limited had reached approximately RMB890.91 million.

(III) OTHER ISSUES

1. The Company shall not distribute interim dividends for the six months ended 30 June 2013 pursuant to the provisions in the articles of association of the Company.
2. During the Reporting Period, the Company was not involved in any new significant litigations and arbitration.
3. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the Reporting Period.
4. The Company held the annual general meeting on 25 June 2013 to consider and approve the resolution of revising the articles of association, which further improved the Company's cash dividends distribution program and increased the matters stated in the Company's business scope. For the revisions to the articles of association and changes to the business scope, the Company had completed the procedures of obtaining approval from the commercial supervising authority and the changes at industrial and commercial authority in Qingdao on 5 August 2013, and renewed the approval certificate to the foreign-invested enterprises and received new enterprise lawperson business license.

CHANGES TO SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

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

2. Information of shareholders

(1) As at 30 June 2013, the total number of shareholders of the Company was 19,016, in which the holders of A-share were 18,708, and the holders of H-share were 308. Based on the public information which is within the knowledge of the Company on the latest practical 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 of the *Listing Rules*.

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

Shareholder's name	Class of shares	Shares held at the end of the Reporting Period	Unit: Share	
			Holding percentage (%)	
Tsingtao Brewery Group Company Limited (Note 1)	A-share	411,400,050	30.45	
HKSCC Nominees Limited (Note 2)	H-share	373,794,442	27.67	
Asahi Group Holdings Ltd (Note 3)	H-share	270,127,836	19.99	
Taikang Life Insurance Co., Ltd — Dividends — Personal dividends — 019L — FH002Hu	A-share	18,994,440	1.41	
China Jianyin Investment Company Ltd.	A-share	17,574,505	1.30	
ICBC — E-Fund Value Growth Mixed Securities Investment Fund	A-share	17,307,901	1.28	
Shanghai Chongyang Investment Co., Ltd.	A-share	13,332,525	0.99	
China Life Insurance Co., Ltd. — Dividends — Personal dividends — 005L — FH002Hu	A-share	11,896,831	0.88	
Taikang Assets Management Co., Ltd. — Kaitai — Steady Value Growth Investment Product	A-share	8,800,000	0.65	
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 are held by HKSCC Nominees Limited on behalf of different clients, and excluding the H-shares held by the wholly-owned subsidiary of Tsingtao Group.

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

(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 2013, 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	58,796,263 H-Shares	4.35%	8.98%
	Interest in a lending pool	H-Share			11,703,543 H-Shares	0.87%	1.79%
	Short Position	H-Share	Beneficial Owner		280,000 H-Shares	0.02%	0.04%

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 2013, Mr. SUN Ming Bo, Chairman of the Board of the Company, held 124,160 shares in the Company, Mr. HUANG Ke Xing, Executive Director and President of the Company, held 26,502 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, 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 2013, none of the directors, supervisors and senior management of the Company have any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (as defined in Part XV of the *SFO*), which was recorded in the register required to be kept under section 352 of the *SFO* or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the *Model Code for Securities Transactions by Directors of Listed Companies (the 'Model Code')* as set out in Appendix 10 of the *Listing Rules*.

2. MODEL CODE

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

3. STAFF

As at 30 June 2013, the Company (including its subsidiaries) totally had 41,890 full-time staff.

The Company cares about its staff and secures their legal rights. It provides the full-time staff with social insurances including pension, basic medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance, and pays fees for these insurances with full amount. The Company intends to realize the fair and market-orientated distribution by setting up diversified remuneration policies, which mainly covers the managers in the subsidiaries, the marketing system, the production and manufacturing system, research and development system, and the functional management in the head office. Meanwhile, the Company sets up a remuneration incentive mechanism subject to the staff's position value and personal development to let its staff share the operational results, allowing the remuneration of its staff to increase continuously along with the Company's development.

Based on the needs for talents for its development, the Company gradually worked out a new talent management mode of "Focus on the leadership development, based on two principles of qualification and talent reserve", and built up the comfortable environment of "To take the talent cultivation as our responsibility, to produce talent as our pride". As at 30 June 2013, the Company had totally held 458,284 person-study hours of training and developed 41 standard courses. In the first half of 2013, the Company improved the mid-and-senior officer reserve cultivation system based on the "Golden ★" and "Silver ★" program, and the training camp of the general-manager-series for the different level of new appointment, on-duty and outstanding. Meanwhile, to improve the skills of the workers at the production line, the Company totally trained 133,496 person-time for the production staff and 15,037 person-time for the marketing staff in the position practice activity, which greatly improved the operational indices in the different units. The Company also put in efforts to build up the brand of "On-line Management School" to realize the mutual effect of on-line and off-line talent cultivation modes, and the effective trainee coverage reached 32.7%.

PURCHASING, SELLING OR REDEEMING THE SECURITIES

For the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company had been committing to the corporate governance and its transparency. Under the requirements of 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 *Corporate Governance Code* set out in Appendix 14 of the *Listing Rules*. After the Reporting Period, the Board considered and approved the revised working regulations of the Nomination & Remuneration Committee under the Board, including working out the diversity policy of board members as its attachment (the full text of the working regulations was published on the website of The Stock Exchange of Hong Kong Limited at the same time).

REVIEW OF THE UNAUDITED INTERIM RESULTS

The Audit & Internal Control Committee under the Board has reviewed the Company's unaudited 2013 interim results and interim report of the Company.

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

2013

INTERIM REPORT

中期報告

青島啤酒股份有限公司
TSINGTAO BREWERY CO., LTD.