



青島啤酒股份有限公司 TSINGTAO BREWERY CO., LTD.

(Stock Code 股份代號 : 168)

2013 ANNUAL REPORT 年度報告



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百年酵母 传世麦香



公司簡介 Company Profile

本公司前身為國有青島啤酒廠，始建於一九零三年，是中國歷史最為悠久的啤酒生產廠。公司一九九三年六月十六日註冊成立，隨後在香港發行了H種股票並於七月十五日在香港聯交所上市，成為首家海外上市的國內企業，同年七月在國內發行了A種股票並於八月二十七日上交所上市。

公司的經營範圍是啤酒製造、銷售以及與之相關的業務。目前公司在國內擁有54家全資和控股的啤酒生產企業，及11家聯營啤酒生產企業，分佈於全國20個省市地區，規模和市場份額居國內啤酒行業領先地位。其生產的青島啤酒為國際市場上最具知名度的中國品牌，已營銷世界八十餘個國家和地區。

The Company, the earliest brewery in China, can trace its root back to 1903 when its predecessor, the State-owned Tsingtao Brewery Factory, was established. The Company was registered and established on 16 June 1993, and then issued H-shares in Hong Kong which were listed on the Stock Exchange on 15 July 1993, being the first domestic enterprise listed on an overseas stock exchange. In July 1993, the Company issued A-shares in China, which were listed on SSE on 27 August 1993.

The business scope of the Company is the production and sales of beer, and other related business. At present, the Company occupies leading position in the domestic beer industry in terms of size and market share with 54 wholly-owned and controlling breweries, and 11 associated breweries in 20 provinces, cities and regions all over China. The Tsingtao Beer has become the most well-known Chinese brand in the international market and has been distributed to more than eighty countries and regions throughout the world.



會計數據摘要 Financial Highlights

按中國企業會計準則編制

Prepared in accordance with the China Accounting Standards for Business Enterprises (“CAS”)

1. 本集團二零一三年財務資料

(單位：人民幣千元)

| | | | | | | | | | | | | | | | | | |
|------|------|---------------|------------------------|---------------|---------------|-------------|-----------|---------------------|-----------------|------------------|--------|--------|--------------------|----|--------|---------------|----|
| 營業利潤 | 利潤總額 | 歸屬於上市公司股東的淨利潤 | 歸屬於上市公司股東的扣除非經常性損益的淨利潤 | 經營活動產生的現金流量淨額 | 註：非經常性損益項目包括： | 計入當期損益的政府補助 | 非流動資產處置損失 | 單獨進行減值測試的應收賬款減值準備轉回 | 三得利交易事項對投資收益的影響 | 三得利交易事項對營業外收入的影響 | 職工安置費用 | 補充退休福利 | 除上述各項之外的其他營業外收入和支出 | 小計 | 所得稅影響額 | 少數股東權益影響額(稅後) | 合計 |
|------|------|---------------|------------------------|---------------|---------------|-------------|-----------|---------------------|-----------------|------------------|--------|--------|--------------------|----|--------|---------------|----|

1. The Group's financial information for the year ended 31 December 2013

(Unit: RMB'000)

| | | | | | | | | | | | | | | | | | |
|------------------|--------------|--|--|--|---|---|--|--|---|--|----------------------------|-----------------------------------|--|----------|--------------------------|--|---------|
| Operating profit | Total profit | Net profit attributable to shareholders of the Company | Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss | Net cash flows from operating activities | Note: Non-recurring profit or loss items include: | Government grants recognised in profits | Losses on disposal of non-current assets | Reversal of bad debt provision for accounts receivable which provision is provided on the individual basis | Investment income from transaction with Suntory Company | Non-operating income from transaction with Suntory Company | Staff resettlement expense | Supplementary retirement benefits | Other non-operating income and expenses other than aforesaid items | Subtotal | Impact on the income tax | Impact on the minority interests (after tax) | Total |
| 2,350,942 | 2,666,534 | 1,973,372 | 1,655,872 | 3,401,151 | | 374,818 | (101,645) | 8,300 | 219,357 | 170,542 | (120,932) | (195,710) | (7,191) | 347,539 | (10,137) | (19,902) | 317,500 |

會計數據摘要 Financial Highlights

2. 主要會計數據及財務指標

(單位：人民幣千元)

| 主要會計資料 | Major accounting information | 2013 | 2012 | 2011 | 2010 | 2009 (經重述) (Restated) |
|-------------------------|--|------------|------------|------------|------------|-----------------------------|
| 營業收入 | Revenue | 28,290,978 | 25,781,544 | 23,158,054 | 19,897,828 | 18,026,108 |
| 利潤總額 | Total profit | 2,666,534 | 2,484,156 | 2,454,913 | 2,123,196 | 1,739,334 |
| 歸屬於上市公司股東的淨利潤 | Net profit attributable to shareholders of the Company | 1,973,372 | 1,758,863 | 1,737,928 | 1,520,484 | 1,250,009 |
| 歸屬於上市公司股東的扣除非經常性損益的淨利潤 | Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss | 1,655,872 | 1,470,047 | 1,490,258 | 1,372,933 | 1,115,506 |
| 基本每股收益 | Basic earnings per share | 1.4607 | 1.3019 | 1.2864 | 1.1255 | 0.9503 |
| 稀釋每股收益 | Diluted earnings per share | 1.4607 | 1.3019 | 1.2864 | 1.1255 | 0.9503 |
| 扣除非經常性損益後的基本每股收益 | Basic earnings per share after deduction of non-recurring profit or loss | 1.2257 | 1.0881 | 1.1031 | 1.0162 | 0.8481 |
| 全面攤薄淨資產收益率(%) | Fully diluted return on net assets (%) | 14.07 | 14.11 | 15.64 | 15.83 | 14.90 |
| 加權平均淨資產收益率(%) | Weighted average return on net assets (%) | 14.87 | 14.91 | 16.78 | 16.90 | 18.07 |
| 扣除非經常性損益後全面攤薄淨資產收益率(%) | Fully diluted return on net assets after deduction of non-recurring profit or loss (%) | 11.81 | 11.79 | 13.41 | 14.30 | 13.30 |
| 扣除非經常性損益後的加權平均淨資產收益率(%) | Weighted average return on net assets after deduction of non-recurring profit or loss (%) | 12.48 | 12.46 | 14.39 | 15.26 | 16.12 |
| 經營活動產生的現金流量淨額 | Net cash flows from operating activities | 3,401,151 | 3,103,597 | 1,872,309 | 3,284,028 | 3,361,001 |
| 每股經營活動產生的現金流量淨額 | Net cash flows from operating activities per share | 2.52 | 2.30 | 1.39 | 2.43 | 2.56 |
| 總資產 | Total assets | 27,364,867 | 23,661,106 | 21,634,154 | 17,777,116 | 14,867,453 |
| 總負債 | Total liabilities | 13,491,396 | 10,877,675 | 10,357,219 | 8,057,370 | 6,304,298 |
| 歸屬於上市公司的股東權益 | Total equity attributable to shareholders of the Company | 14,020,559 | 12,467,953 | 11,110,439 | 9,603,112 | 8,388,299 |
| 歸屬於上市公司股東的每股淨資產 | Net assets per share attributable to shareholders of the Company | 10.38 | 9.23 | 8.22 | 7.11 | 6.21 |

2. Major accounting data and financial indicators

(Unit: RMB'000)

會計數據摘要 Financial Highlights

3. 報告期內股東權益變動情況

(單位：人民幣千元)

3. Changes in shareholders' equity in reporting period

(Unit: RMB'000)

| | | 歸屬於上市公司股東權益 Owners' equity attributable to shareholders of the Company | | | | | 外幣報表 折算差額 Currency translation differences | 少數股東權益 Minority interests | 股東權益合計 Total shareholders' equity |
|------|------------------------|---|----------------------------|-----------------------------|-----------------------------------|--------|--|---------------------------------|--|
| 項目 | Item | 股本 Share capital | 資本公積 Capital surplus | 盈餘公積 Surplus reserves | 未分配利潤 Undistributed profits | | | | |
| 期初數 | Opening balance | 1,350,983 | 3,965,940 | 927,658 | 6,204,347 | 19,025 | 315,478 | 12,783,431 | |
| 本期增加 | Increase in the period | — | 124,217 | 131,811 | 1,973,372 | 6,773 | 1,552 | 2,237,725 | |
| 本期減少 | Decrease in the period | — | (11,363) | — | (672,204) | — | (464,118) | (1,147,685) | |
| 期末數 | Closing balance | 1,350,983 | 4,078,794 | 1,059,469 | 7,505,515 | 25,798 | (147,088) | 13,873,471 | |

(1) 資本公積：增加主要原因是本年度向少數股東轉讓子公司股權及購買少數股東權益所致。減少主要原因是本年度本公司聯營企業購買少數股東權益並沖減資本公積本公司按照權益法確認所致。

(2) 盈餘公積：增加為本年度提取的盈餘公積。

(3) 未分配利潤：增加為本年度實現的歸屬於上市公司股東的淨利潤，減少為本年提取盈餘公積及分配股利。

(4) 少數股東權益：減少主要原因是本年度由於與三得利合資項目設立銷售公司，與少數股東共同分享該子公司權益所致。

(1) Capital surplus: Increase mainly represents impact on capital surplus during the year due to the disposal of equity interests in subsidiaries to minority shareholders and the acquisition of minority interests. Decrease mainly represents impact on capital surplus due to the acquisition of minority interests by an associate.

(2) Surplus reserve: Increase represents the surplus reserve appropriated in the year.

(3) Undistributed profits: Increase represents net profit attributable to shareholders of the Company for the year. Decrease represents the appropriation of surplus reserve and distribution of dividends.

(4) Minority interests: Decrease dues to the minority shareholder shares the equity of Sales Company, the joint venture established by the Company and Suntory Company during the current year.

會計數據摘要 Financial Highlights

4. 利潤分配

本公司董事會(「董事會」)建議就截至二零一三年十二月三十一日止年度派發末期股息每股人民幣0.45元(含稅)，其餘未分配利潤結轉下一年度。上述分配預案須經本公司二零一三年度股東年會審議批准。有關公司H股股東暫停辦理股份過戶登記手續的期間，本公司將在另行公佈的股東年會通告中載列。

4. Profit Distribution

The Board of Directors (the “Board”) proposed a final dividend of RMB0.45 (with tax) per share for the year ended 31 December 2013, and carried forward the remaining distributable profits to the next year. The aforesaid distribution proposal shall be subject to the approval at the 2013 annual general meeting to be held by the Company. The period for the closure of register of members for H-share will be set out in the notice of the annual general meeting to be published by the Company separately.





董事長報告書 Chairman's Statement

致各位股東：

本人謹此提呈青島啤酒股份有限公司截止2013年12月31日會計年度之業務報告及經審計之財務報告，敬請各位股東審閱。

一、報告期內經營情況的討論與分析

2013年，在國內啤酒行業增速放緩(據國家統計局統計，國內啤酒行業全年完成產量5,062萬千升，同比增長4.59%)，以及啤酒行業產能過剩、需求不旺而導致的激烈的市場競爭形勢下，公司在董事會領導下、管理層帶領廣大員工以高度的責任感和高昂的進取精神，聚焦資源，大力開拓市場，積極擴大市場佔有率，使公司國內市場的優勢地位進一步鞏固和提升。公司全年實現啤酒銷售量870萬千升，同比增長10.14%，國內市場佔有率達到17.19%，提高了1.07個百分點。

Dear shareholders,

I hereby present the business report and audited financial statements of Tsingtao Brewery Company Limited for the accounting year ended 31 December 2013 for your kind review.

1. Discussion and analysis of the operations during the Reporting Period

In 2013, under the situation that the growth of domestic beer market slowed down (in accordance with the statistics from National Bureau of Statistics, the full year production volume of the domestic beer industry reached 506.2 million hl, increasing by 4.59% from the corresponding period in prior year), and the severe market competition caused by the excessive production capacity and low demands in the beer industry, as led by the Board, the Company's management team led the employees, with high sense of responsibility and active entrepreneurial spirit, focusing on the resources, to make efforts to expand the market and actively increase the market share, which further consolidated and improved the Company's leading position in the domestic market. The Company's full year sales volume of beer reached 87 million hl, increasing by 10.14% from the corresponding period in prior year. The domestic market share reached 17.19%, increasing by 1.07 percentage points.



孫明波先生
Mr. SUN Ming Bo

董事長報告書 Chairman's Statement

年內，公司主品牌青島啤酒實現銷量450萬千升，其中聽裝、小瓶、純生、奧古特等高附加值啤酒實現國內銷量158萬千升，同比增長12.64%。公司積極拓展價值鏈，努力控制生產成本，使包裝材料成本有所下降。公司全年實現營業收入282.91億元，同比增長9.73%，實現歸屬於上市公司股東的淨利潤19.73億元，同比增長12.20%。

發展戰略和經營計劃進展說明

年內公司繼續實施「雙輪驅動」發展戰略，一方面通過內涵式增長，有效提升了現有產能的利用率，另一方面，通過新建工廠和收購兼併，進一步完善了國內市場佈局，並改變區域市場的競爭格局。4月公司與三得利公司在華東市場的整合正式展開，並發揮了較好的區域協同效應，帶動了產品結構的提升。年末公司簽訂了收購河北嘉禾啤酒有限公司50%股權的框架協議，並成功實現與張家口新鐘樓啤酒的合作，在張家口啟動新建20萬千升啤酒廠項目，使公司在華北市場競爭優勢進一步提升。公司在江西九江和河南洛陽新建的工廠已分別於年底竣工投產，將對公司今後進一步開拓當地市場發揮重要作用。



2013年是青島啤酒建廠110周年，公司以「110年只為釀造好啤酒」為主題，加大產品市場宣傳推介力度，並在全國多地舉辦了大型啤酒節，提升了品牌形象，擴大了市場影響力。

2013年也是公司上市20周年，公司在努力為股東創造更高價值的同時，隨著公司的發展，積極回報廣大股東，已連續14年為股東現金分紅，且分紅金額不斷提高。公司積極進取、誠信有為的精神，獲得了國內外投資者的廣泛認同。

Within the year, the sales volume of the Company's primary brand, Tsingtao Beer, reached 45 million hl, in which that of the high-value-added beer products including canned beer, small-bottled beer, draft beer and Augerta reached 15.8 million hl in the domestic market, increasing by 12.64% from the corresponding period in prior year. The Company actively explored its value chain, and made efforts to control the production costs to reduce the cost of package materials. The Company's full year revenues reached RMB28.291 billion, increasing by 9.73% from the corresponding period in prior year, and the net profits attributable to the shareholders of listing company reached RMB1.973 billion, increasing by 12.20% from the corresponding period in prior year.

Interpretation on development strategy and progress of operating plan

Within the year, the Company continued to implement the development strategy of "double-drive". On one hand, it effectively increased the utilization rate of existing production capacity through the internal growth, and on the other hand, it further improved the layout of the domestic market, and changed the competition situation in the regional markets through the new constructions of plants, and mergers and acquisitions. In April, the Company and Suntory Company formally carried out the integration in the Eastern China market, and played the satisfying regional synergistic effect, which resulted in the upgrade of product mix. At the end of the year, the Company entered into a framework agreement of acquiring 50% equity interests in Hebei Jiahe Brewery Co., Ltd., and successfully realized the cooperation with Zhangjiakou Xinzhonglou Brewery, and started the construction project of a new plant for an annual production capacity of 2 million hl, which further increased the Company's advantages in competition in the Northern China market. The Company's constructions of new plants in Jiujiang, Jiangxi Province and Luoyang, Henan Province had been completed and put into production respectively at the end of the year, which will play an important role for the Company in further expanding the local markets.

It is the 110th anniversary of the founding of Tsingtao Brewery Factory in 2013. In the theme of "For 110 years, we produce high-quality beer only", the Company strengthened its promotion and propaganda in the product market, and held large beer festivals in different cities in China, which improved the brand image and expanded its influence in the markets.

It is also the 20th anniversary of the Company's public listing. At the same time of making efforts to create more values for the shareholders, the Company actively rewarded the massive shareholders with the Company's development that, it has distributed cash dividends to the shareholders for 14 years in consecution with growing amount. The Company's spirit of proactiveness, motivation and integrity received acknowledgement from the domestic and overseas investors.

董事長報告書 Chairman's Statement

二、核心競爭力分析

公司的盈利模式即：基地市場+品牌溢價。公司擁有的「青島啤酒」品牌是我國首批十大馳名商標之一，在國內外市場具有強大的品牌影響力和較高的知名度，2013年青島啤酒的品牌價值已達805億元人民幣(世界品牌實驗室發佈)，在國內啤酒行業連續多年遙遙領先。公司其它啤酒品牌「嶗山啤酒」、「山水啤酒」、「漢斯啤酒」、「銀麥啤酒」，區域市場知名度和競爭力也在連年提高，滿足了不同層次的市場消費需求。

公司作為中國歷史最悠久的啤酒生產企業，高度重視產品質量，青島啤酒產品多次在國內外質量評比中榮獲冠軍，並在國內外消費者中獲得了廣泛的好評。近年來通過不斷改造完善，使公司的主要生產設備裝備達到國際先進水平，並通過對原料、工藝、技術、操作等方面的強化管理和控制，保障了食品安全和產品的高品質，也提升了產品的口味一致性。

公司擁有啤酒行業唯一的國家重點實驗室，擁有國內一流的研發平台，高水平的研發團隊，以及國內領先的基礎研究能力，並形成了多項自主知識產權的核心技術，保持了公司在國內啤酒市場的技術領先水平。去年公司推出了青島啤酒「鴻運當頭」等一系列新產品，在擴大市場佔有率的同時，也提升了公司的品牌形象。



公司以「大客戶+微觀運營」的營銷模式不斷強化市場推廣力度和深化市場銷售網絡，不斷提高對終端客戶的掌控能力，鞏固和提高在基地市場的優勢地位和新興市場的佔有率。

II. Analysis of the core competitiveness

The Company's profit mode is: base market + brand premium. As one of the first batch of top 10 famous brands in China, the "Tsingtao Beer" brand owned by the Company has strong brand influence and high awareness in the domestic and overseas markets. In 2013, Tsingtao Beer's brand value reached RMB80.5 billion (as published by the World Brand Lab), which had been far ahead of other brands in the domestic beer industry for years. The awareness and competitiveness in the regional markets of the Company's other beer brands like "Laoshan Beer", "Shanshui Beer", "Hans Beer" and "Yinmai Beer" has also been improving for years, which satisfied the market consumption needs of different levels.

As a brewery which has the longest history in China, the Company takes the product quality seriously. The Tsingtao Beer products have won championship for various times in the domestic and overseas quality contests, and obtained good reputation from the domestic and overseas consumers. In recent years, through the continuous reconstructions and improvements, the Company's main production equipment has reached the international advanced standards, and, through the strengthened management and control over the aspects including raw material, technique, technology and operation, secured the food safety and high quality of the products, and also improved the consistency in the products' taste.

The Company has the only state-level key laboratory in the beer industry, the first-class research and development platform in China, high-level research and development team and leading fundamental research ability in China, and has developed many core technologies with its own intellectual property rights, which maintain technically leading position in the domestic beer market. In last year, the Company introduced a series of new products including Tsingtao Beer "Hong Yun Dang Tou" (means "Lucky Strike") to expand its market share, and at the same time, improve the Company's brand image.

Based on the sales mode of "Big Customer + Micro Operations", the Company kept on strengthening the market promotion and deepening the market sales network, and kept on improving its control over the final customers, to consolidate and improve the dominant position in the base markets and the market share in the emerging markets.

董事長報告書 Chairman's Statement

三、關於公司未來發展的討論與分析

(一) 行業競爭格局和發展趨勢

近年來儘管中國啤酒市場增長放緩，但仍是世界上增長最快的地區之一，因此也成為國際啤酒巨頭重要的競逐之地，市場競爭仍呈激烈的態勢。隨著大企業市場開拓和並購力度的加大，行業集中度進一步提升，去年國內前5大啤酒企業的市場佔有率已達70%以上。

我們相信隨著中國經濟的發展，西部大開發政策的推進，以及國內消費升級的提升，中國啤酒市場仍會保持持續穩定的增長，並為具有品牌、規模等優勢的企業提供廣闊的發展空間。

消費升級會帶動國內啤酒行業產品結構和價格的提升。在銷售渠道方面，除餐飲、商超等主要渠道外，電子商務等也會為家庭啤酒消費增長帶來新的增長點。

(二) 公司發展戰略

2011年，公司確立了「雙輪驅動」的發展戰略，通過內涵式增長和外延式擴張，不斷擴大公司的市場競爭優勢。在目前啤酒行業整合的關鍵時期，公司將繼續推進「雙輪驅動」發展戰略，鞏固核心基地市場，突破新興市場，不斷提升國內市場份額。

公司將始終圍繞「提升品牌形象、加強質量管理、深耕市場網絡」，充分發揮品牌、技術、規模等優勢，持續提升公司的核心競爭力。

3. Discussion and analysis of the Company's future development

(I) Industrial competition situation and development trend

In recent years, although the growth of China's beer market slowed down, it is still the area which has the rapidest growth in the world. Therefore, it has become an important target of the major international breweries, and the market competition is still in severe situation. As the large breweries have begun to strengthen their market expansion and mergers and acquisitions, the industry has become more concentrated that, in last year, the market share of the top 5 domestic breweries reached over 70%.

We believe that, with the development of China's economy, the promotion of the policy of developing Western China, and the upgrade of the domestic consumption, China's beer market will maintain a continuous and steady growth, and provide more development opportunities for the enterprises with advantages in brand, size and etc.

The upgrade of consumption will lead to the upgrade of product mix and price-hike in the domestic beer industry. In the aspect of sales channel, in addition to the major channels like catering, stores and supermarkets, e-commerce will also bring new growth points for the family beer consumption.

(II) The Company's development strategy

In 2011, the Company determined the development strategy of "double-drive", that is, to keep on expanding the Company's advantages in market competition through the internal growth and external expansion. At present, as the beer industry is in the key period of integration, the Company will continue to implement the development strategy of "double-drive" to consolidate the core base markets and explore the emerging markets to continuously increase its domestic market share.

The Company will focus on "Improving brand image, strengthening quality control, deepening market network", and fully utilize its advantages in brand, technology and size, to continuously improve the Company's core competitiveness.

董事長報告書 Chairman's Statement

(三) 經營計劃

2014年公司的經營目標是力爭實現啤酒銷售量增長10%以上，使公司規模跨上一個新臺階，在未來的市場競爭中繼續保持優勢，並取得不斷的增長。公司將實行積極的市場發展戰略，通過體育營銷及內部資源的優化配置，發揮協同效應，促進各區域市場加快增長，保持國內啤酒市場的領先地位。

(四) 可能面臨的經營風險

啤酒行業是一個充分競爭的傳統行業，隨著國內市場國際化競爭的加劇，大企業之間的競爭在範圍和力度上可能會進一步升級。同時，來自於人力成本及市場投入的上漲壓力仍然較大。公司將加強內部管理，不斷提升運營效率，實現公司持續穩健發展。

最後，本人對過去一年中給予本公司大力支持的廣大股東、投資者、消費者及恪盡職守、忠誠奉獻的公司廣大員工致以衷心的感謝。

董事長

孫明波

中華人民共和國·青島
二零一四年三月二十五日

(III) Operating plan

In 2014, the Company's operating goal is to strive to realize an over 10% growth of the sales volume of beer, which is to improve the Company's size to a new level, to continue to maintain its advantages in the future market competition, and obtain continuous growth. The Company will implement the active market development strategy, play the synergistic effect through sports marketing and optimal configuration of internal resources, promote the faster growth in the different regional markets, and maintain its leading position in the domestic beer market.

(IV) Potential operating risks

The beer industry is a traditional industry with full competition. As the competition of international producers in the domestic market becomes more and more severe, the range and depth of the competition among the large breweries will be further upgraded. At the same time, the pressure from the rising costs of labor and market investments is still considerable. The Company will strengthen its internal management and continue to improve the operating efficiency, to realize the Company's continuous, steady and sound development.

Last but not least, I would like to express my sincere gratitude to all shareholders, investors and consumers, and the hard-working, loyal and dedicative staff for their great supports to the Company in the past year.

Chairman

SUN Ming Bo

Qingdao, the People's Republic of China
25 March 2014





青岛啤酒

鸿运当头

青岛啤酒

董事會報告 Report of the Directors

一. 公司經營情況

本公司的主要業務為生產及銷售啤酒。附屬公司及聯營公司主要從事啤酒生產、銷售及國內貿易。

本公司為中國最大的啤酒生產商和銷售商之一。

本集團營業額及盈利幾乎完全由生產及銷售啤酒而產生。

1. 主營業務收入分地區構成情況(按中國企業會計準則)

1. Operations of the Company

The Company is mainly engaged in the production and sales of beer, while its subsidiaries and associated companies are mainly engaged in the production, sales and domestic trade of beer.

The Company is one of the largest beer producers and distributors in China.

Nearly all turnover and profits of the Group are generated from the production and sales of beer.

1. Revenues from principal business by geographical markets (in accordance with CAS)

單位：人民幣千元
Unit: RMB'000

| 地區 | Region | 主營業務收入 Revenues from principal business | 主營業務收入比 上年增減(%) Increase/(Decrease) (%) |
|------------|--|---|--|
| 山東地區 | Shandong Province | 15,179,773 | 11.95 |
| 華北地區 | North China | 5,264,432 | 13.73 |
| 華南地區 | South China | 5,011,082 | (1.18) |
| 華東地區 | East China | 3,055,287 | 37.64 |
| 東南地區 | South-East China | 2,059,933 | 15.61 |
| 港澳及其他海外地區 | Hong Kong, Macau and other overseas | 454,615 | 6.63 |
| 合計 | Total | 31,025,122 | 12.06 |
| 減：各地區間抵銷金額 | Less: Eliminations | 3,258,367 | 37.54 |
| 合併 | Consolidation | 27,766,755 | 9.67 |



黃克興先生
Mr. HUANG Ke Xing

董事會報告 Report of the Directors

2. 主要附屬公司的經營情況(按中國企業會計準則計算)

2. Operations of main subsidiaries (calculated in accordance with CAS)

單位：人民幣萬元

Unit: RMB0'000

| 公司名稱 Name of Subsidiary | 註冊地 Place of registration | 註冊資本 Registered capital | 業務性質及 經營範圍 Business nature and scope | 持股比例 (%) Shareholding percentage (%) | 總資產 Total assets | 淨資產 Net assets | 營業收入 Revenues | 營業利潤 Operating profits | 淨利潤 Net profits |
|--|------------------------------|----------------------------|--|--|------------------------|----------------------|------------------|------------------------------|--------------------|
| 青島啤酒(市北) 銷售有限公司 Tsingtao Brewery (Shibei) Sales Company Limited | 中國青島 Qingdao, China | 800 | 批發和零售業，批 發、預包裝食品 Whole-sale and retail business, whole- sale and pre-packed food | 100 | 40,868 | 32,311 | 96,292 | 41,482 | 31,111 |
| 深圳市青島啤酒華 南營銷有限公司 Shenzhen Tsingtao Brewery South China Sales Company Limited | 中國深圳 Shenzhen, China | 2,000 | 批發和零售業，國內 啤酒貿易 Whole-sale and retail business, domestic beer trade | 100 | 153,170 | 105,057 | 366,155 | 25,362 | 18,718 |
| 青島啤酒西安漢斯 集團有限公司 Tsingtao Brewery Xi'an Hans Group Company Limited | 中國西安 Xi'an, China | 28,790 | 製造、批發和零售 業，國內啤酒生產 及銷售 Manufacturing, whole-sale and retail business, domestic production and sales of beer | 100 | 195,207 | 98,721 | 280,091 | 32,581 | 24,530 |

3. 報告期內主要供貨商和客戶情況

3. Main suppliers and clients during the Reporting Period

- (1) 2013年度本公司前五名供應商合計的採購總額約893,699千元(2012年度：891,986千元)，佔本公司採購總額的比例為7.8%(2012年度：7.5%)。
- (2) 2013年度本公司前五名客戶營業收入的總額約1,683,617千元(2012年度：1,630,481千元)，佔本公司全部營業收入的比例為5.95%(2012年度：6.32%)。

- (1) The total amount of the Company's purchase from its top 5 suppliers in 2013 was approximately RMB893,699,000 (2012: RMB891,986,000), which accounted for 7.8% of its purchase amount in aggregate (2012: 7.5%).
- (2) The total amount of the Company's revenues with its top 5 clients in 2013 was approximately RMB1,683,617,000 (2012: RMB1,630,481,000), which accounted for 5.95% of its revenues in aggregate (2012: 6.32%).

報告期內，本公司各董事、監事及其聯繫人或任何持有本公司股份多於5%之股東並無擁有上述之供貨商及銷售商的任何權益。

During the Reporting Period, none of the Company's directors, supervisors or their associates or any shareholders whose shares in the Company exceeding 5% possessed any interests in the aforesaid suppliers and distributors.

董事會報告 Report of the Directors

二. 利潤分配

董事會建議就截至二零一三年十二月三十一日止年度派發末期股息每股人民幣0.45元(含稅)，其餘未分配利潤結轉下一年度。上述分配預案須經本公司二零一三年度股東年會審議批准。有關公司H股股東暫停辦理股份過戶登記手續的期間，本公司將在另行公佈的股東年會通告中載列。

三. 儲備

報告期內本公司及集團的儲備變動詳列於合併財務報表(按中國企業會計準則編制)附註五(35)。

四. 股本變動及股東情況

1. 報告期內，本公司股份總數及股本結構未發生變化。

本公司以在年報刊發前的最後實際可行日期可以得悉、公司董事也知悉的公開資料作為基礎，本公司的公眾持股量已經滿足《上市規則》的要求。截止報告期末，股本結構如下：

II. Profit Distribution

The Board proposed a final dividend of RMB0.45 (with tax) per share for the year ended 31 December 2013, and carried forward the remaining distributable profits to the next year. The aforesaid distribution proposal shall be subject to the approval at the 2013 Annual General Meeting held by the Company. The period for closure of register of members for H-share will be set out in the notice of the annual general meeting to be published by the Company separately.

III. Reserves

Details of changes of reserves of the Company and the Group during the Reporting Period are set out in the Note 5(35) to Consolidated Financial Statements (prepared in accordance with CAS).

IV. Changes of Share Capital and Information of Shareholders

1. During the Reporting Period, no changes happened to the total number of shares and share capital structure of the Company.

Based on the public information which was known on the latest practical date before the annual report was published, which was also known by the directors of the Company, the number of the Company's shares held by the public satisfied with the requirements in the *Listing Rules*. The structure of share capital as at the end of the Reporting Period is as follows:

單位：股
Unit: Share

| | | 報告期末 End of Reporting Period |
|-----------------|--|---------------------------------------|
| 一、 人民幣普通股(A股) | I. RMB-denominated ordinary shares (A-share) | 695,913,617 |
| 二、 境外上市的外資股(H股) | II. Overseas listed foreign shares (H-share) | 655,069,178 |
| 股份總數 | Total shares | 1,350,982,795 |

董事會報告 Report of the Directors

2. 股東情況

- (1) 報告期末公司股東總數為15,212戶(其中A股股東14,908戶；H股股東304戶)。報告期內，本公司股東未有放棄或同意放棄任何股息安排的安排的情況。
- (2) 報告期末本公司前十名股東(暨無限售條件的流通股股東)持股情況

2. Shareholders

- (1) As at the end of the Reporting Period, the total number of shareholders of the Company was 15,212 (in which 14,908 were holders of A-share, and 304 were of H-share). During the Reporting Period, shareholders of the Company did not give up or agree to give up the arrangements of any dividends.
- (2) As at the end of the Reporting Period, the shareholding of top 10 shareholders (and shareholders of listed shares without sales restriction) of the Company.

單位：股
Unit: Share

| 股東名稱 Shareholder's name | 報告期內增減 Increase/Decrease during the Reporting Period | 報告期末持股 Shares held at the end of the Reporting Period | 持股比例(%) Shareholding percentage (%) | 質押或凍結的 股份數量 Guaranteed or frozen shares | 股份類別 Class of share |
|--|---|--|---|--|------------------------------|
| 青島啤酒集團有限公司(附註1) Tsingtao Brewery Group Company Limited (Note 1) | | 411,400,050 | 30.45 | 無 Nil | A股和H股 A-share and H-share |
| 香港中央結算(代理人)有限公司(附註2) HKSCC Nominees Limited (Note 2) | 11,988 | 373,772,442 | 27.67 | 未知 Unknown | H股 H-share |
| 朝日集團控股株式會社 Asahi Group Holdings Ltd. | | 270,127,836 | 19.99 | 未知 Unknown | H股 H-share |
| 中國工商銀行—易方達價值成長混合型證券投資基金 ICBC—E-Fund Value Growth Mixed Securities Investment Fund | | 23,942,858 | 1.77 | 未知 Unknown | A股 A-share |
| 泰康人壽保險股份有限公司—分紅—個人分紅—019L —FH002滬 Taikang Life Insurance Co., Ltd.—Dividends—Personal dividends —019L—FH002Hu | | 19,265,609 | 1.43 | 未知 Unknown | A股 A-share |
| 中國建銀投資有限責任公司 China Jianyin Investment Company Ltd. | | 17,574,505 | 1.30 | 未知 Unknown | A股 A-share |
| 上海重陽投資有限公司 Shanghai Chongyang Investment Management Co., Ltd. | | 10,507,560 | 0.78 | 未知 Unknown | A股 A-share |
| 興業銀行股份有限公司—興全趨勢投資混合型證券投資基金 Industrial Bank Co., Ltd.—Xingquan Trend Investment Mixed Securities Investment Fund | | 7,083,738 | 0.52 | 未知 Unknown | A股 A-share |
| 中國銀行—易方達積極成長證券投資基金 BOC—E-Fund Positive Growth Securities Investment Fund | | 6,900,000 | 0.51 | 未知 Unknown | A股 A-share |
| 加拿大年金計劃投資委員會—自有資金 Canada Pension Plan Investment Board—Own Funds | | 6,663,200 | 0.49 | 未知 Unknown | A股 A-share |

董事會報告 Report of the Directors

附註：

- 青啤集團持股數量包括了通過其全資附屬公司持有的本公司H股股份7,944,000股，其自身持有本公司A股股份403,456,050股。
- 香港中央結算(代理人)有限公司持有的H股股份乃代表多個客戶所持有，並已扣除青啤集團全資附屬公司持有的H股股份數量。

除上所述，本公司並不知曉前十名股東之間是否存在關聯關係或一致行動人。

(3) H股主要股東

於2013年12月31日，除下述人士外，本公司的董事並不知悉有任何本公司的董事、監事、最高行政人員或他們的聯繫人以外的人士，在本公司的股份或相關股份中擁有權益或淡倉，而該等權益或淡倉是根據《證券及期貨條例》(香港法例第571章)(「《證券及期貨條例》」)第336條而備存的登記冊所載錄者：

Notes:

- Tsingtao Group holds 7,944,000 shares of H-share in the Company through a wholly-owned subsidiary, and 403,456,050 shares of A-share in the Company by 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 associations among these top ten shareholders or if 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 31 December 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) (the “SFO”):

| 名稱 Name | 性質 Nature | 股份類別 Class of Shares | 持股身份 Capacity | 註釋 Note | 股份/ 相關股份 的數目 Number of Shares/ underlying Shares | 佔全部已發行 股本之百分比 As a percentage of the entire issued capital | 佔全部H股 之百分比 As a percentage of all H Shares |
|---|---|-------------------------|---|------------|--|--|---|
| 青島市國資委 SASACQ | 好倉 Long position | A股 A-Share | 法團權益 Corporate | | 403,456,050 | 29.86% | 不適用 N/A |
| | | | | | A股 A-Share | | |
| 朝日集團控股株式會社 Asahi Group Holdings Ltd. | 好倉 Long position | H股 H-Share | 受控制法團權益 實益擁有人 Interest of controlled corporate Beneficial Owner | 1 | 7,944,000 | 0.59% | 1.21% |
| | | | | | H股 H-Share | | |
| 陳發樹 Chen Fa Shu | 好倉 Long position | H股 H-Share | 實益擁有人 Beneficial Owner | 2 | 270,127,836 | 19.99% | 41.24% |
| | | | | | H股 H-Share | | |
| JPMorgan Chase & Co. | 好倉 Long position | H股 H-Share | 受控制法團權益/ 實益擁有人/ 投資經理/保管人 Interest of controlled corporation/Beneficial Owner/Investment Manager/Custodian | 3 & 4 | 49,069,342 | 3.63% | 7.49% |
| | | | | | H股 H-Share | | |
| | 可供借出股份中權益 Interest in a lending pool | H股 H-Share | | | 58,796,263 | 4.35% | 8.98% |
| | 淡倉 Short position | H股 H-Share | 實益擁有人 Beneficial Owner | | 11,703,543 | 0.87% | 1.79% |
| | | | | | 280,000 | 0.02% | 0.04% |
| | | | | | H股 H-Share | | |

董事會報告 Report of the Directors

註釋：

- (1) 被視為由青島市國資委享有權益的7,944,000股H股是透過青島啤酒集團有限公司的全資附屬公司持有。根據最新的披露權益申報，青島市國資委享有7,844,000股H股權益。
- (2) 根據最新的披露權益申報，朝日啤酒株式會社享有269,127,836股H股權益。朝日集團控股株式會社於2011年7月1日重組設立，代替朝日啤酒株式會社持有上述H股權益。
- (3) 陳發樹先生和JPMorgan Chase & Co.的持股資料是根據最新的披露權益申報而作出。
- (4) JPMorgan Chase & Co.被視為享有權益的股份是分別透過多家中間控股公司持有。
- (5) 公司主要股東新近的披露權益申報，請參閱香港交易及結算所有限公司網站(www.hkex.com.hk)有關「披露權益」的部分。

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 Brewery Group Company Limited. 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 shareholding information of Mr. CHEN Fa Shu and JPMorgan Chase & Co. is made in accordance with the latest disclosing rights reporting.
- (4) The shares in which JPMorgan Chase & Co. was deemed to be interested were held through various intermediate holding companies.
- (5) For the latest disclosure of interests filings for the Company's substantial shareholders, please refer to the "Disclosure of Interests" section on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

3. 優先認股權

本公司《章程》或中國法律並無有關優先認股權的規定，致令本公司必須首先按比例向現有股東發售新股份，然而，本公司須遵守上市規則關於優先認股權的規定。

3. Pre-emptive right

There are no provisions concerning pre-emptive rights in the Company's *Articles of Association* or any of laws in China, therefore, the Company must firstly offer new shares on pro-rate basis to its existing shareholders. However, the Company has to abide by the rules concerning pre-emptive right in the *Listing Rules*.

五. 董事、監事、高級管理人員和員工情況

1. 董事、監事和高級管理人員持股情況

V. Directors, Supervisors, Senior Management Officers and Staff

1. The shareholding of directors, supervisors and senior management officers

單位：股
Unit: Share

| 姓名 Name | 職務 Position | 期初持股數 Shares held at the beginning of the Reporting Period | 期末持股數 Shares held at the end of the Reporting Period | 股份種類 Class of share |
|----------------------|--|--|---|------------------------|
| 孫明波 SUN Ming Bo | 董事長 Chairman | 124,160 | 124,160 | A股 A-share |
| 黃克興 HUANG Ke Xing | 執行董事、總裁 Executive Director, President | 1,300 | 1,300 | A股 A-share |
| 姜宏 JIANG Hong | 執行董事、副總裁 Executive Director, Vice President | 52,200 | 52,200 | A股 A-share |

董事會報告 Report of the Directors

單位：股
Unit: Share

| 姓名 Name | 職務 Position | 期初持股數 Shares held at the beginning of the Reporting Period | 期末持股數 Shares held at the end of the Reporting Period | 股份種類 Class of share |
|----------------------|---|--|---|------------------------|
| 孫玉國 SUN Yu Guo | 執行董事 Executive Director | 132,200 | 132,200 | A股 A-share |
| 劉英弟 LIU Ying Di | 副總裁 Vice President | 124,294 | 124,294 | A股 A-share |
| 樊偉 FAN Wei | 副總裁兼製造總裁 Vice President & President of Manufacturing | 122,876 | 122,876 | A股 A-share |
| 董建軍 DONG Jian Jun | 總釀酒師 Chief Brewer | 92 | 92 | A股 A-share |
| 張學舉 ZHANG Xue Ju | 董事會秘書 Board Secretary | 92,079 | 92,079 | A股 A-share |

截至二零一三年十二月三十一日止，除上述人員持股外，本公司的董事、監事和高級管理人員並無在本公司或其相聯法團（定義見《證券及期貨條例》第XV部所指的相聯法團）的股份、相關股份及債券證中擁有任何權益及淡倉，而該等權益及淡倉是指根據《證券及期貨條例》第352條須予備存的登記冊所記錄的或依據《標準守則》通知本公司及香港聯交所。

本公司已以《標準守則》以及本公司制訂的《公司董事、監事及高級管理人員所持本公司股份及其變動的管理規則》作為董事進行證券交易的行為守則和規範。本公司已向所有董事及監事作出特定查詢，彼等亦確認於報告期內之所有適用時期，均遵守《標準守則》及其行為守則和規範所規定有關董事的證券交易的標準。

As at 31 December 2013, save as disclosed above, none of the directors, supervisors and senior management officers of the Company had 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 pursuant to the *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 Officers of the Company and Its Changes* formulated by the Company as its codes of conduct and standards in respect of securities transactions by the directors. Specific enquiries were made with all directors who had confirmed that they had complied with the *Model Code* and its codes of conduct and standards regarding director's securities transactions at all applicable time during the Reporting Period.

董事會報告 Report of the Directors

2. 董事變更資料

根據上市規則第13.51B(1)條之董事資料更改列述如下：

2.1 公司董事的資料更改情況如下：

公司非執行董事陳志程先生於報告期內辭任福建新華都購物廣場股份有限公司董事長，該公司在深圳證券交易所上市(股票代碼：002264)。

3. 董事、監事、高級管理人員年度報酬情況

對公司執行董事及其他高管人員，實施以任職崗位和目標責任管理為核心的年度績效考核與薪酬激勵分配機制，包括基本薪酬和績效年薪。基薪根據高級管理人員的崗位職責、履職年限等確定。績效年薪根據公司年度經營業績、年度工作計劃完成情況、對高級管理人員年度考核結果等確定並發放。



2. Changes of information of directors

The changes of information of directors pursuant to Rule 13.51B(1) of the *Listing Rules* are as follows:

2.1. Changes of information of directors:

Mr. CHEN Zhi Cheng, Non-executive Director of the Company, resigned as Chairman of Fujian New Huadu Shopping Mall Co., Ltd. (stock code: 002264), a company listed on Shenzhen Stock Exchange, during the Reporting Period.

3. Annual remuneration of directors, supervisors and senior management officers

For the executive directors and other senior management officers, the Company adopts the annual performance appraisal combining with the remuneration incentive program which focuses on the working positions and the administration of target responsibilities, including base salary and annual performance remuneration. The base salary is determined in accordance with the senior management officers' position responsibilities, years of working, and etc., while the annual performance remuneration is distributed in accordance with the Company's annual operating results, the completion situation of annual work plan, the results of annual appraisal towards the senior management officers, and etc.

董事會報告 Report of the Directors

對公司獨立非執行董事和獨立監事按股東大會決議支付年度酬金。

The annual remuneration of the independent non-executive directors and independent supervisors is paid pursuant to the resolution passed at the general meeting.

| 姓名 Name | 職務 Position | 報告期內從公司領取的報酬總額 (萬元)(稅前) Total remuneration withdrawn from the Company during the Reporting Period (RMB0'000) (pre-tax) |
|--------------------------|---|--|
| 孫明波 SUN Ming Bo | 董事長 Chairman | 187 |
| 王帆 WANG Fan | 副董事長 Vice Chairman | 146 |
| 黃克興 HUANG Ke Xing | 執行董事，總裁 Executive Director, President | 155 |
| 姜宏 JIANG Hong | 執行董事，副總裁 Executive Director, Vice President | 116 |
| 孫玉國 SUN Yu Guo | 執行董事 Executive Director | 106 |
| 杉浦康譽 Yasutaka SUGIURA | 非執行董事 Non-executive Director | 0 |
| 陳志程 CHEN Zhi Cheng | 非執行董事 Non-executive Director | 0 |
| 王學政 WANG Xue Zheng | 獨立非執行董事 Independent Non-executive Director | 10 |
| 趙昌文 ZHAO Chang Wen | 獨立非執行董事 Independent Non-executive Director | 10 |
| 吳曉波 WU Xiao Bo | 獨立非執行董事 Independent Non-executive Director | 10 |
| 馬海濤 MA Hai Tao | 獨立非執行董事 Independent Non-executive Director | 10 |
| 段家駿 DUAN Jia Jun | 監事會主席 Chairman of Board of Supervisors | 10 |
| 古田土俊男 Toshio KODATO | 股東監事 Supervisor as Shareholders' Representative | 0 |
| 李燕 LI Yan | 獨立監事 Independent Supervisor | 6 |
| 楊偉程 YANG Wei Cheng | 獨立監事 Independent Supervisor | 6 |
| 薛超山 XUE Chao Shan | 職工監事 Supervisor as Employees' Representative | 54 |
| 孫麗紅 SUN Li Hong | 職工監事 Supervisor as Employees' Representative | 43 |
| 邢軍 XING Jun | 職工監事 Supervisor as Employees' Representative | 38 |
| 樊偉 FAN Wei | 副總裁兼製造總裁 Vice President & President of Manufacturing | 146 |
| 劉英弟 LIU Ying Di | 副總裁 Vice President | 106 |
| 王瑞永 WANG Rui Yong | 副總裁兼營銷總裁 Vice President & President of Marketing | 301 |
| 董建軍 DONG Jian Jun | 總釀酒師 Chief Brewer | 103 |
| 于竹明 YU Zhu Ming | 總會計師 Chief Accountant | 84 |
| 張安文 ZHANG An Wen | 副總裁 Vice President | 126 |
| 于嘉平 YU Jia Ping | 製造副總裁 Vice President of Manufacturing | 87 |
| 楊華江 YANG Hua Jiang | 營銷副總裁 Vice President of Marketing | 153 |
| 蔡志偉 CAI Zhi Wei | 營銷副總裁 Vice President of Marketing | 176 |
| 張學舉 ZHANG Xue Ju | 董事會秘書 Board Secretary | 57 |
| 張瑞祥 ZHANG Rui Xiang | 董事會秘書 Board Secretary | 43 |
| 合計 Total | | 2,289 |

董事會報告 Report of the Directors

4. 員工情況

4.1 截至報告期末，本公司(包括下屬子公司)在崗員工共計42,235人。員工專業構成及教育程度如下：

| 專業構成類別 Class of Professional | 專業構成 Profession | 專業構成人數(人) Number of Persons |
|---------------------------------|-------------------------------------|--------------------------------|
| 生產人員 | Production personnel | 17,431 |
| 銷售人員 | Sales personnel | 14,880 |
| 工程技術人員 | Technical and engineering personnel | 1,540 |
| 財務人員 | Financial personnel | 982 |
| 行政人員 | Administrative personnel | 7,402 |
| 教育程度類別 Class of education | 教育程度 Educational Background | 數量(人) Number of Persons |
| 碩士及以上 | Master and above | 362 |
| 本科生 | Undergraduate | 6,332 |
| 專科生 | 2-year college | 12,384 |
| 中專生 | Secondary specialized school | 7,974 |
| 中專以下 | Under secondary specialized school | 15,183 |

4.2 薪酬政策

公司實施以薪酬激勵為基礎、職業發展激勵為動力、情感激勵為凝聚、文化激勵為核心的全面激勵體系。公司針對價值鏈運行各環節的功能定位和崗位工作性質及員工專業化管理能力，建立了多元化薪酬政策，努力實現分配的公正化、市場化。多元化薪酬政策主要涵蓋子公司經營管理者、營銷系統、生產製造系統、研發系統、總部職能管理及特殊稀缺引進人才等。多元化的薪酬激勵模式充分發揮了薪酬激勵杠杆在公司可持續發展中的作用。

4. Staff

4.1 As at the end of the Reporting Period, the Company (including its subsidiaries) totally had 42,235 of full-time employees. The composition of staff in terms of profession and educational background is as follows:

4.2 Remuneration policy

The Company implements a comprehensive incentive program based on the salary incentives, driven by the professional development incentives, attracted by emotional incentives and focused on the cultural incentives. According to the different functions of various parts operating in the value chain, the nature of various working positions, and the staff's ability in professional management, the Company has established a diversified remuneration policy to try to realize the fair and market-orientated distribution. The diversified remuneration policy mainly covers the operating managers of subsidiaries, marketing system, production and manufacturing system, R&D system, functional management of head office and the introduced special and scarce talents. The diversified remuneration incentive mode plays full role of remuneration incentive in the Company's sustainable development.

董事會報告 Report of the Directors

六. 董事及監事收購股份之權利

除上文所披露者外，本公司或其任何附屬公司概無於年內任何時間參與任何安排，以致本公司之董事及監事可藉購入本公司或任何其它團體之股份或債券而獲益。

七. 募集資金使用情況

7.1 公司於2008年通過發行附認股權證的分離交易可轉債募集資金15億元人民幣。截至2013年12月31日，已累計使用132,577萬元。募集資金承諾項目及使用情況如下：

- (1) 青島啤酒(徐州)彭城有限公司新建年產20萬千升啤酒生產基地項目擬投入24,000萬元，實際投入24,000萬元，已投產。
- (2) 青島啤酒(濟南)有限公司新建年產30萬千升啤酒生產基地項目擬投入36,000萬元，實際投入36,000萬元，已投產。
- (3) 青島啤酒第三有限公司新建年產30萬千升啤酒生產基地項目擬投入22,000萬元，實際投入22,000萬元，已投產。
- (4) 青島啤酒(日照)有限公司新建年產20萬千升啤酒生產基地項目擬投入28,000萬元，實際投入28,000萬元，已投產。

VI. Directors' and Supervisors' Right of Shares Purchasing

Save as disclosed above, neither the Company nor any of its subsidiaries participated in any arrangements in any time of the year which enabled its directors and supervisors to obtain interests from purchasing shares or bonds of the Company or that of any other organizations.

VII. Use of Proceeds Received

7.1 The Company received RMB1.5 billion in 2008 from the issuance of bonds with warrants that could be traded separately, in which RMB1,325,770,000 had been used as at 31 December 2013. The information of the proceeds from the bonds with warrants used for the committed projects is as follows:

- (1) The investment in the proposed new construction of brewing base for an annual output volume of 2 million hl in Tsingtao Brewery (Xuzhou) Pengcheng Company Limited was expected to be RMB240 million, and the actual investment was RMB240 million. The construction had been put into production.
- (2) The investment in the proposed new construction of brewing base for an annual output volume of 3 million hl in Tsingtao Brewery (Jinan) Company Limited was expected to be RMB360 million, and the actual investment was RMB360 million. The construction had been put into production.
- (3) The investment in the proposed new construction of brewing base for an annual output volume of 3 million hl in Tsingtao Brewery No. 3 Company Limited was expected to be RMB220 million, and the actual investment was RMB220 million. The construction had been put into production.
- (4) The investment in the proposed new construction of brewing base for an annual output volume of 2 million hl in Tsingtao Brewery (Rizhao) Company Limited was expected to be RMB280 million, and the actual investment was RMB280 million. The construction had been put into production.

董事會報告 Report of the Directors

(5) 青島啤酒(成都)有限公司新建年產10萬千升啤酒生產基地項目擬投入5,000萬元，實際投入5,000萬元，已投產。

(6) 青島啤酒麥芽廠10萬噸產能擴建項目因城市規劃要求，經公司董事會審議批准進行項目搬遷新建。該項目擬投入債券募集資金35,000萬元。截止報告期末，實際投入債券募集資金17,577萬元。目前，項目正在建設中。

7.2 2009年10月13日至19日，青啤認股權證於行權期內通過權證行權新發行A股約4,276萬股，共計募集資金約人民幣11.9億元，存放於董事會指定的專項銀行帳戶中。公司按照相關要求與商業銀行、保薦機構簽訂了《募集資金專戶存儲三方監管協議》及於2009年11月6日進行了公告。行權募集資金承諾項目及使用情況如下：

(1) 青島啤酒二廠擴建新增年產30萬千升啤酒項目，項目總投資人民幣66,615萬元，其中：以募集資金投入人民幣57,200萬元；實際投入使用募集資金人民幣57,200萬元。

(2) 青島啤酒第三有限公司新增29萬千升／年生產能力擴建項目，項目總投資人民幣21,611萬元，全部以募集資金投入。實際投入使用募集資金人民幣21,611萬元。

(5) The investment in the proposed new construction of brewing base for an annual output volume of 1 million hl in Tsingtao Brewery (Chengdu) Company Limited was expected to be RMB50 million, and the actual investment was RMB50 million. The construction had been put into production.

(6) According to the requirements of city planning, the project of increasing 100 kilotons of production capacity in Tsingtao Brewery Malt Plant had been considered and approved by the Board to relocate and construct a new plant, which was expected to invest in RMB350 million of proceeds received from issuing the bonds. As at the end of the Reporting Period, the actual investment was RMB175.77 million of proceeds received from issuing the bonds. At present, the project in in construction.

7.2 During 13 to 19 October 2009, approximately 42.76 million shares of A-share were issued through the exercise of the warrants of the bonds with warrants of Tsingtao Brewery, and the proceeds of around RMB1.19 billion were received and deposited in the specific bank account designated by the Board. The Company had entered into *Tri-Parties Regulatory Agreement for the Proceeds Deposited in the Designated Account* with the commercial bank and underwriting institution, and made announcement on 6 November 2009 according to the related requirements. The information of the projects committed to be invested in with the proceeds received from the exercise and the use of such proceeds is as follows:

(1) Project of expansion for increasing 3 million hl of annual production capacity in Tsingtao Brewery No. 2 Factory. The total investment of RMB666.15 million for the project includes an investment of RMB572 million of proceeds received; the actual amount invested in with the proceeds received was RMB572 million.

(2) Project of expansion for increasing 2.9 million hl of annual production capacity in Tsingtao Brewery No. 3 Company Limited. The total investment of RMB216.11 million for the project was totally from the proceeds received. The actual amount invested in with the proceeds received was RMB216.11 million.

董事會報告 Report of the Directors

- (3) 青島啤酒(石家莊)有限公司新建年產20萬千升啤酒生產基地項目，項目總投資人民幣37,450萬元，其中：以募集資金投入人民幣32,101萬元；實際投入使用募集資金人民幣32,101萬元。

截至2013年12月31日，上述行權募集資金投入項目已全部實施完畢，累計使用行權募集資金人民幣110,912萬元，行權募集資金賬戶結餘募集資金118,955,463.84元(包括募集資金在三方監管存儲專用賬戶上產生的利息收入)。根據公司2012年度股東年會決議及2013年公司第七屆董事會第十五次會議決議，截至2013年12月31日，公司已將上述結餘募集資金(包括募集資金在三方監管存儲專用賬戶上產生的利息收入)全部補充公司流動資金，並對行權募集資金專用賬戶進行銷戶。

- (3) Project of a new brewing base of 2 million hl of annual production capacity in Tsingtao Brewery (Shijiazhuang) Company Limited. The total investment of RMB374.5 million for the project includes an investment of RMB321.01 million of proceeds received. The actual amount invested in with the proceeds received was RMB321.01 million.

As at 31 December 2013, the above-mentioned projects invested with the proceeds received from the exercise had been fully completed. The accumulatively used amount of the proceeds received from the exercise was RMB1,109.12 million, and the balance in the account for the proceeds received from the exercise was RMB118,955,463.84 (including the interests received from the specific savings account supervised by the three parties). According to the resolutions passed at the Company's 2012 Annual General Meeting and the fifteenth meeting of the seventh Board in 2013, as at 31 December 2013, the Company had supplemented the remaining proceeds received (including the interests of the proceeds received from the specific savings account supervised by the three parties) into the Company's current funds, and closed the specific savings account of the proceeds received from the exercise.

八. 董事或監事合約權益及董事服務合約

本公司所有獲委任董事及監事均已與本公司訂立服務合約，各董事及監事概無與本公司簽定任何一年內若由本公司及其附屬公司終止合約時須作出賠償的服務合約(法定賠償除外)。除此之外，本年度內董事及監事均無在與本公司及其附屬公司訂立的任何合約中擁有重大權益。

九. 獨立非執行董事之獨立性的確認

本公司已經根據上市規則第3.13條收到每名現任獨立非執行董事就其獨立性而作出的年度確認函，本公司仍然認為有關獨立非執行董事屬獨立人士。

VIII. Contracted Rights of Director or Supervisor and Director's Service Contract

All directors and supervisors appointed by the Company have entered into service contract with the Company, and did not enter into any service contract with the Company that the Company and its subsidiaries should make compensation to the directors when it terminates the contract within 1 year after the contract is signed by both parties (excluding statutory compensation). Besides that, neither directors nor supervisors obtained material interests from any contracts entered into with the Company and its subsidiaries within the year.

IX. Confirmation of Independence by Independent Non-executive Directors

The Company has received annual confirmation letter from each existing independent non-executive director on their independence pursuant to Rule 3.13 of the *Listing Rules*, and still believes that, the aforesaid independent non-executive directors are persons of independence.

董事會報告 Report of the Directors

十. 購回、出售及贖回上市股份

報告期內，本公司或其任何附屬公司並無購入、出售及贖回本公司任何上市證券。

報告期內，本公司或本公司附屬公司概無發行或授予任何期權或其它類似權利，亦無任何行使轉換權或認購權的情況。

十一. 主要附屬公司及聯營公司

本公司各附屬公司及聯營公司之詳情載於隨附合併財務報表附註。

十二. 固定資產

有關報告期內固定資產之變動載於隨附合併財務報表附註。

十三. 銀行貸款

於二零一三年十二月三十一日之銀行貸款詳情載於隨附合併財務報表附註。

孫明波

董事長

中華人民共和國 青島

二零一四年三月二十五日

X. Buy-back, Sales and Redemption of Shares

During the Reporting Period, the Company or any of its subsidiaries did not buy back, sell or redeem any of its listed securities.

During the Reporting Period, the Company or any of its subsidiaries did not issue or provide any options or any other similar rights, nor exercise any rights of conversion or subscription.

XI. Principal Subsidiaries and Associated Companies

The details of the subsidiaries and associated companies of the Company are set out in the attached *Notes to Financial Statements*.

XII. Fixed Assets

Any changes of fixed assets during the Reporting Period are set out in the attached *Notes to Financial Statements*.

XIII. Bank Loans

The details of bank loans as at 31 December 2013 are set out in the attached *Notes to Financial Statements*.

SUN Ming Bo

Chairman

Qingdao, the People's Republic of China

25 March 2014

監事會報告 Report of the Supervisors

本人謹此提呈青島啤酒股份有限公司2013年度之監事會報告，敬請各位股東審閱。

報告期內，監事會嚴格按照法律法規及《公司章程》的相關規定，認真履行職責，對公司財務報告、重大事項等議題進行了監督，切實維護了公司和股東的合法權益，較好地履行了法律法規和《公司章程》賦予監事會的職責。

一、審議公司重大事項情況

報告期內，公司監事會共召開9次會議，其中定期會議5次，臨時會議4次，審議各類議案35項。主要議案如下：

1、財務報告：

- (1) 審議公司2012年度財務報告；
- (2) 審議公司2013年第一季度報告；
- (3) 審議公司2013年半年度報告；
- (4) 審議公司2013年第三季度報告。

2、關連交易：

- (1) 審議批准關於青啤深圳與朝日啤酒及其附屬公司進行2013年度購銷產品持續關連交易的議案；
- (2) 審議批准本公司附屬公司與三得利公司附屬公司新增持續關連交易議案。

3、其它事項：

審議了公司2012年度利潤分配方案、2013年預算草案、為子公司提供擔保等議案，審議了青島啤酒三廠增加產能、太原公司擴建項目，收購嘉禾啤酒、新鐘樓啤酒等議案共計20餘項。

I hereby present the 2013 Report of the Supervisors of Tsingtao Brewery Company Limited for your kind review.

During the Reporting Period, the Board of Supervisors earnestly performed its duties and responsibilities in strict compliance with the related provisions in the laws and regulations and the *Articles of Association*. It supervised the proposals including the Company's financial statements and significant events, practically maintained the legal rights and interests of the Company and its shareholders, performed the duties and responsibilities of the Board of Supervisors as provided by the laws and regulations and the *Articles of Association*.

I. Significant Events Considered

During the Reporting Period, the Board of Supervisors totally held 9 meetings, including 5 regular meetings and 4 extraordinary meetings, to mainly consider 35 resolutions including the followings:

1. Financial reports:

- (1) considered the Company's 2012 Financial Report;
- (2) considered the Company's 2013 First Quarterly Report;
- (3) considered the Company's 2013 Interim Report;
- (4) considered the Company's 2013 Third Quarterly Report.

2. Connected transactions:

- (1) Considered and approved the resolution of the continuing connected transaction between Shenzhen Tsingtao-Asahi, and Asahi Breweries and its subsidiary for the purchase and sales of products in 2013;
- (2) Considered and approved the resolution of the new continuing connected transaction between some subsidiaries of the Company and some subsidiaries of Suntory Company.

3. Other issues:

It considered around 20 resolutions including the Company's 2013 profits distribution proposal, 2013 preliminary proposal of budgets, providing guarantees to the subsidiaries, increasing production capacity of Tsingtao Brewery No. 3 Factory, expansion project of Taiyuan Company, acquisition of Jiahe Brewery and Xinzhonglou Brewery.

監事會報告 Report of the Supervisors

二、對有關事項的獨立意見

1、依法運作情況

通過依法行使監督權，監事會認為公司股東大會、董事會的召開程序、決議事項、董事會對股東大會決議的執行情況、公司高級管理人員執行職務的情況，符合法律法規及相關監管要求，符合《公司章程》的相關規定。

監事會認為，在報告期內公司嚴格按照法律、法規、《公司章程》及其他監管規定的要求開展各項工作，決策程序合法、運作規範。

公司董事會成員及高級管理人員能夠按照國家有關法律、法規和《公司章程》的有關規定，忠實勤勉地履行其職責。報告期內未發現公司董事及高級管理人員在執行職務、行使職權時有違反法律、法規、《公司章程》及損害公司和股東利益的行為。

2、檢查公司財務情況

監事會對2013年度公司的財務狀況和財務成果進行了有效的監督、審核，監事會認為，公司財務制度健全、內控制度完善，財務運作規範、財務狀況良好。公司財務報告真實、客觀地反映了公司的財務狀況和經營情況。

II. Independent Comments to the Concerned Issues

1. Compliance operation

The Board of Supervisors, by legally exercising its supervision right, is of the view that, the convening procedures of the Company's general meetings and board meetings, the matters in the resolutions, the Board's implementation of the resolutions approved at the general meetings, the duties performed by the Company's senior management officers are in compliance with the laws, regulations and related regulatory requirements, and in compliance with the related provisions in the *Articles of Association*.

The Board of Supervisors is of the view that, during the Reporting Period, the Company carried out various work strictly in compliance with the requirements in the laws, regulations, *Articles of Association*, and other regulatory regulations, made decisions legally and operated in compliance manner.

All directors and senior management officers in accordance with the State laws, regulations, *Articles of Association*, performed their duties with honesty and diligence. During the Reporting Period, none of the directors and senior management officers was found to have any behavior violating any laws, regulations, and *Articles of Association*, or damaging any interests of the Company and its shareholders in performing their duties and exercising their authorities.

2. Review of the financial situations

The Board of Supervisors effectively supervised and inspected the Company's financial situation and financial results in 2013, and was of the view that, the Company's financial system was sound and complete, the internal control system was improved, the financial operations were compliant, and the financial situation was satisfying, and the Company's financial statements truly and objectively reflected the Company's financial situation and operating results.

監事會報告 Report of the Supervisors

3、最近一次募集資金使用情況

報告期內，公司不存在新增募集資金。最近一次募集資金為2009年通過認股權證行權，募集資金約11.9億元。公司根據《公司法》、《證券法》以及上海證券交易所《上市公司募集資金管理辦法（2013年修訂）》、《青啤公司募集資金管理制度》、《青啤公司募集資金內控管理制度》等，嚴格把控募集資金的存放、管理、使用、用途變更、資金使用監督及信息披露。不存在募集資金管理違規情形。

4、收購資產情況

報告期內，公司簽訂了收購河北嘉禾啤酒有限公司50%股權的框架協議，並成功實現與張家口新鐘樓啤酒的合作，在張家口啟動新建20萬千升新啤酒廠項目。監事會認為，上述收購項目符合公司的戰略規劃，有利於提升公司的市場競爭力。同時，該項目程序規範，未發現有內幕交易，也未發現有損害股東利益及造成公司資產流失的情況。

5、關連交易情況

報告期內，公司及相關子公司與若干關連人士進行了啤酒購銷、存款及結算服務等方面的持續性關連交易。監事會認為，公司的持續關連交易定價公平合理，審議程序合法，未損害公司和股東的合法利益。

6、內控工作報告情況

報告期內，監事會對董事會關於公司2013年度內部控制的自我評價報告、公司內部控制制度的建設和運行情況進行了監督檢查。

3. Latest use of proceeds received

During the Reporting Period, the Company did not have any new proceeds received from financing activities. The latest proceeds is RMB1.19 billion received from the exercise of warrants of the bonds with warrants in 2009. According to the *Company Law*, *Securities Law*, *Management of Proceeds Received by Listing Company (Revised in 2013)* of SSE, *Regulations on Proceeds Received by Tsingtao Brewery*, and *Internal Control Regulations on Proceeds Received by Tsingtao Brewery*, the Company strictly controlled the savings, management, use, change of usage, supervision of the use of the funds and information disclosure of the proceeds received, and did not breach the regulations in the management of proceeds received.

4. Assets acquisition

During the Reporting Period, the Company entered into a framework agreement of acquiring 50% equity interests in Hebei Jiahe Brewery Co., Ltd, and successfully realized the cooperation with Zhangjiakou Xinzhonglou Brewery to start the project of a new plant of 2 million hl of annual production capacity in Zhangjiakou. The Board of Supervisors is of the view that, the above acquisition projects are in compliance with the Company's strategic plan, and beneficial to improve the Company's market competitiveness. At the same time, these projects are in compliant procedures, and no behavior of insider transaction, or damaging the interests of the Company and its shareholders, or causing the losses of Company's funds is found.

5. Connected transactions

During the Reporting Period, the Company carried out the continuing connected transactions on the purchase and sales of beer, savings and settlement service with its connected persons. The Board of Supervisors is of the view that, the Company's continuing connected transactions are at fair and reasonable price, in the legal process of consideration, and do not damage the interests of the Company and its investors.

6. Internal control work report

During the Reporting Period, the Board of Supervisors reviewed the Board's self-appraisal report on the Company's internal control in 2013, and the establishment and operation of the Company's internal control system.

監事會報告 Report of the Supervisors

監事會認為，公司已根據自身的實際情況和法律法規的要求，建立了較為完善的法人治理結構和內部控制制度體系，符合公司經營管理的發展需求，保證了公司各項業務的健康運行及經營風險的控制。報告期內公司的內部控制體系規範、合法、有效，沒有發生違反公司內部控制制度的情形。公司董事會2013年度內部控制評價報告全面、客觀、真實地反映了公司內部控制體系建立、完善和運行的實際情況。

7、 建立和實施內幕信息知情人管理制度的情況

監事會認為，公司已按照相關規定制定了《內幕信息知情人登記管理制度》，並嚴格按照制度控制內幕信息知情人範圍，及時對公司內幕信息知情人進行登記備案，維護了公司信息披露的公開、公平、公正的原則，保護了廣大投資者的合法權益。

各位股東，2013年中國啤酒市場呈現了低速增長的態勢，但公司迎難而上，聚焦資源，積極擴大市場佔有率，取得了較好的經營業績，使公司國內市場的優勢地位進一步鞏固和提升。

未來一年，監事會將繼續嚴格按照法律法規、《公司章程》和監管規定的要求，忠實履行自己的職責，維護公司和廣大投資者的合法權益，進一步促進公司的規範運作，保障公司的持續、健康發展。

監事會主席：段家駿
二零一四年三月二十五日

The Board of Supervisors is of the view that, the Company has established corporate governance structure and internal control system in accordance with its own actual situation and the requirements of the laws and regulations, which are in compliance with the needs for the development of the Company's operations and management, and ensured the sound operations of the Company's various business and the control over the operating risks. During the Reporting Period, the Company's internal control system was regulatory, compliant and effective, and did not have the situation of breaching the Company's internal control regulations. The Board's 2013 internal control appraisal report completely, objectively and truly reflected the actual situation of the establishment, improvement and operation of the Company's internal control system.

7. Information on the establishment and implementation of administrative policies to the information insiders

The Board of Supervisors is of the view that, the Company has worked out the *Registration and Administrative Policies of Information Insiders* according to the related requirements, strictly control the scope of information insiders pursuant to the administrative policies, and made timely registration and filing of the Company's information insiders, which maintained the open, fair and just principals in the information disclosure and protected the legal rights and interests of the broad masses of investors.

Dear shareholders, in 2013, the China's beer market showed a trend of low growth, but the Company still obtained satisfactory operating results by focusing on the resources and actively increasing the market share, which further consolidated and improve the Company's leading position in the domestic market.

In the future year, the Board of Supervisors will loyally perform its duties and responsibilities, protect the legal rights and interests of the Company and the broad mass of investors, further promote the compliant operation by continuing to strictly abide by the laws, regulations, and requirements in the *Articles of Association* and the regulatory regulations to ensure the Company's continuous and sound development.

Chairman of Board of Supervisors: DUAN Jia Jun
25 March 2014

企業管治報告 Corporate Governance Report

本公司自1993年於香港聯交所及上海證券交易所上市以來，按照境內外上市規則和監管要求，不斷完善公司治理結構，規範公司運作。公司股東大會、董事會、監事會各司其職，決策獨立，相互制衡。公司董事會設立了審計與內控委員會、戰略與投資委員會和提名與薪酬委員會三個由外部董事(包括獨立非執行董事)為主構成的專業委員會，對提高董事會的決策效率起到積極作用，促進了公司治理結構的有效運作。

報告期內，按照香港聯交所的監管要求，公司制訂了董事會成員多元化政策，確保公司董事會的成員在技能、經驗以及多元化視角方面達到適當的平衡，從而提升董事會的有效運作並保持高標準的公司治理水平。

報告期內，本公司已遵守上市規則附錄十四載列之《企業管治守則》的守則條文。本公司所採納的企業管治措施如下：

一. 董事會

1. 職責與分工

董事會在董事長的領導下，在公司的發展戰略、管理架構、投資及融資、財務監控等方面行使管理決策權，並致力於實現股東價值最大化。在本公司的章程及其附件——董事會議事規則中，已詳細列明董事會在公司發展戰略和管理方面的職權以及董事會對公司發展和經營的監督與檢查職權。同時，董事會履行企業管治職能，監督、評估及確保公司內部控制系統的效能及對法律法規的遵守情況。本公司董事會負責履行經修訂的《企業管治守則》第D.3.1條職權範圍所載的企業管治職責。

Since the Company was listed on the Stock Exchange and SSE in 1993, it has been improving its corporate governance structure and regulating the operation pursuant to the domestic and overseas listing rules and regulatory requirements. The Company's general meeting, the Board and the Board of Supervisors exercise their respective duties and make decisions independently, supervise each other and maintain the balance of power among them. The Board sets up 3 professional committees, namely, Audit & Internal Control Committee, Strategy & Investment Committee and Nomination & Remuneration Committee, which are mainly comprised of 3 external directors (including independent non-executive directors), playing active role in improving efficiency of decision-making of the Board, and promoting the effective operation of corporate governance of the Company.

During the Reporting Period, pursuant to the regulatory requirements of the Stock Exchange, the Company worked out the diversity policy for the members of the Board to ensure the balance of the members of the Board in the aspects including skills, experience and diversifying insights, thus to improve the effective operation of the Board and maintain the high-standard corporate governance.

During the Reporting Period, the Company had abided by the code provisions in the *Corporate Governance Code* as set out in Appendix 14 of the *Listing Rules*. The measures taken by the Company for corporate governance are as follows:

I. Board of Directors

1. Duties and assignments

Under the leadership of its chairman, the Board exercises its administrative decision-making power concerning the Company's development strategies, management structure, investment and financing, and financial supervision and control, and dedicates to realize the maximization of its shareholders' value. It has been stated in details in the Company's *Articles of Association and its appendix Order of Meeting for the Board of Directors* the Board's authorities in the Company's development strategies and management, and that on supervision and inspection over the Company's development and operations. At the same time, the Board implements its duty of corporate governance by monitoring, valuating and ensuring the effectiveness and efficiency of the Company's internal control system and the situation of the Company's abiding by the laws and regulations. The Board is responsible for the implementation of the duties and responsibilities of corporate governance as set out in the Function Scope of Rule D.3.1 of the revised *Corporate Governance Code*

企業管治報告 Corporate Governance Report

公司董事長和總裁的職責分工已清晰界定，並載於本公司的章程及其附件中。董事長負責決定每次董事會會議的議程，其中每次會議前徵詢其他董事有無提案，並根據實際情況將其他董事的提議加入會議議程。此外，董事長亦負責引領和制定本公司的總體發展戰略，並檢查董事會決議的實施情況。

總裁負責組織實施董事會決議及公司年度預算和投資方案，並向董事會報告公司經營情況和重大合同的簽訂執行情況；總裁在董事會的授權範圍內行使對公司資金、資產的運用權及代表公司簽訂合同。同時，公司明確了管理層人員各自具體的職責及其分工，以保證其切實履行誠信義務和勤勉盡責。

2. 組成

公司第七屆董事會成員由11名董事組成，公司董事(包括非執行董事)之任期自2011年6月16日起為期三年。2013年6月25日，公司股東年會增選黃克興先生為執行董事，選舉杉浦康譽先生為非執行董事，其任期至本屆董事會任期屆滿為止。山崎史雄先生因退休辭任非執行董事一職。

本公司在設定董事會成員組合時會從多個方面考慮董事會成員多元化，包括但不限於年齡、文化及教育背景、專業經驗、技能及知識。董事會所有委任均以用人唯才為原則，並在考慮人選時以客觀條件顧及董事會成員多元化的益處。

The division of duties between the Company's chairman and president has been clearly defined and stated in the *Articles of Association* and its appendix. The chairman is responsible for deciding the agenda of each board meeting, contacting other directors before each meeting for any proposals to be considered at the meeting, and considering whether to include such proposals into the agenda according to the circumstance. Besides, the chairman should also be responsible for leading and determining the Company's overall development strategies, and supervising the implementation of resolutions approved by the Board.

The president is responsible for organizing the implementation of resolutions, yearly budget and investment scheme, and reporting to the Board about the Company's operations, signing and implementation of significant contracts; exercises the right of the use of funds and assets within the scale authorized by the Board, and signing the contracts on behalf of the Company. At the same time, the Company clarifies the respective and specific duties and responsibilities of all senior management officers, so as to ensure the undertaking of obligations of integrity and fulfillment of their own responsibilities.

2. Composition

The 7th Board comprises of 11 directors. The service term of the Company's directors (including the non-executive directors) is 3 years from 16 June 2011. At the Company's annual general meeting held on 25 June 2013, Mr. HUANG Ke Xing was appointed as Executive Director, and Mr. Yasutaka SUGIURA was appointed as Non-executive Director, whose service term is to the end of the service term of this Board. Mr. Fumio YAMAZAKI resigned as Non-executive due to his retirement.

When determining the composition of the members of the Board, the Company considered about the diversity of the members of the Board from different aspects including but not limited the age, cultural and educational background, professional experience, skills and knowledge. The Board focused on the candidates' talents for all appointments, and takes into consideration of the benefits of the diversity of the members of the Board based on the objective criteria when choosing the candidates.

企業管治報告 Corporate Governance Report

公司的董事會成員具有不同行業背景和專業知識，包括其中一名獨立非執行董事具備監管機構要求的會計或相關財務管理專長。各董事均於各自專業範疇累積至少10年經驗。董事的個人簡介載列於本年度報告「董事、監事、高級管理人員情況」。

本屆董事會中共有4名獨立非執行董事，佔董事會總人數的1/3以上。現任獨立非執行董事具有不同的專業背景，並具有豐富的法律、財務會計及金融投資等方面的專業經驗，這種結構有助於董事會從多角度討論和分析問題，確保董事會的科學決策。自2005年起，獨立非執行董事每年均在股東年會上提交年度述職報告，向股東做出彙報。

3. 董事會會議

2013年度，本公司共舉行了5次現場會議和5次以通訊表決方式召開的會議，以討論本公司的營運及財務表現、管理架構、投資方案等，主要事項包括：

- 審議批准年度之財務預算、董事會工作報告；
- 審議批准年度、半年度及季度業績報告；
- 審議批准目標企業的收購方案及所屬子公司新建擴建的資本支出項目；
- 審議批准公司的持續關連交易事項；
- 審議批准核銷財產損失；

Members of the Board have various professional backgrounds and possess different professional knowledge, among which 1 independent non-executive director has the qualification on accounting, or has appropriate strength in accounting or related financial management required by the regulatory authorities. All directors have at least 10 years' experience in their respective professional field. The profile of the directors is enclosed in the section 'Profile of Directors, Supervisors and Senior Management Officers' in this Annual Report.

There are 4 independent non-executive directors in this Board, which are accounted for over 1/3 of the total number of the directors in the Board. These independent non-executive directors have various professional backgrounds with rich experience in law, accounting and financial investment. Such structure is helpful in discussion and analysis from different aspects at the board meetings, which is beneficial for the reasonable decision-making of the Board. Since 2005, the independent non-executive directors have been submitting their annual performance review to the annual general meeting for the shareholders' consideration and discussion.

3. Board meeting

In 2013, the Company totally held 5 site meetings and 5 meetings combining with voting through communications to consider the Company's operating and financial performance, management structure, investment scheme, including:

- Considered and approved the annual financial budget, work report of the Board;
- Considered and approved the reports of annual, interim and quarterly results;
- Considered and approved the acquisition plan for the target breweries, and capital investment projects for the new construction and expansion of the Company's subsidiaries;
- Considered and approved the continuing connected transactions of the Company;
- Considered and approved to write-off the property losses;

企業管治報告 Corporate Governance Report

會議通知和議案資料在合理的時間內送達各董事，董事會會議能進行富有成效的討論及做出迅速而審慎的決策。在本年度內，各位董事出席董事會會議的詳情載列如下：

The meeting notices and materials of proposals to be discussed are sent to all directors in the reasonable time, so as to ensure they can have fruitful discussion, and make quick and prudential decisions at the meetings. In the year, details of all directors' attendance of board meetings are as follows:

| 董事姓名 Name | 本年應參加 董事會次數 Times that should attend | 參加董事會情況 Information of attending the board meetings | | | | | 是否連續兩次 未親自參加會議 If not attend in person for consecutive two times | 參加股東 大會情況 Information of attending the AGM 出席股東 大會的次數 Times of attending the AGM |
|--------------------------|---|--|---|---|-----------------------------|---------|---|---|
| | | 親自出席 次數 Times that attend in person | 以通訊方式參加 次數 Times that attend in form of communications | 委託出席 次數 Times that being attended by proxy | 缺席次數 Times of absence | | | |
| 孫明波 SUN Ming Bo | 10 | 5 | 5 | 0 | 0 | 否 No | 1 | |
| 王帆 WANG Fan | 10 | 5 | 5 | 0 | 0 | 否 No | 1 | |
| 黃克興 HUANG Ke Xing | 7 | 2 | 4 | 1 | 0 | 否 No | 1 | |
| 姜宏 JIANG Hong | 10 | 5 | 5 | 0 | 0 | 否 No | 0 | |
| 孫玉國 SUN Yu Guo | 10 | 5 | 5 | 0 | 0 | 否 No | 1 | |
| 杉浦康譽 Yasutaka SUGIURA | 7 | 2 | 4 | 1 | 0 | 否 No | 1 | |
| 陳志程 CHEN Zhi Cheng | 10 | 3 | 6 | 1 | 0 | 否 No | 1 | |
| 王學政 WANG Xue Zheng | 10 | 5 | 5 | 0 | 0 | 否 No | 1 | |
| 趙昌文 ZHAO Chang Wen | 10 | 4 | 6 | 0 | 0 | 否 No | 0 | |
| 吳曉波 WU Xiao Bo | 10 | 0 | 6 | 3 | 1 | 否 No | 0 | |
| 馬海濤 MA Hai Tao | 10 | 4 | 5 | 1 | 0 | 否 No | 1 | |
| 山崎史雄 Fumio YAMAZAKI | 3 | 2 | 1 | 0 | 0 | 否 No | 0 | |

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公司董事會的召集、召開嚴格按照《公司章程》、《董事會議事規則》的規定。董事會會議由董事長主持召開，並在會議通知發出後按時召開，各項提案在會議上充分討論，並對提案進行逐項表決。召開董事會定期會議的通知在會議召開前14天發出。如有董事因公務不能出席會議，可由該董事書面委託其他董事出席並代為行使表決權，如是獨立非執行董事則可委託其他獨立非執行董事出席和表決。

公司管理層負責向董事會提供審議各項議案所需的相關資料和信息，並在董事會會議召開時彙報相關工作。本公司獨立非執行董事根據《公司章程》的規定行使職權、履行職責或業務的需要時，可聘請獨立專業機構為其服務，由此發生的合理費用由本公司承擔。

二. 董事

1. 董事之培訓

根據企業管治守則，全體董事須參與持續專業發展，以更新其知識及技能。本公司已為董事提供培訓及發展課程，包括(1)為新委任之董事提供就職課程(董事手冊)；(2)為董事提供持續培訓及專業發展課程。



The convening and holding of board meetings are strictly subject to the rules in the *Articles of Association* and *Order of Meeting for the Board of Directors*. The meetings are hosted by the chairman of the Board, and are held on time after delivery of meeting notice. All proposals are discussed fully and completely at the meetings and voted in sequence. The notice of regular meeting is dispatched 14 days before the meeting. Should any director is unable to attend the meeting due to other business, he/she could authorize other director in writing to attend and vote on his/her behalf, and the independent non-executive director could authorize other independent non-executive director to attend and vote on his/her behalf.

The Company's management team is responsible for providing the Board with all related materials and information needed for considering the proposals, and reporting their related work at the board meeting. The independent non-executive directors may appoint the independent professional organizations to serve them when exercising their power, performing their duties or being needed by the business, pursuant to the stipulations in the *Articles of Association*, and the reasonable expenses occurred will be borne by the Company.

II. Directors

1. Trainings of directors

Pursuant to the *Corporate Governance Code*, all of the directors are obliged to take part in the continuing professional development to renew their knowledge and skills. The Company had provided the directors with trainings and development courses, including (1) providing the newly appointed directors the entry training (director's manual); (2) providing the directors with the continuing trainings and professional development courses.

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於2013年1月1日至2013年12月31日期間，本公司全體董事定期接受有關本集團業務、營運及企業管治事宜的簡報及更新。董事並獲提供適用於本集團的新訂重點法律及條例或重要法律及條例的變動。公司每週編寫一期有關證券市場發展及監管政策的動態信息發送給董事、監事和高管人員。並於報告期內組織在青島的董事、監事參加了由青島證監局組織的上市規則培訓。報告期公司董事會秘書參加了不少於15學時的專業培訓，部分董事、監事參加了不少於16學時的專業培訓。

During the period from 1 January to 31 December 2013, all of the Company's directors can regularly receive the briefings and the updates for the matters relating to the Group's business, operations and corporate governance. They were also provided with the newly published important laws and rules, or changes in the important laws and rules which were applicable to the Group. The Company prepared a weekly newsletter for the development in the stock markets and updated information of regulatory policies, and distributed to the directors, supervisors and senior management officers. During the Reporting Period, the Company also arranged the directors and supervisors who were located in Qingdao to attend the trainings on the listing rules organized by Qingdao Branch of China Securities Regulatory Commission. During the Reporting Period, the Company's board secretaries attended not less than 15 training hours of professional trainings, while some directors and supervisors attended not less than 16 training hours of professional trainings.

2. 董事的獨立性

本公司已委任足夠數目的獨立非執行董事。根據香港聯交所上市規則第3.13條的規定，董事會已收到所有獨立非執行董事就其獨立性提交的書面確認函。

2. Independence of directors

The Company has appointed sufficient number of independent non-executive directors, and the Board has received from all independent non-executive directors their written confirmation on their independence pursuant to Rule 3.13 of the *Listing Rules*.

3. 董事的證券交易

本公司採納香港聯交所《證券上市規則》附錄十所載的《上市公司董事進行證券交易的標準守則》，制定了本公司的《董事、監事及高級管理人員所持本公司股份及其變動管理制度》。在向所有董事及監事作出特定查詢後，本公司確認，本公司所有董事及監事於報告期內均已遵守上市規則所規定的有關董事進行證券交易的標準。

3. Securities transactions by directors

The Company applies the *Model Code* included in the Appendix 10 of the *Listing Rules*, and works out the Company's *Regulations on Holding of Shares in the Company by Directors, Supervisors and Senior Management Officers and the Changes*. The Company confirms that, after having made specific enquiries to all directors and supervisors, they have been in compliance with the required standards as set out in the *Listing Rules* regarding securities transactions by directors.

4. 董事、監事及高級管理人員的責任保險

經股東大會批准，本公司已為全體董事、監事及高級管理人員購買適當之責任保險。

4. Liability insurance of directors, supervisors and senior management officers

As approved at the general meeting, the Company has purchased appropriate liability insurance for all of the directors, supervisors and senior management officers.

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5. 財務彙報和董事就財務報表所承擔的責任

根據管理層提供的充分財務資料，本公司董事會每年對年度、半年度及季度業績報告進行審議並批准對外披露。董事有責任組織相關部門和人員編制每個財政年度的財務報表，並確保在編制財務報表時貫徹應用適當的會計政策及遵守中國會計準則及制度，以真實及公允地報告本公司的財務狀況及經營成果。

三. 董事會專門委員會

董事會於2011年6月16日召開會議，根據董事會成員的調整，批准成立董事會下屬3個專門委員會，明確其監察公司個別範疇業務的職權範圍。

1. 審計與內控委員會(「審計委員會」)

該委員會職權範圍依據香港聯交所上市規則附錄十四之《企業管治守則》及中國證監會頒佈的《中國上市公司治理準則》而制訂，並按照最新監管動態作出修訂。其主要職責包括：檢討公司內部監控體系及制度的健全性和有效性，審閱公司的年度、半年度及季度財務報表，負責公司外部審計師的聘任、工作協調及對其工作效率和工作質量進行檢討，檢討及監察公司財務彙報質量和程序。

第七屆董事會審計委員會由四名獨立非執行董事與一名非執行董事組成，由馬海濤先生擔任主席，其他成員包括非執行董事山崎史雄先生(自2013年6月起由非執行董事杉浦康譽先生接替)及獨立非執行董事王學政先生、趙昌文先生和吳曉波先生，均由董事會委任。其中馬海濤先生具備財務和會計業務的經驗和能力。

5. Financial reporting and responsibilities taken by directors on financial statements

The Board makes annual review over the annual, interim and quarterly reports in accordance with the sufficient information provided by the management, and approves for public disclosure. The directors are responsible for organizing relevant departments and personnel to prepare financial reports for each financial year, and ensure to apply appropriate accounting policies, and abide by the CAS and regulations when preparing the financial statements, so as to truly and fairly report the financial situation and operating results of the Company.

III. Professional Committees under the Board

The Board held a meeting on 16 June 2011, at which it approved to set up 3 specific committees under it based on the adjustments of its members, clarified their duty scope of supervising the specific business fields in the Company.

1. Audit & Internal Control Committee (“Audit Committee”)

The duty scope of the Audit Committee is determined pursuant to the *Corporate Governance Code* as set out in the Appendix 14 of the *Listing Rules and Guidelines for Corporate Governance of China Listing Companies* published by China Securities Regulatory Commission, and is revised from time to time subject to the latest supervisory trend. Its principal duties include: to review the soundness, completeness and effectiveness of the Company’s internal control system and regulations, to review the Company’s annual, interim and quarterly financial statements, to appoint the Company’s external auditor and coordinate the work with them, and review the efficiency and quality of their work, to review and supervise the quality and procedures of the Company’s financial reporting.

The Audit Committee of the 7th Board is comprised of 4 independent non-executive directors and 1 non-executive director including Mr. MA Hai Tao, the Chairman, and other members including Non-executive Director Mr. Fumio YAMAZAKI (who was replaced by Non-executive Director Mr. Yasutaka SUGIURA from June 2013), and Independent Non-executive Directors Mr. WANG Xue Zheng, Mr. ZHAO Chang Wen and Mr. WU Xiao Bo, all of whom are appointed by the Board. Mr. MA Hai Tao has experience and capability in financial and accounting business.

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2013年度審計委員會共舉行了5次會議，為保證彙報的獨立性，會議主席已安排外部審計師與審計委員會成員進行單獨的會議。於每次會議後，委員會均會就討論的重要事項向董事會提交建議。各委員出席會議的情況如下：

In 2013, the Audit Committee totally held 5 meetings. To ensure the independence of the reporting, the chairman of the Committee arranged sole meetings between external auditors and members of the Audit Committee. The Committee made proposals to the Board on important issues discussed by it after each of such meetings. The attendance of each member of the Committee is as follows:

| 委員姓名 | Name | 出席會議(次) Attendance (time) | 應出席會議(次) Meetings should attend (time) | 出席率(%) Attending Rate (%) |
|------------|---|---------------------------------|--|---------------------------------|
| 馬海濤(委員會主席) | MA Hai Tao (Chairman of the Committee) | 5 | 5 | 100 |
| 王學政 | WANG Xue Zheng | 5 | 5 | 100 |
| 趙昌文 | ZHAO Chang Wen | 4 | 5 | 80 |
| 吳曉波 | WU Xiao Bo | 1 | 5 | 20 |
| 山崎史雄 | Fumio YAMAZAKI | 2 | 3 | 66 |
| 杉浦康譽 | Yasutaka SUGIURA | 2 | 2 | 100 |

審計委員會在本年度主要工作包括：

- 審閱本公司的年度、半年度及季度業績報告和財務報告；
- 就續聘公司審計師事項向董事會提供建議；
- 檢討公司內部控制體系及制度的有效性，包括考慮公司在財務彙報職能方面的資源以及從業人員的資歷、經驗是否充足，相關人員的培訓及有關預算是否充足。

Major work by the Committee in the year includes:

- Reviewed the Company's annual, interim and quarterly reports, and financial statements;
- Made proposals to the Board on the re-appointment of the auditor
- Reviewed the effectiveness of the Company's internal control system and regulations, including whether the resource of the financial reporting, and the qualification and experience of the jobholders were sufficient or not, whether the training to the related personnel and the related budgets were sufficient or not.

2. 戰略與投資委員會(「戰略委員會」)

該委員會的主要職責是審查和檢討公司的戰略發展方向，制訂公司戰略規劃，以及適時調整公司戰略和管治架構。

2. Strategy & Investment Committee (“Strategy Committee”)

The Committee's main duties are: to supervise and review the Company's orientation of strategic development, to work out the Company's strategic plan, and to make timely adjustment towards the Company's strategic and governance structure.

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第七屆董事會戰略委員會的成員包括：董事長孫明波先生(委員會主席)、執行董事孫玉國先生和獨立非執行董事王學政先生、趙昌文先生及馬海濤先生。2013年度戰略委員會共舉行了4次會議，各委員出席會議的情況如下：

The members of the Strategy Committee of the 7th Board include: Chairman Mr. SUN Ming Bo (Chairman of the Committee), Executive Director Mr. SUN Yu Guo, Independent Non-executive Directors Mr. WANG Xue Zheng, Mr. ZHAO Chang Wen and Mr. MA Hai Tao. In 2013, the Strategy Committee totally held 4 meetings, and the attendance of each member of the Committee is as follows:

| 委員姓名 | Name | 出席會議(次) Attendance (time) | 應出席會議(次) Meetings should attend (time) | 出席率(%) Attending Rate (%) |
|------------|--|---------------------------------|--|---------------------------------|
| 孫明波(委員會主席) | SUN Ming Bo (Chairman of the Committee) | 4 | 4 | 100 |
| 孫玉國 | SUN Yu Guo | 4 | 4 | 100 |
| 王學政 | WANG Xue Zheng | 4 | 4 | 100 |
| 趙昌文 | ZHAO Chang Wen | 4 | 4 | 100 |
| 馬海濤 | MA Hai Tao | 4 | 4 | 100 |

戰略委員會在本年度的主要工作包括：審議公司收購目標公司股權及啤酒業務相關資產和子公司搬遷新建和新增產能擴建項目的可行性報告。

The Strategy Committee mainly did the following work in the year: considered the feasibility report of acquiring the equity interests, beer-related assets of target companies, and the projects of relocation, new construction, and expansion construction for increasing production capacity the subsidiaries.

3. 提名與薪酬委員會

本公司成立了提名與薪酬委員會，其主要職責包括：研究和審議公司董事與高管人員的薪酬政策和激勵機制，制訂考核標準；研究改善公司治理結構的方案及評核獨立非執行董事的獨立性及就董事委任向董事會提出建議。於二零一三年九月一日生效之企業管治守則條文第A.5.6條規定，提名委員會(或董事會)應訂有涉及董事會成員多元化的政策，並於企業管治報告內披露其政策或政策摘要。本公司已於2013年8月經董事會審議批准採納本公司的董事會成員多元化政策，作為董事會提名與薪酬委員會工作細則的附件。

3. Nomination & Remuneration Committee

The Company sets up the Nomination & Remuneration Committee. Its main duties are: to study and review the remuneration policies and incentive system of the Company's directors and senior management officers, to work out appraisal standards, to study the schemes of improving the corporate governance, to appraise the independence of the independent non-executive directors and make proposals to the Board for the appointment of directors. According to Rule A.5.6 in the Corporate Governance Code taking into effect from 1 September 2013, the nomination committee (or the Board) should work out the policy concerning the diversity of the members of the Board, and disclose the policy or the abstract of such policy in the corporate governance report. The Company had, as considered and approved by the Board in August 2013, adopted the Company's diversity policy of the members of the Board as an appendix to the working guidelines of the Nomination & Remuneration Committee of the Board.

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第七屆董事會提名與薪酬委員會由四名獨立非執行董事與一名非執行董事組成，由王學政先生擔任主席，其他成員包括非執行董事陳志程先生及獨立非執行董事趙昌文先生、吳曉波先生和馬海濤先生，均由董事會委任。2013年度提名與薪酬委員會舉行了兩次會議，全體委員簽署了會議決議，對年報披露的董事、監事和高管人員薪酬資料進行了審核，以及對於增選董事和監事候選人的提名事項進行了審議。

四. 監控機制

1. 監事會

現任監事的個人簡介資料，載列於本年度報告「董事、監事、高級管理人員情況」。

監事會依法獨立行使公司監督權，保障股東、公司和員工的合法權益不受侵犯。2013年度，監事會共舉行9次會議（包括現場會議5次和書面會議4次），代表股東對公司財務以及董事和高管人員履行職責的合法合規性進行監督，並列席了所有的董事會現場會議和股東大會。有關監事會的工作情況載列於本年度報告的「監事會工作報告」中。

2. 公司內部控制體系

2.1 本公司按照上海證券交易所發佈的《上海證券交易所上市公司內部控制指引》，香港聯合交易所有限公司《證券上市規則》，以及內部控制具體規範的要求，制定了一系列內部控制制度，並在公司生產經營活動中發揮了應有的作用，促進了本公司規範化運行。公司按照中國證監會、財政部於2014年1月發佈《公開發行證券的公司信息披露編報規則第21號——年度內部控制評價報告的一般規定》以及上交所的相關要求，進一步明確了內控缺陷的認定標準，完善了公司內部控制體系。

The Nomination & Remuneration Committee of the 7th Board is comprised of 4 independent non-executive directors and 1 non-executive director including Mr. WANG Xue Zheng, the Chairman, and other members including Non-executive Director Mr. CHEN Zhi Cheng, and Independent Non-executive Directors Mr. ZHAO Chang Wen, Mr. WU Xiao Bo and Mr. MA Hai Tao, all of whom are appointed by the Board. In 2013, the Nomination & Remuneration Committee held 2 meetings, at which all members of the Committee signed the meeting resolutions after reviewing the remuneration information of the directors, supervisors and senior management officers disclosed in the Annual Report, and considering the nomination matters of the candidates for the additional election of the directors and supervisors.

IV. Supervisory Mechanism

1. Board of Supervisors

The profile of current supervisors is set out in the “*Profiles of Directors, Supervisors and Senior Management Officers*” in this Annual Report.

The Board of Supervisors legally exercises the supervision authority to prevent the legal rights and interests of the Company and its employees from being offended. The Board of Supervisors totally held 9 meetings (including 5 site meetings and 4 meetings in writing) in 2013, to supervise on behalf of shareholders over the finance, and legality and compliance of the directors and senior management officers on performing their duties, and sat in all site board meetings and general meetings. The details of the work of the Board of Supervisors are set out in “*Report of the Supervisors*” in this Annual Report.

2. Internal control system of the Company

2.1 According to the *Internal Control Guide to Listing Company by Shanghai Stock Exchange* published by SSE, *Listing Rules*, and the requirements of the specific regulations of internal control, the Company worked out a series of internal control regulations, which played corresponding roles in the Company’s production and operating activities, promoted the Company’s normalized operations. According to the *General Regulations of the Annual Valuation to Internal Control – No. 21 of the Rules of Information Disclosing and Preparing of the Public Listing Companies* published by the Ministry of Finance in January 2014, and the related requirement of SSE, the Company improved the internal control system by further clarifying the affirmation standards of the internal control defects.

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2.2 內部控制運行有效性評估

(1) 公司董事會對內控體系自我評估情況

公司第七屆董事會第十六次會議審議通過公司2013年度內部控制評價報告，按照公司制定的內部控制缺陷認定標準，報告期內公司不存在財務報告內部控制重大缺陷、重要缺陷。亦未發現公司非財務報告內部控制重大缺陷、重要缺陷。

(2) 公司境內註冊會計師對財務報告內控體系評估情況

公司聘請普華永道中天對財務報告內部控制有效性進行了審核評估，認為公司於2013年12月31日按照《企業內部控制基本規範》和相關規定在所有重大方面保持了有效的財務報告內部控制。

公司董事會對公司內部控制的評價報告及普華永道中天出具的財務報告內部控制審計報告全文載於上交所網站、香港聯交所網站和公司網站。

3. 外聘審計師及酬金

本年度報告所收錄之財務報表根據中國企業會計準則編制，並經普華永道中天審計。普華永道中天已為本公司連續提供審計服務12年。2013年度，本公司應向普華永道中天支付其年度財務報告審計工作的酬金為人民幣660萬元，支付其內控審計工作的酬金為人民幣198萬元，公司不承擔其差旅費及其它費用。

2.2 Valuation on the effectiveness of internal control operations

(1) The Board's self-appraisal to the internal control system

The Company's 2013 internal control valuation report was considered and approved at the sixteenth meeting of the 7th Board, and according to the affirmation standards of the internal control defects worked out by the Company, during the Reporting Period, the Company did not have any significant defects or material defects of internal control in the financial reporting, nor in the non-financial reporting.

(2) The appraisal by the Company's domestic public certified accountants to the internal control in financial reporting

The Company appointed PwC Zhong Tian to review and appraise the effectiveness of internal control in the financial reporting. PwC Zhong Tian was of the view that, as at 31 December 2013, the Company had maintained effective internal control in the financial reporting in all material aspects according to the *Basic Standards of Enterprise Internal Control* and related regulations.

The full text of the Board's appraisal report on the Company's internal control and the auditing report on the internal control in financial reporting presented by PwC Zhong Tian are published on the websites of SSE, the Stock Exchange and the Company.

3. External auditor and its remuneration

The financial statements included in the Annual Report are prepared in accordance with CAS, and have been audited by PwC Zhong Tian, who has provided auditing services for 12 years in consecution. For the year 2013, the Company should pay RMB6.6 million to PwC Zhong Tian for its full-year work of auditing the financial reports, and RMB1.98 million for its auditing work of internal control, but all expenses for business travels and others will not borne by the Company.

企業管治報告 Corporate Governance Report

五. 股東及其他利益相關者

1. 股東大會

本公司一直致力於維護全體股東的合法權益，股東大會的召集召開嚴格按照《公司章程》、《股東大會議事規則》的規定。公司股東大會由董事會召集，由董事長主持召開。股東大會由公司執行董事作提案報告，對提案表決的監票和計票由股東代表、監事代表及見證律師、香港執業會計師（點票監察人）共同進行，並由會議主席（董事長）宣佈表決結果，正式形成大會決議。公司聘請的律師對大會作見證並發表法律意見書。

股東大會是公司的最高權力機構，依法行使職權，決定公司重大事項。每年的股東年會為董事會與公司股東提供直接溝通的渠道。因此，本公司高度重視股東大會，於會議召開45日前發出會議通知，在股東年會上，公司董事長及其他與會執行董事就股東關注的事項進行了廣泛深入的溝通及說明。2013年6月25日公司在青島以現場投票的方式召開了2012年度股東年會，會議審議通過了公司2012年度董事會報告、監事會報告、經審計的財務報告、利潤分配預案和續聘財務報告及內部控制審計師等項議案，以及修訂公司章程的特別決議案。並聽取了公司2012年度獨立非執行董事述職報告。以上股東大會決議可查閱本公司在境內信息披露指定報章以及上交所網站和聯交所網站發佈的相關公告。



V. Shareholders and Other Interest-related Parties

1. General meeting

The Company has been devoting to maintain the legal rights and interests of all shareholders. The convening and holding of general meeting are strictly pursuant to the terms in the *Articles of Association and Rules of Order for General Meeting*. The Company's general meeting is convened by the Board and hosted by the Chairperson of the Board. The executive directors make reports over proposals at the general meeting, while the representatives of shareholders, representatives of supervisors, witness lawyers, profession accountant from Hong Kong (scrutineers for the vote-taking) jointly inspect and count the votes to the proposals, have the chairperson of the meeting (Chairperson of the Board) announce the voting results, and work out the formal resolutions of the meeting. The lawyers appointed by the Company witnesses the meeting and present legal comments.

The general meeting is the highest authority of the Company, which legally exercises its powers and determines the significant events for the Company. The annual general meeting is the channel of direct communication between the Board and the shareholders of the Company. Therefore, the Company pays high regards to the general meeting by dispatching the meeting notice 45 days prior to the meeting date, and the chairperson and other attending executive directors make extensive and intensive communications and interpretation over the issues concerned by the shareholders at the annual general meeting. On 25 June 2013, the Company held the 2012 Annual General Meeting in form of site voting in Qingdao to consider and approve the Company's 2012 work report of the Board, 2012 work report of the Board of Supervisors, audited financial statements, preliminary proposal for the profit distribution, and the re-appointment of the auditor of financial statements and internal control, and the special resolution of revising the Company's articles of association. It also listened to the 2012 work report of the independent non-executive directors. For the resolutions approved at the aforesaid general meeting, please refer to the related announcement published by the Company on the nominated domestic newspapers for information disclosure, and the websites of SSE and the Stock Exchange.

企業管治報告 Corporate Governance Report

2. 股東權利

作為保障股東權益及權利的一項措施，本公司就各重大事項在股東大會上均單獨決議，以供股東考慮及投票。所有向股東大會提呈的決議案以投票方式表決。投票表決的結果將於相關股東大會後在聯交所網站、上交所網站及本公司網站公佈。

單獨或合併持有本公司發行在外的有表決權的股份百分之十以上(含百分之十)的股東可根據《公司章程》第八十六條第(一)項以書面形式請求召開臨時股東大會。有關請求必須向股東大會明確說明需要審議的內容，且必須由請求人簽署，並以書面的形式通知本公司董事會。股東應遵循《公司章程》所載有關召開臨時股東大會的規定及程序。

股東有權要求查詢《公司章程》第五十二條第(五)項所載信息，股東可就該等權利致函本公司股權管理總部或電郵至公司「投資者關係」郵箱(secretary@tsingtao.com.cn)發出查詢或提出請求。股東提出查詢有關信息的，應提供相關書面證明文件，經公司核實其股東身份後予以提供。

有關股東提名董事的程序已列載於本公司網站。

3. 投資者關係與溝通

本公司高度重視投資者關係管理工作，並努力通過各種渠道和形式加強與投資者的溝通與交流，對投資者關注的熱點問題給與及時的解答。同時，公司不斷致力於提升公司的透明度，幫助投資者加深對公司業務情況及發展前景的瞭解，並悉心聽取投資者的意見和建議，不斷提升公司治理和經營管理水平。

2. Shareholders' rights

As one of the measures securing the interests and rights of the shareholders, the Company makes a single resolution at the general meeting for each significant issue for the shareholders' consideration and voting. All resolutions submitted to the general meeting are voted with polls. The voting result will be published on the websites of the Stock Exchange, SSE and the Company after the related general meeting.

Shareholders who solely or collectively hold more than 10% (10% inclusive) of shares with voting right publically listed by the Company may requisite in writing the convening of extraordinary general meeting pursuant to Rule 86 (I) in the *Articles of Association*. The related requisition must clearly state to the general meeting the issues needed to be considered with the signature by the person who makes such requisition, and notifies in writing to the general meeting of the Company. The shareholders should follow the rules and procedures for convening extraordinary general meeting as set out in the *Articles of Association*.

The shareholders have the right to inquiry the information as set out in Rule 52(V) of the *Articles of Association*, and can make inquiry or request for such right by sending mail to the Company's Equity Management Department or emailing to the Company's email address of IR (secretary@tsingtao.com.cn). The shareholder who inquires for the information should provide with related written identification documents and will be provided with such information after their identification as shareholder have been verified by the Company.

The procedures for shareholders of the Company to propose a person for election as a director are available on the Company's website.

3. Investor relations and communications

The Company pays high regards to the management of investor relations, strives to strengthen the communications with investors through various channels and forms, and timely responds to hot issues concerned by the investors. At the same time, the Company devotes to improve its transparency to help the investors more clearly understand the situation and prospects of the Company, carefully listens to the comments and proposals made by the investors, to improve the Company's corporate governance and operating management.

企業管治報告 Corporate Governance Report

本公司於2013年召開年度業績推介會1次，組織國際路演和網上路演各一次。同時，本公司在年內參加國內外證券公司組織的投資論壇、投資策略會等大型投資者交流活動12次，並積極安排、接待境內外證券分析員、基金經理及其它投資機構／個人投資者現場調研及電話會議、參觀共計90餘場／次，取得了良好的溝通效果。本公司還配合上海證券交易所成功舉辦「我是股東 — 中小投資者走進青島啤酒」活動，董事長孫明波先生等高管人員與現場調研走訪的中小投資者代表舉行了溝通交流會，與中小投資者近距離進行了面對面的溝通。通過實施上述投資者關係活動，加強了投資者對本公司的認識和瞭解。



In 2013, the Company held 1 results presentation, arranged 1 international road-show and 1 on-line road-show. At the same time, the Company participated in 12 large-scale investors' exchange activities including investment forums and investment strategy conferences organized by domestic and overseas securities companies in the year, and actively arranged and received over 90 site surveys, conference calls and visits for the domestic and overseas securities analysts, fund managers and other institutional investors/individual investors, which were fruitful. The Company also, together with SSE, successfully sponsored the event of "I am an investor – Mid-small investors' Visit to Tsingtao Brewery", in which the senior management officers including Chairman Mr. SUN Ming Bo held an exchange and communication meeting with the visiting representatives of the mid-small investors to have face-to-face communications with these investors. Through the above investor relation activities, the investors have more knowledge and understanding to the Company.

4. Proposed revisions to the articles of association

According to the requirements in the related laws, regulations, and regulatory documents including *Company Law of the People's Republic of China*, *Notice for Further Putting into Practice Matters Relating to Cash Dividends of Listing Company* issued by China Securities Regulatory Commission (No. ZJF[2012]37) and *Notice for Further Revising and Completing System and Policy of Cash Dividends of Listing Companies in Qingdao* issued by Qingdao Securities Regulatory Administration, and combining with the facts including that the Company had changed its business scope. The Company held the eighth meeting of the 7th Board on 15 August 2012 to consider and approve the proposed revisions to the articles of association, and submitted the proposal for the consideration at the Company's 2013 Annual General Meeting. The Chinese and English copies of the newly revised *Articles of Association* have been uploaded to the websites of the Stock Exchange and the Company for the easy reference of the investors.

4. 建議修訂公司章程

根據《中華人民共和國公司法》、中國證券監督管理委員會《關於進一步落實上市公司現金分紅有關事項的通知》(證監發[2012]37號)以及青島證監局《關於進一步修訂和完善青島轄區上市公司現金分紅製度和政策的通知》等相關法律、法規、規範性文件的規定，結合公司經營範圍變更等實際情況，公司於2012年8月15日召開的第七屆董事會第八次會議審議通過公司章程修訂案，並提請公司2012年度股東年會審議通過。新修訂《公司章程》的中英文版本已上載到聯交所網站和公司網站，方便投資者瀏覽。

企業管治報告 Corporate Governance Report

5. 其他利益相關者

本公司認為：企業要保持基業常青、永續經營，應堅持誠信經營，認真履行社會責任，建立與公司利益相關者和諧共贏的長期合作關係。多年來，公司在經營業績穩步增長的同時，堅持依法納稅、誠信經營、回饋社會，積極參與社會公益性活動和環境保護。

良好的企業管治有助於公司的健康發展及提高投資者的信心，而董事會的有效性是良好企業管治的核心。因此，公司董事會將致力於不斷提升決策的效率和水平，促進公司的穩健發展及增加股東價值。

5. Other interest-related parties

The Company is of the view that, it should insist on operations with integrity and fulfillment of its social responsibilities, and establishing a harmonic, win-win and long-term cooperation with interest-related parties of the Company to ensure its long-lasting existence. For years, the Company has been insisting on making full payment of taxes, operating with integrity, rewarding the society and actively participating in the social welfare and environment protection activities while keeping on steady growth of its operational results.

A good corporate governance is helpful to the sound development and in raising the investors' confidence, while the effectiveness of the Board is important to the good corporate governance. Therefore, the Board will be dedicated to the continuous improvement of efficiency and qualification of decision-making, so as to promote the steady development and adding shareholder's value.



管理層討論與分析 Management Discussion and Analysis

一、報告期內主要財務分析(按中國企業會計準則)

Analysis of Principal Finance Performance during the Reporting Period (in accordance with CAS)

(I) 公司主營業務及經營情況分析

Analysis of main operations and operating situations of the Company

1. 利潤表及現金流量表相關科目變動分析表

Analysis of changes of related items in the income statement and cash flow statement

單位：人民幣千元

Unit: RMB'000

| 科目 | Item | 本期數 Current Period | 上年同期數 Prior Period | 變動比例 (%) Variance (%) |
|-------------------|--|--------------------------|--------------------------|-----------------------------|
| 營業收入 | Revenue | 28,290,978 | 25,781,544 | 9.73 |
| 營業成本 | Costs of sales | 17,007,894 | 15,433,870 | 10.20 |
| 銷售費用 | Selling and distribution expenses | 5,610,694 | 4,930,866 | 13.79 |
| 管理費用 | General and administrative expenses | 1,572,544 | 1,269,422 | 23.88 |
| 財務費用 | Financial expenses | (251,391) | (178,141) | (41.12) |
| 經營活動產生的現金 流量淨額 | Net cash flow from operating activities | 3,401,151 | 3,103,597 | 9.59 |
| 投資活動產生的現金 流量淨額 | Net cash flow from investing activities | (1,495,925) | (1,994,814) | 25.01 |
| 籌資活動產生的現金 流量淨額 | Net cash flow from financing activities | (777,715) | (391,845) | (98.48) |
| 研發支出 | R&D expenditures | 20,104 | 12,300 | 63.45 |

2. 驅動業務收入變化的因素分析

Analysis of the factors driving the changes of business revenue

2013年度營業收入同比增加約2,509,434千元，增幅9.73%，主要原因是本年度內公司積極開拓市場，銷量保持較高增長，同比增加80萬千升，增幅10.14%，其中：主品牌青島啤酒實現銷量450萬千升，其中聽裝、小瓶、純生、奧古特等高附加值啤酒實現國內銷量158萬千升，同比增長12.64%。

In 2013, the revenue increased by approximately RMB2,509,434,000 on a y-o-y basis with a

growth rate of 9.73%, which mainly because that, within the year, the Company increased its sales volume by 8 million hl on a y-o-y basis with a growth rate of 10.14% through actively expanding the markets and maintaining the high growth of sales volume, of which, the sales volume of the principal brand, Tsingtao Beer, reached 45 million hl, including 15.8 million hl of the domestic sales volume of the high-value-added products of canned beer, small-bottled beer, draft beer and Augerta, increasing by 12.64% on a y-o-y basis.

管理層討論與分析 Management Discussion and Analysis

3. 成本 Costs

單位：人民幣千元
Unit: RMB'000

分行業情況

Information by industries

| 分行業 By industries | 成本構成項目 Items in the costs | 本期金額 Current Period | 本期佔 總成本比例 (%) Percent of the total costs | 上年 同期金額 Prior Period | 上年同期佔 總成本比例 (%) Percent of the total costs | 本期金額較 上年同期 變動比例 (%) Variance (%) |
|--|------------------------------|---------------------------|--|-------------------------------|--|--|
| | 直接材料 Direct materials | 11,110,558 | 65.33 | 11,951,634 | 77.44 | (7.04) |
| | 直接人工 Direct labor | 687,403 | 4.04 | 656,849 | 4.26 | 4.65 |
| 啤酒銷售 Sales of beer | 製造費用 Overhead | 2,439,124 | 14.34 | 2,491,497 | 16.14 | (2.10) |
| | 外購成本 Outsourcing costs | 2,385,912 | 14.03 | — | — | — |
| | 小計 Sub-total | 16,622,997 | 97.74 | 15,099,980 | 97.84 | 10.09 |
| 其他非主營 銷售業務 Other non-principle sales business | 小計 Sub-total | 384,897 | 2.26 | 333,890 | 2.16 | 15.28 |
| 合計 Total | | 17,007,894 | 100.00 | 15,433,870 | 100.00 | 10.20 |

備註：啤酒銷售成本構成項目金額參照本年度生產成本構成比例計算。

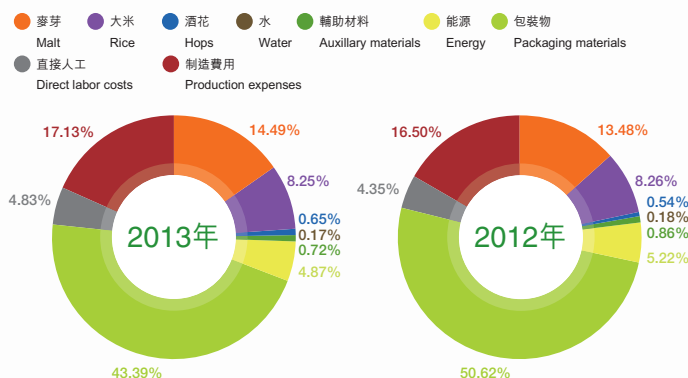
Note: The amount of the items composing the costs of selling beer is calculated with reference to percentages in the composition of the production costs in the year.

2013年度公司營業成本同比增加約1,574,024千元，增幅10.20%，主要原因是本年度銷量增加，以及人工成本上升等原因使得營業成本增加所致。

In 2013, the Company's costs of sales increased by RMB1,574,024,000 with a growth rate of 10.20%, which was mainly due to the increase in sales volume and cost of labor for the current year.

管理層討論與分析 Management Discussion and Analysis

制造成本構成 Composition of production costs



4. 費用 Expenses

(1) 銷售費用 Selling and distribution expenses

2013年銷售費用較上年度增加13.79%，主要原因是本年度市場規模擴大銷量增加，使得職工薪酬、市場投入費用及物流費用增加所致。

In 2013, selling and distribution expenses increased by 13.79% from the previous year, mainly due to the increase of sales and expansion of market, which lead to higher growth in the expenses including promotion expenses, employee benefit expenses and transportation expenses.

5. 其他利潤構成的詳細說明 Detailed explanation of other compositions of profits

(2) 管理費用 General and administrative expenses

2013年管理費用較上年度增加23.88%，主要原因是本年度職工薪酬增加及運行支出增加所致。

In 2013, general and administrative expenses increased by 23.88% from the previous year, mainly due to the increase in operational expenses and employee benefit expenses.

(3) 財務費用 Financial expenses

2013年財務費用較上年度減少41.12%，主要原因是本年度利息收入增加所致。

In 2013, net financial expenses decreased by 41.12% from the previous year, mainly due to the increase in interest income.

單位：人民幣千元
Unit: RMB'000

| 項目名稱 | Item | 本期數 Current Period | 上年同期數 Prior Period | 變動比例 (%) Variance (%) |
|--------|-------------------------|--------------------------|--------------------------|-----------------------------|
| 資產減值損失 | Asset impairment losses | 1,745 | 1,005 | 73.70 |
| 投資收益 | Investment income | 229,225 | 14,962 | 1,432.05 |
| 營業外收入 | Non-operating income | 563,993 | 394,831 | 42.84 |
| 營業外支出 | Non-operating expense | 248,401 | 49,078 | 406.14 |
| 少數股東損益 | Minority interests | 1,552 | 85,899 | (98.19) |

管理層討論與分析 Management Discussion and Analysis

(1) 資產減值損失 Asset impairment losses

2013年資產減值損失較上年度增加73.70%，主要原因是本年度子公司計提固定資產減值損失增加所致。

In 2013, asset impairment losses increased by 73.70% from the previous year, mainly due to the increase of impairment losses on fixed assets in certain subsidiaries.

(2) 投資收益 Investment income

2013年投資收益較上年度增加1,432.05%，主要原因是本年度因與三得利合資項目本公司之原全資子公司青島啤酒上海松江有限公司(已更名為「三得利青島啤酒(上海)有限公司」)變更為本公司的聯營企業，其公允價值大於賬面價值產生的收益。

In 2013, investment income increased by 1,432.05% from the previous year, mainly because of the gain from disposal of Tsingtao Brewery Shanghai Songjiang Company (renamed Suntory Tsingtao Brewery (Shanghai) Co., Ltd.) in the transaction with Suntory Company, which is based on the difference between fair value and book value of this subsidiary.

(3) 營業外收入 Non-operating income

2013年營業外收入較上年度增加42.84%，主要原因是本年度因與三得利合資項目產生負商譽所致。

In 2013, non-operating income increased by 42.84% from the previous year, mainly due to the negative goodwill incurred from the transaction with Suntory Company.

(4) 營業外支出 Non-operating expense

2013年營業外支出較上年度增加406.14%，主要原因是本年度子公司承擔員工安置費用及部分子公司非流動資產處置損失增加所致。

In 2013, non-operating expense increased by 406.14% from the previous year, mainly due to the increase in staff settlement expenses and the losses on disposal of non-current assets of certain subsidiaries in the current year.

(5) 少數股東損益 Minority interests

2013年少數股東損益較上年度減少98.19%，主要原因是本年度擁有少數股東的單位淨利潤減少所致。

In 2013, minority interests decreased by 98.19% from the previous year, mainly due to the decrease in net profit of certain subsidiaries which have minority shareholders.

管理層討論與分析 Management Discussion and Analysis

6. 研發支出 R&D expenses

單位：人民幣千元
Unit: RMB'000

| | | |
|-------------------|---|--------|
| 本期費用化研發支出 | R&D expenses in expenses | 20,104 |
| 本期資本化研發支出 | R&D expenses in capital | — |
| 研發支出合計 | Total R&D expenses | 20,104 |
| 研發支出總額佔淨資產比例 (%) | Percent of R&D expenses in the net assets (%) | 0.14 |
| 研發支出總額佔營業收入比例 (%) | Percent of R&D expenses in the revenues (%) | 0.07 |

7. 現金流 Cash flow

- (1) 經營活動產生的現金流量淨額同比增加 9.59%，主要原因是報告期內銷售商品收到現金同比增加所致。

The net cash flow from operating activities increased by 9.59% from the previous year, which was mainly due to the increase in cash received from selling products during the Reporting Period.

- (2) 投資活動產生的現金流量淨額同比增加 25.01%，主要原因是報告期內購建固定資產、無形資產和其他長期資產所支付的現金同比減少所致。

The net cash flow from investing activities increased by 25.01% from the previous year, which was mainly due to the decrease in cash paid for acquiring and constructing fixed assets, intangible assets and other long-term assets during the Reporting Period.

- (3) 籌資活動產生的現金流量淨額同比減少 98.48%，主要原因是報告期內償還借款及分配股利所支付的現金同比增加所致。

The net cash flow from financing activities decreased by 98.48% from the previous year, which was mainly due to the increase in cash paid for the repayment of borrowings and the dividends distribution during the Reporting Period.



管理層討論與分析 Management Discussion and Analysis

(II) 資產、負債情況分析

Analysis of assets and liabilities

1. 資產負債情況分析表

Analysis of assets and liabilities

單位：人民幣千元

Unit: RMB'000

| 項目名稱 | Items | 本期期末數 | | 上期期末數 | | 本期期末金額較 上期期末變動 比例 (%) |
|-------------|--|-------------------|------------------------------------|-----------------|------------------------------------|-----------------------------|
| | | 估總資產的 比例 (%) | 本期期末數 | 估總資產的 比例 (%) | 上期期末數 | |
| | | Current Period | Percent of the total assets (%) | Prior period | Percent of the total assets (%) | Variance (%) |
| 貨幣資金 | Cash at bank and on hand | 8,531,720 | 31.18 | 7,118,248 | 30.08 | 19.86 |
| 應收票據 | Notes receivable | 84,760 | 0.31 | 61,800 | 0.26 | 37.15 |
| 應收賬款 | Accounts receivable | 152,293 | 0.56 | 82,685 | 0.35 | 84.18 |
| 預付款項 | Advances to suppliers | 132,346 | 0.48 | 83,739 | 0.35 | 58.05 |
| 應收利息 | Interest receivable | 188,461 | 0.69 | 63,996 | 0.27 | 194.49 |
| 其他應收款 | Other receivables | 183,395 | 0.67 | 87,292 | 0.37 | 110.09 |
| 其他流動資產 | Other current assets | 466,863 | 1.71 | 284,314 | 1.20 | 64.21 |
| 長期股權投資 | Long-term equity investments | 1,271,947 | 4.65 | 163,877 | 0.69 | 676.16 |
| 固定資產清理 | Fixed assets pending for disposal | 5,369 | 0.02 | 9,917 | 0.04 | (45.86) |
| 長期待攤費用 | Long-term prepaid expenses | 21,525 | 0.08 | 6,425 | 0.03 | 235.00 |
| 遞延所得稅資產 | Deferred tax assets | 700,162 | 2.56 | 485,349 | 2.05 | 44.26 |
| 短期借款 | Short-term borrowings | 101,080 | 0.37 | 147,618 | 0.62 | (31.53) |
| 應付票據 | Notes payable | 138,383 | 0.51 | 81,883 | 0.35 | 69.00 |
| 應付賬款 | Accounts payable | 2,707,071 | 9.89 | 1,993,402 | 8.42 | 35.80 |
| 預收款項 | Advances from customers | 980,498 | 3.58 | 656,414 | 2.77 | 49.37 |
| 其他應付款 | Other payables | 4,231,981 | 15.47 | 3,213,582 | 13.58 | 31.69 |
| 一年內到期的非流動負債 | Current portion of non-current liabilities | 1,797,167 | 6.57 | 2,786 | 0.01 | 64,400.57 |
| 長期借款 | Long-term borrowings | 4,881 | 0.02 | 452,486 | 1.91 | (98.92) |
| 應付債券 | Debentures payable | — | — | 1,409,316 | 5.96 | (100.00) |
| 專項應付款 | Payables for specific projects | 450,936 | 1.65 | 120,064 | 0.51 | 275.58 |
| 少數股東權益 | Minority interests | (147,088) | (0.54) | 315,478 | 1.33 | (146.62) |

管理層討論與分析 Management Discussion and Analysis

(1) 貨幣資金

Cash at bank and on hand

貨幣資金報告期期末比期初增加 19.86%，主要原因是本年度經營活動產生的現金淨流量增加所致。

Cash at bank and on hand at the year-end increased by 19.86%, mainly due to the increase in cash flows from operating activities.

(2) 應收票據

Notes receivable

應收票據報告期期末比期初增加 37.15%，主要原因是本年度採用銀行承兌匯票結算貨款方式比重增加所致。

Notes receivable at the year-end increased by 37.15%, mainly due to the increase on the settlement by bank acceptance notes.

(3) 應收賬款

Accounts receivable

應收賬款報告期期末比期初增加 84.18%，主要原因是本年度銷量增加使得部分子公司應收賬款餘額增加及與三得利合資項目新並購單位帶入所致。

Accounts receivable at the year-end increased by 84.18%, mainly due to the followings: the increase in accounts receivable of certain subsidiaries incurred from the increased sales volume, the opening balance brought from the newly consolidated entities in the transaction with Suntory Company this year.

(4) 預付款項

Advances to suppliers

預付款項報告期期末比期初增加 58.05%，主要原因是本年度採取預付貨款方式採購原材料增加所致。

Advances to suppliers at the year-end increased by 58.05%, mainly due to the increase in advances to suppliers for purchase of raw materials during the current year.

(5) 應收利息

Interest receivable

應收利息報告期期末比期初增加 194.49%，主要原因是本年度本公司之子公司財務公司產生應收銀行存款利息增加所致。

Interest receivable at the year-end increased by 194.49%, mainly due to the increase in accrued interest of Finance Company's bank deposits with interbank.

(6) 其他應收款

Other receivables

其他應收款報告期期末比期初增加 110.09%，主要原因是本年度應收工程設備款、代墊回收瓶款、押金及保證金增加所致。

Other receivables at the year-end increased by 110.09%, mainly due to the increase in receivables on equipment sales, receivables on recycled bottles and deposits.

(7) 其他流動資產

Other current assets

其他流動資產報告期期末比期初增加 64.21%，主要原因是本年度預繳增值稅及企業所得稅增加所致。

Other current assets at the year-end increased by 64.21%, mainly due to the increase in VAT and enterprise income tax prepaid.

(8) 長期股權投資

Long-term equity investments

長期股權投資報告期期末比期初增加 676.16%，主要原因是本年度因與三得利合資項目，本公司原子公司青島啤酒上海松江有限公司及其子公司變更為本公司持股 50% 的聯營企業，對其確認的長期股權投資增加所致。

Long-term equity investments at the year-end increased by 676.16%, mainly because Tsingtao Brewery Shanghai Songjiang Co., Ltd. and its subsidiaries, which were changed from subsidiaries to associates which 50% equity interests held by the Company due to the transaction with Suntory Company in the current year.

管理層討論與分析 Management Discussion and Analysis

(9) 固定資產清理

Fixed assets pending for disposal

固定資產清理報告期末比期初減少45.86%，主要原因是本年度部分子公司進入處置程序的固定資產清理完畢所致。

Fixed assets pending for disposal at the year-end decreased by 45.86%, mainly because that some fixed assets were disposed in the current year.

(10) 長期待攤費用

Long-term prepaid expenses

長期待攤費用期末比期初增加235.00%，主要原因是本年度部分子公司攤銷期在一年以上的費用增加所致。

Long-term prepaid expenses at the year-end increased by 235.00%, mainly due to the increase of prepaid expenses with beneficial period more than one year in certain subsidiaries.

(11) 遞延所得稅資產

Deferred tax assets

遞延所得稅資產報告期末比期初增加44.26%，主要原因是待付費用及職工薪酬增加使得遞延所得稅增加所致。

Deferred tax assets at the year-end increased by 44.26%, mainly due to increase in temporary difference arising from accrued promotion expenses payable and employee benefits payable.

(12) 應付票據

Notes payable

應付票據報告期末比期初增加69.00%，主要原因是本年度以承兌匯票結算材料採購款比重增加所致。

Notes payable at the year-end increased by 69.00%, mainly due to the increase on the settlement by bank acceptance notes.

(13) 應付賬款

Accounts payable

應付賬款報告期末比期初增加35.80%，主要原因是本年度因三得利合資項目導致外部採購增加以及公司發揮信譽優勢，延長付款賬期所致。

Accounts payable at the year-end increased by 35.80%, mainly due to the increase in external purchase as a result of the transaction with Suntory Company and extended the credit period taking advantage of credibility.

(14) 預收款項

Advances from customers

預收款項報告期末比期初增加49.37%，主要原因是部分子公司預收酒款增加所致。

Advances from customers at the year-end increased by 49.37%, mainly due to the increase in advances from customers for beer purchase.

(15) 其他應付款

Other payables

其他應付款報告期末比期初增加31.69%，主要原因是本年度銷量增加使得待付費用、押金及保證金增加所致。

Other payables at the year-end increased by 31.69%, mainly due to the increase in accrued promotion expenses and deposits as results of increased sales.

(16) 一年內到期的非流動負債

Current portion of non-current liabilities Debentures

一年內到期的非流動負債報告期末比期初增加64,400.57%，主要原因是本公司應付債券及子公司長期借款將於一年內到期轉至一年內到期的非流動負債所致。

Current portion of non-current liabilities at the year-end increased by 64,400.57%, mainly due to the debentures payable and the long-term borrowing will be matured within one year and has been reclassified into current portion of non-current liabilities.

管理層討論與分析 Management Discussion and Analysis

(17) 應付債券

Debentures payable

應付債券報告期期末比期初減少100.00%，主要原因是本公司應付債券將於一年內到期轉至一年內到期的非流動負債所致。

Debentures payable at the year-end decreased by 100%, mainly due to the debentures payable will be matured within one year and has been reclassified as current liabilities.

(18) 專項應付款

Payables for specific projects

專項應付款報告期期末比期初增加275.58%，主要原因是本年度部分子公司收到政府搬遷補償增加所致。

Payables for specific projects at the year-end increased by 275.58%, mainly because that certain subsidiaries received government grants due to relocation in the current year.

(19) 少數股東權益

Minority interests

少數股東權益報告期期末比期初減少146.62%，主要原因是本年度由於與三得利合資項目設立青島啤酒三得利(上海)銷售有限公司，與少數股東共同分享該子公司權益所致。

Minority interests at the year-end decreased by 146.62%, mainly due to sharing the interest of Sales Company which was established by the Company and Suntory Company during the current year.

(20) 銀行借款

Bank borrowings

短期借款報告期期末比期初減少31.53%，主要原因是本年度部分子公司歸還借款所致；

Short-term borrowings at the year-end decreased by 31.53%, mainly due to the repayment of the short-term borrowings in certain subsidiaries;

一年內到期的長期借款報告期期末比期初增加17,162.21%，主要原因是子公司長期借款將於一年內到期轉至一年內到期的長期借款所致；

Current portion of long-term borrowings at the year-end increased by 17,162.21%, mainly due to that some subsidiaries' long-term borrowings which would be due within 1 year were reclassified to the current portion of non-current liabilities.

長期借款報告期期末比期初減少98.92%，主要原因是子公司長期借款將於一年內到期轉至一年內到期的非流動負債所致。

Long-term borrowings at the year-end decreased by 98.92%, mainly due to the long-term borrowings will be matured within one year and has been reclassified to current portion of non-current liabilities.

截至2013年年末本集團銀行借款共為414,313千元人民幣，其中短期借款101,080千元人民幣，長期借款313,233千元人民幣。長期借款中：1年以內到期部分308,352千元人民幣，1至5年3,759千元人民幣，超過5年1,122千元人民幣。

As at the end of 2013, the total amount of bank borrowing of the Group was RMB414,313,000, including RMB101,080,000 of short-term borrowings and RMB313,233,000 of long-term borrowings. Among the long-term borrowings, those due within 1 year were amounted to RMB308,352,000, those due in 1-5 years were amounted to RMB3,759,000, and those due over 5 years were amounted to RMB1,122,000.

截至2013年年末本集團銀行借款按借款幣種分為人民幣借款89,287千元人民幣，港幣借款318,411千元人民幣，歐元借款3,257千元人民幣，丹麥克朗借款3,358千元人民幣。

As at the end of 2013, the Group's borrowings in RMB were amounted to RMB89,287,000, borrowings in Hong Kong dollars were amounted to RMB318,411,000, borrowings in Euro were amounted to RMB3,257,000, and borrowings in Danish krone were amounted to RMB3,358,000.

本集團的借款均受市場利率變動的影響，人民幣與港幣的借款於結算日的有效年利率分別為4.51%、2.94%。

All borrowings of the Group are affected by the interest rate fluctuation, and the effective annual interest rate for the borrowings in Renminbi and Hong Kong dollars as at the settling date was 4.51% and 2.94% respectively.

管理層討論與分析 Management Discussion and Analysis

(III) 其他經營情況說明

Interpretation of other operating situations

(1) 債務資本率

Debt/Capital Ratio

本集團2013年12月31日的債務資本率為0.03% (2012年12月31日：12.99%)。債務資本率的計算方法為：長期借款總額/(長期借款總額+歸屬於上市公司股東的股東權益)。

On 31 December 2013, the Group's debt/capital ratio was 0.03% (12.99% on 31 December 2012), the calculation of debt/capital is: total amount of long-term borrowings/(total amount of long-term borrowings + shareholders' interests attributable to the shareholders of listing company).

(2) 資產抵押

Assets mortgage

於2013年12月31日，本集團無資產抵押。(2012年12月31日：無)

As at 31 December 2013, the Group did not have any mortgages. (nil as at 31 December 2012)

(3) 匯率波動風險

Risk of flexible exchange rate

由於本集團目前用於主品牌生產的原材料大麥主要依賴進口，因此匯率的變動將會間接影響本集團的原材料價格，從而對本集團的盈利能力產生一定影響。

As the Group currently relies on the imported barley among the raw materials in its production of principal brand, so the change 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) 資本性開支

Capital expenditure

2013年本公司資本性新建、搬遷及改擴建項目共投入約20.36億元，使得公司的產能規模持續擴大，產能佈局得到優化。依據公司目前的資金狀況及盈利能力，有充足的自有資金及持續的經營現金淨流入滿足公司資本項目的資金需求。

In 2013, the Company totally invested in approximately RMB2.036 billion for the capital projects of new constructions, relocation, reconstruction and expansion, which helped to further increase the Company's output capacity and improve the capacity layout. Based on the Company's present fund situation and profitability, there are sufficient self-owned funds and continuous net operating cash in-flow to satisfy the Company's needs in funds for its capital projects.

(5) 投資

Investments

詳情載於隨附財務報表附註。

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

(6) 或有負債

Contingent liabilities

詳情載於隨附財務報表附註。

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

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers

公司第七屆董事會成員簡介 Directors of 7th Board



孫明波先生，現年57歲，復旦大學—華盛頓大學EMBA，同濟大學管理科學與工程博士，工程系列應用研究員。現任本公司董事長，青島啤酒集團有限公司董事長、首席執行官。曾任青島啤酒一廠副廠長、總工程師，本公司總經理助理兼副總工程師、常務副總裁、營銷總裁、總裁，具有豐富的戰略管理、營銷管理、生產技術管理及並購重組經驗，青島市專業技術拔尖人才，國務院特殊津貼專家，為第十二屆全國人大代表。

Mr. SUN Ming Bo, aged 57, EMBA at Fudan University – Washington University, Doctor of Management Science and Engineering at Tongji University, and applied researcher of engineering series. Mr. SUN is currently Chairman of the Company, Chairman and CEO of Tsingtao Group. He ever served as Deputy Factory Manager and Chief Engineer of Tsingtao Brewery No. 1 Factory, Assistant to General Manager & Vice Chief Engineer, Executive Vice President, President of Marketing and President of the Company with substantial experience in management of strategy, marketing, production technology, mergers and acquisitions, and reorganisation. He is the Top Talent in Professional Technologies in Qingdao and the expert with special allowance from the State Council. Mr. SUN is the representative of the 12th National People's Congress.



王帆先生，現年60歲，西安交通大學工學碩士。現任本公司副董事長，青島啤酒集團有限公司副董事長。曾任青島市產品質量監督檢驗所所長，青島市經濟委員會副主任，青島市勞動和社會保障局局長，具有豐富的經濟工作和企業管理經驗，為山東省政協第九屆、第十屆委員。

Mr. WANG Fan, aged 60, Master of Engineering at Xi'an Jiaotong University. He is currently Vice Chairman of the Company and Tsingtao Group, and ever served as Superintendent of Qingdao Product Quality Supervision & Test Institute, Vice Director of Qingdao Economic Commission, Director of Qingdao Labor and Social Security Bureau with substantial experience in economic work and enterprise administration. Mr. WANG is the member of the 9th and 10th Shandong Committee of Chinese People's Political Consultative Conference.



黃克興先生，現年51歲，北京大學光華管理學院EMBA畢業，高級工程師。現任本公司執行董事、總裁、青島啤酒集團有限公司董事。曾任青島啤酒工程有限公司總經理、本公司總裁助理兼戰略投資管理總部部長、本公司副總裁、青島啤酒集團有限公司副總裁。具有豐富的啤酒行業戰略規劃、投資管理及經營管理經驗，為山東省政協第十一屆委員。

Mr. HUANG Ke Xing, aged 51, EMBA at Guanghai School of Management of Peking University, Senior Engineer. He is currently Executive Director and President of the Company, Director of Tsingtao Group, and ever served as General Manager of Tsingtao Brewery Engineering Company Limited, Assistant to President & Head of Strategic Investment Management Department, Vice President of the Company, and Vice President of Tsingtao Group with substantial experience in strategic planning, investment management and operating management of beer industry. Mr. HUANG is the member of the 11th Shandong Committee of Chinese People's Political Consultative Conference.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers



姜宏女士，現年57歲，南開大學EMBA畢業，高級經濟師。現任本公司執行董事、副總裁。曾任青島啤酒二廠廠長，本公司生產部部長、企業管理部部長、總裁助理兼人力資源管理總部部長，具有豐富的生產管理和人力資源管理經驗，國務院特殊津貼專家，2006年中國傑出人力資源管理者，2007年中國經濟女性成就獎，2010年中國最關注員工發展企業家。

Ms. JIANG Hong, aged 57, EMBA at Nankai University, Senior Economist. She is currently Executive Directors and Vice President of the Company, and ever served as Factory Manager of Tsingtao Brewery No. 2 Factory, Head of Production Dept., Head of Corporate Management Dept., and Assistant to President & Head of Human Resources Dept. of the Company with rich experience in production and HR administration. Ms. JIANG is the expert with special allowance from the State Council, and was awarded “2006 China Outstanding HR Manager”, “2007 Achievement Award of China Economic Female” and “2010 Chinese Entrepreneur Caring Staff Development”.



孫玉國先生，現年59歲，中國註冊會計師協會和中國註冊評估師協會非執業會員。現任本公司執行董事。曾任青島市財政局副處長，青島市國有資產管理局處長，公司副總裁。具有豐富的財務管理和資本運作經驗，2004年中國CFO年度人物，2008年全國會計先進工作者。

Mr. SUN Yu Guo, aged 59, the non-profession member of The Chinese Institute of Certified Public Accountant and The Chinese Institute of Certified Public Valuator. He is currently Executive Director of the Company, and ever served as Deputy Department Head in Finance Bureau of Qingdao, Department Head in SASACQ and Vice President in the Company with rich experience in financial management and capital operations. Mr. SUN was awarded China Annual Figure as CFO in 2004, and National Pioneer in Accounting in 2008.



杉浦康譽先生，現年57歲，畢業於日本慶應義塾大學文學系，現任本公司非執行董事、朝日集團控股株式會社中國總代表兼朝日啤酒(中國)投資有限公司董事長、北京啤酒朝日有限公司總經理。曾任日本朝日啤酒株式會社商品企劃科科長、國際事業部部長、中國代表部副代表兼朝日啤酒(中國)投資有限公司副董事長兼總經理。

Mr. Yasutaka SUGIURA, aged 57, graduated from Department of Literature at Keio University, Japan. He is currently Non-executive Director of the Company, Chief Representative of China Office of Asahi Group Holdings Ltd. & Chairman of Asahi Beer (China) Investment Co., Ltd., and General Manager of Beijing Beer Asahi Co., Ltd. He ever served as Head of Commodities Planning Section, Head of International Business Department of Asahi Breweries, Ltd., Vice Representative of China Office of Asahi Breweries, Ltd. & Vice Chairman & General Manager of Asahi Beer (China) Investment Co., Ltd..



陳志程先生，現年42歲，現任本公司非執行董事、新華都實業集團股份有限公司副總裁。曾任廈門市華都百貨有限公司經理，福建新華都百貨有限責任公司總經理，福建新華都購物廣場股份有限公司法定代表人及董事長，廈門新華都購物廣場有限公司董事長。

Mr. CHEN Zhi Cheng, aged 42. He is currently Non-executive Director of the Company, Vice President of New Huadu Industrial Group Co., Ltd., and ever served as Manager of Xiamen Huadu Department Store Co., Ltd., General Manager of Fujian New Huadu Department Store L.L.C., Legal Representative and Chairman of Fujian New Huadu Shopping Mall Co., Ltd., and Chairman of Xiamen New Huadu Shopping Mall Co., Ltd..

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers



王學政先生，現年64歲，北京大學法學博士畢業。現任本公司獨立非執行董事，中國人民大學、首都經濟貿易大學等大學兼職教授，中國國際經濟貿易仲裁委員會仲裁員、福建省政府法律顧問。曾任國家工商行政管理局條法司司長、法制司司長，國家工商行政管理總局法規司司長。

Mr. WANG Xue Zheng, aged 64, Doctor of Law Science at Peking University. He is currently Independent Non-executive Director of the Company, part-time Professor of the universities including Renmin University of China and Capital University of Economics and Business, Arbitrator of China International Economic and Trade Arbitration Commission, and Legal Consultant of Fujian Provincial Government. He ever served as Director of Regulations and Laws Department, Laws Affairs Department of the State Administration for Industry and Commerce, and Director of Laws and Regulations Department of the State General Administration for Industry and Commerce.



趙昌文先生，現年49歲，經濟學博士。現任本公司獨立非執行董事，國務院發展研究中心企業所所長。曾任四川大學工商管理學院教授，公司金融博士研究生導師，四川大學金融研究所所長，四川大學副校長。

Mr. ZHAO Chang Wen, aged 49, Doctor of Economic Science. He is currently Independent Non-executive Director of the Company, Director of Enterprise Institute, Development Research Center of the State Council, and ever served as Professor of Industrial and Commercial Administration School, Tutor of Doctoral Candidate of Corporate Finance, Superintendent of Finance Research Centre and Vice President of Sichuan University.



吳曉波先生，現年45歲，畢業於復旦大學新聞系，財經作家。現任本公司獨立非執行董事，「藍獅子」財經圖書出版人，上海交通大學、暨南大學EMBA課程教授。2009年被《南方人物週刊》評為年度「中國青年領袖」。

Mr. WU Xiao Bo, aged 45, graduated from Major of News Science at Fudan University, writer of economy and finance. He is currently Independent Non-executive Director of the Company, the Publisher of financial and economic books of “Blue Lion” series, and Professor of EMBA course at Shanghai Jiaotong University and Jinan University. He was awarded in 2009 as the year’s “Chinese Youngster Pioneer” by *South China People’s Weekly*.



馬海濤先生，現年47歲，經濟學博士。現任本公司獨立非執行董事，中央財經大學財政學院院長，教授，博士生導師，兼任新潮實業股份有限公司、北京旋極信息技術股份有限公司獨立董事。

Mr. MA Hai Tao, aged 47, Doctor of Economic Science. He is currently Independent Non-executive Director of the Company, President Professor and Tutor of Doctoral Candidates of Finance School at Central University of Finance, and Independent Director of Yantai Xinchao Industry Co., Ltd. and Beijing Watertek Information Technology Co., Ltd..

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers

公司第七屆監事會成員簡介 Supervisors of the 7th Board of Supervisors



段家駿先生，現年54歲，中歐國際工商學院工商管理碩士，現任本公司監事會主席、青島市市直企業監事會主席，同時任青島啤酒集團有限公司、雙星集團有限責任公司、青島市紡織總公司及青島飲料集團有限公司監事會主席。曾任青島市台東稅務分局副局長、青島市地稅局辦公室主任、行政處處長、青島市地稅局市北分局局長、黃島分局局長、青島市地稅局副局長等職，

Mr. DUAN Jia Jun, aged 54, MBA at China Europe International Business School. He is currently Chairman of Board of Supervisors of the Company, Chairman of Board of Supervisors in Enterprises Directly under Qingdao Government, and Chairman of Board of Supervisors of Tsingtao Group, Qingdao Double Star Group Co., Ltd., Qingdao Textile Co., Ltd. and Qingdao Beverage Group Co., Ltd. He ever served as Deputy Chief of Taidong Branch of Qingdao Taxation Bureau, Office Director and Head of Administration Department of Qingdao Local Taxation Bureau, Chief of Shibe Branch and Huangdao Branch of Qingdao Local Taxation Bureau, and Deputy Chief of Qingdao Local Taxation Bureau.



古田土俊男先生，現年59歲，畢業於日本東北大學經濟學系，現任本公司監事、朝日集團控股株式會社取締役兼執行取締役。曾任朝日飲料株式會社市場營銷部部長，朝日啤酒株式會社公關部部長、股權部部長，日本四國區域銷售本部長。具有豐富的企業管理經驗。

Mr. Toshio KODATO, aged 59, graduated from the Department of Economic Science at Tohoku University, Japan. He is currently Supervisor of the Company, Director & Chief of Asahi Group, and ever served as Section Head of Sales Department of Asahi Beverage Co., Ltd., Head of Public Relationship Department, Head of Equity Department and Chief of Sales Center of Shikoku Area, Japan of Asahi Breweries, Ltd. with substantial experience of business management.



楊偉程先生，現年67歲，大專學歷，一級律師。現任本公司監事，山東琴島律師事務所主任，聯化科技股份有限公司、山東登海種業股份有限公司、山東華泰紙業股份有限公司、青島金王應用化學股份有限公司獨立董事。曾任青島市司法局辦公室副主任、副局長。獲國務院「政府特殊津貼」，司法部「全國十佳律師」。

Mr. YANG Wei Cheng, aged 67, 2-year undergraduate, first-class lawyer. He is currently Supervisor of the Company, Director of Shandong Qindao Law Firm, Independent Director of Lianhe Chemical Technology Co., Ltd., Shandong Denghai Seeds Co., Ltd., Shandong Huatai Paper Industry Co., Ltd., and Qingdao Kingking Applied Chemistry Co., Ltd. He ever served as Deputy Director of the Administrative Office, and Deputy Commissioner of Qingdao Justice Bureau. He is the expert with special allowance from the State Council, and was awarded “National Top 10 Best Lawyers” by the Ministry of Justice.



李燕女士，現年56歲，畢業於中央財政金融學院。現任本公司監事，中央財經大學財政學院副院長、教授，中國註冊會計師協會非執業會員，中國財政學會理事，中國法學會財稅法學研究會理事，兼任北京華力創通科技股份有限公司獨立董事。

Ms. LI Yan, aged 56, graduated from Central University of Finance and Economics. She is currently Supervisor of the Company, Vice President and Professor in the Finance School at Central University of Finance and Economics, Non-profession Member of The Chinese Institute of Certified Public Accountants Commission, Member of China Finance Commission, member of China Finance and Taxation Law Society, and Independent Director of Beijing Hwa Create Co., Ltd..

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers



薛超山先生，現年55歲，廈門大學EMBA課程班畢業。現任本公司職工監事，製造總裁助理兼青島啤酒廠廠長。曾任青島啤酒銷售分公司副總經理，青島啤酒(三水)有限公司、青島啤酒(福州)有限公司、青島啤酒(漳州)有限公司總經理，青島啤酒東南營銷有限公司總經理、董事長，青島啤酒二廠廠長。具有豐富的市場營銷和企業管理經驗。

Mr. XUE Chao Shan, aged 55, graduated from EMBA class at Xiamen University. He is currently Supervisor as Employees' Representative of the Company, Assistant to President of Manufacturing of the Company & Factory Manager of Tsingtao Brewery Factory, and ever served as Deputy Manager of Tsingtao Brewery Sales Company, General Manager of Tsingtao Brewery (Sanshui) Company Limited, Tsingtao Brewery (Fuzhou) Company Limited and Tsingtao Brewery (Zhangzhou) Company Limited, General Manager and Chairman of Tsingtao Brewery South-East Sales Company Limited, and Factory Manager of Tsingtao Brewery No. 2 Factory with rich experience in marketing and corporate management.



孫麗紅女士，現年38歲，青島大學經濟法系國際經濟法專業畢業，本科學歷。現任本公司職工監事、法律事務總部部長。曾任本公司董事會秘書室副主任、法律事務部副部長。具有豐富的法律工作經驗。

Ms. SUN Li Hong, aged 38, undergraduate of Major of International Economic Law, Department of Economic Law at Qingdao University. She is currently the Company's Supervisor as Employees' Representative, Head of Law Affairs Department, and ever served as Deputy Head of Secretarial Office of Board of Directors, and Deputy Head of Law Affairs Department of the Company with sufficient experience in law affairs.



邢軍先生，現年40歲，上海財經大學會計學本科學歷，會計師。現任本公司職工監事、財務管理總部副部長。曾任本公司財務總部會計核算處處長。具有豐富的財務管理經驗。

Mr. XING Jun, aged 40, undergraduate of Major of Accounting Science at Shanghai University of Finance and Economics. He is currently the Company's Supervisor as Employees' Representative, Deputy Head of Finance Department, and ever served as the Company's Section Head of Accounting & Auditing with rich experience in financial management.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers

公司高級管理人員簡介 Senior Management Officers



樊偉先生，現年54歲，江南大學碩士研究生畢業，工程系列應用研究員。現任本公司副總裁兼製造總裁。曾任青島啤酒二廠副廠長、總工程師，本公司總釀酒師。具有豐富的生產、科研及技術管理經驗，青島市專業技術拔尖人才，國務院特殊津貼專家。

Mr. FAN Wei, aged 54, graduate at Southern Yangtze University, Applied Researcher of engineering series. He is currently Vice President of the Company & President of Manufacturing, and ever served as Deputy Factory Manager, Chief Engineer of Tsingtao Brewery No. 2 Factory and Chief Brewer of the Company with rich experience in production, scientific research and technical management. He is the Top Talent in Professional Technologies in Qingdao and expert with special allowance from the State Council.



劉英弟先生，現年57歲，高級工程師。現任本公司副總裁。曾任青島啤酒廠副廠長，本公司副總經理，青島啤酒集團有限公司副總裁。具有豐富的生產技術管理、信息化管理和工程項目管理經驗，2003年青島市專業技術拔尖人才，2006年國家信息化測評中心優秀CIO，為青島市第十四屆人大代表、山東省第十屆政協委員。

Mr. LIU Ying Di, aged 57, Senior Engineer. He is currently Vice President of the Company, and ever served as Deputy Factory Manager of Tsingtao Brewery Factory, Deputy General Manager of the Company and Vice President of Tsingtao Group with substantial experience in management of production technology, information management and engineering projects management. He was awarded Top Talent of Professional Technologies in Qingdao in 2003, and 'Best CIO' by the National Information Evaluation Center in 2006, representative of the 14th People's Congress in Qingdao and the member of the 10th Shandong Committee of Chinese People's Political Consultative Conference.



王瑞永先生，現年48歲，北京大學工商管理碩士研究生學歷，高級工程師。現任本公司副總裁兼營銷總裁。曾任青島嶗山啤酒廠副廠長，青島啤酒（徐州）彭城有限公司副總經理，北京五星青島啤酒有限公司總經理，上海青島啤酒華東營銷公司總經理，青島啤酒營銷中心山東省區總經理，本公司營銷中心常務副總裁。具有豐富的市場營銷及企業管理經驗。

Mr. WANG Rui Yong, aged 48, MBA at Peking University, senior engineer. He is currently the Company's Vice President & President of Marketing, and ever served as Factory Manager of Qingdao Laoshan Brewery Factory, Deputy General Manager of Tsingtao Brewery (Xuzhou) Pengcheng Company Limited, General Manager of Beijing Five-star Tsingtao Brewery Company Limited, General Manager of Shanghai Tsingtao Brewery East-China Sales Company Limited, General Manager of Shandong Area and Executive Vice President of the Marketing Center of the Company with rich experience in marketing and corporate management.



董建軍先生，現年53歲，天津科技大學發酵工程專業博士，工程系列應用研究員。現任本公司總釀酒師。曾任青島啤酒二廠總工程師，本公司品管部部長。具有豐富的技術創新及質量管理經驗，青島市專業技術拔尖人才，國務院特殊津貼專家。

Mr. DONG Jian Jun, aged 53, Doctor of Ferment Engineering at Tianjin University of Science & Technology, Applicable Researcher in the Engineering Series. He is currently Chief Brewer of the Company, and ever served as Chief Engineer of Tsingtao Brewery No. 2 Factory, and Head of Quality Management Department of the Company with rich experience in technical innovation and quality management. He is Top Talent in Professional Technologies in Qingdao and expert with special allowance from the State Council.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers



于竹明先生，現年52歲，東北財經大學EMBA畢業，碩士研究生學位，高級會計師。現任本公司總會計師。曾任青島啤酒四廠財務科科長，本公司財務管理總部部長、總裁助理。具有豐富的財務管理和資本運作經驗，2008年山東省會計先進工作者，2009年青島市會計先進工作者。

Mr. YU Zhu Ming, aged 52, EMBA at Dongbei University of Finance & Economics, Senior Accountant. He is currently Chief Accountant of the Company, and ever served as Section Head of Finance Section of Tsingtao Brewery No. 4 Factory, Head of Finance Department, and Assistant to President of the Company with rich experience in finance management and capital operations. He was awarded the Outstanding Accountant in Shandong Province in 2008 and Outstanding Accountant in Qingdao in 2009.



張安文先生，現年56歲，西安交通大學工商管理學院EMBA畢業。現任本公司副總裁。曾任青島啤酒西安有限公司副總經理、總經理。具有豐富的企業生產和管理經驗。

Mr. ZHANG An Wen, aged 56, EMBA of Business Management College at Xi'an Jiaotong University. He is currently Vice President of the Company, and ever served as Deputy Manager and General Manager of Tsingtao Brewery (Xi'an) Company Limited with rich experience in corporate production and management.



于嘉平先生，現年51歲，中歐國際工商學院工商管理碩士研究生。現任本公司製造副總裁。曾任青島啤酒二廠廠長，青島啤酒廠廠長，本公司總裁助理兼青島事業總部部長。具有豐富的生產運營管理及商務管理經驗。

Mr. YU Jia Ping, aged 51, EMBA at China Europe International Business School. He is currently Vice President of Manufacturing of the Company, and ever served as Factory Manager of Tsingtao Brewery No. 2 Factory, Factory Manager of Tsingtao Brewery Factory, and Assistant to President of the Company & Head of Qingdao Business Office with rich experience in management of production, operations and business.



楊華江先生，現年51歲，西安交通大學管理學博士，高級經濟師。現任本公司營銷副總裁。曾任本公司企管部部長、銷售分公司副總經理、華南事業總部副總經理、北方事業總部副總經理、市場部部長、總裁助理兼營銷管理總部部長。具有豐富的市場營銷及企業管理經驗。

Mr. YANG Hua Jiang, aged 51, Doctor of Management Science at Xi'an Jiaotong University, Senior Economist. He is currently Vice President of Marketing of the Company, and ever served as Head of Corporate Management Department, Deputy Manager of Sales Company, Deputy Manager of South China Business Office and North China Business Office, Head of Marketing Department, and Assistant to President & Head of Marketing Management Department of the Company with rich experience in marketing and corporate management.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers



蔡志偉先生，現年46歲，廈門大學工商管理碩士研究生畢業，高級工程師。現任本公司營銷副總裁。曾任青島啤酒二廠副廠長，青島啤酒(廈門)有限公司總經理，廈門青島啤酒東南營銷有限公司總經理，本公司營銷中心總裁助理。具有豐富的市場營銷及企業管理經驗。

Mr. CAI Zhi Wei, aged 46, MBA at Xiamen University, Senior Engineer. He is currently Vice President of Marketing of the Company, and ever served as Deputy Factory Manager of Tsingtao Brewery No. 2 Factory, General Manager of Tsingtao Brewery (Xiamen) Company Limited, General Manager of Xiamen Tsingtao Brewery South-East Sales Company Limited, and Assistant to President of Marketing Center of the Company with rich experience in marketing and corporate management.



張學舉先生，現年59歲，現任本公司董事會秘書。曾任本公司財務部部長、銷售公司總經理，本公司副總裁。具有豐富的營銷管理和財務管理經驗。

Mr. ZHANG Xue Ju, aged 59. He is currently Board Secretary of the Company, and ever served as Head of Finance Department, General Manager of sales company and Vice President of the Company with rich experience in sales and financial management.



張瑞祥先生，現年49歲，本科學歷，經濟師。現任本公司董事會秘書兼股權管理總部部長、公司秘書、授權代表。曾任本公司董事會秘書室主任助理、副主任、主任兼證券事務代表。具有長期的上市公司運作、信息披露及資本市場融資經驗。

Mr. ZHANG Rui Xiang, aged 46, 4-year undergraduate, Economist. He is currently Board Secretary & Head of Equity Management Department, Company Secretary and Authorized Representative of the Company, and ever served as Assistant to Director, Deputy Director and Director of Secretarial Office of the Board of Directors & Representative to the Securities Affairs of the Company with substantial experience in the operations of listing company, information disclosure and financing in capital market.

重要事項 Significant Events

一. 報告期內發生的關連交易事項

按照上市規則第14A章的披露規定，在財務報表附註七所披露的若干關聯方交易根據上市規則亦構成關連交易。若干關連人士於報告期內(按上市規則定義)與本集團於本部分所列載的交易經已訂立及/或持續進行，而本公司已根據上市規則的規定作出相關公佈(如需要)。

1. 與日常經營相關的持續關連交易

- (1) 經本公司董事會審議批准，本公司於2012年2月10日與煙臺朝日簽署新的《產品經銷合同》，煙臺朝日同意授予本公司銷售所有煙臺朝日產品的獨家經銷權，合同期限自2012年1月1日起至2014年12月31日止。煙臺朝日為本公司主要股東朝日集團的間接附屬公司，因此為朝日集團之聯繫人及本公司的關連人士。有關該持續關連交易事項的詳情請見公司於2012年2月10日在聯交所和上交所網站分別刊登的公告。本公司向煙臺朝日採購啤酒產品於2013年度的上限金額為人民幣793,740,000元，實際採購金額為人民幣612,104,832元，未超逾年度上限。

I. Connected Transactions Occurred during the Reporting Period

In accordance with the disclosure requirements in Chapter 14A of the *Listing Rules*, certain connected party transactions disclosed in Note 7 to Financial Statements also constitute connected transactions. Such transactions between the connected persons (as defined in the *Listing Rules*) and the Group as set out in this section were entered into and/or ongoing during the Reporting Period, and the Company had made relevant announcements, if necessary, in accordance with the requirements of the *Listing Rules*.

1. The connected transactions relating to daily operations

- (1) As considered and approved by the Board, the Company entered into a *Product Distribution Agreement* with Yantai Asahi on 10 February 2012, whereby Yantai Asahi agreed to grant the Company the sole distribution right for the distribution of all products of Yantai Asahi for the period from 1 January 2012 to 31 December 2014. As an indirect subsidiary of Asahi Group, the Company's substantial shareholder, Yantai Asahi is therefore an associate of Asahi Group and a connected person of the Company. For details of such continuing connected transaction, please refer to the announcements published on the websites of the Stock Exchange and SSE respectively on 10 February 2012. The cap amount of the Company's purchasing beer products from Yantai Asahi for year 2013 was RMB793,740,000, of which the actual purchasing amount was RMB612,104,832, not exceeding the annual cap amount.



重要事項 Significant Events

- (2) 經本公司董事會審議批准，2013年1月30日，青啤深圳與朝日集團附屬公司朝日啤酒及朝日中國投資(均為本公司之關連人士)簽訂兩份新的《產品經銷合同》，朝日啤酒及該附屬公司同意向青啤深圳繼續購買「朝日」品牌啤酒產品，合同期限為2013年1月1日至2013年12月31日。朝日啤酒於2013年度向青啤深圳支付的採購金額上限為人民幣56,074,678元，實際採購金額為人民幣18,977,539元，朝日中國投資向青啤深圳支付的採購金額上限為人民幣14,468,121元，實際採購金額為人民幣6,293,213元，均未超逾年度上限。有關該持續關連交易事項的詳情請見本公司於2013年1月30日分別在聯交所和上交所網站刊登的相關公告。
- (2) As considered and approved by the Board, Tsingtao Shenzhen entered into two new *Product Distribution Agreements* with Asahi Beer and Asahi (China) Investment, the subsidiaries of Asahi Group and connected persons of the Company, on 30 January 2013, whereby Asahi Beer and Asahi (China) Investment agreed to continue to purchase “Asahi” brand beer products from Tsingtao Shenzhen for the period from 1 January 2013 to 31 December 2013. The cap amount of payment by Asahi Beer to Tsingtao Shenzhen for year 2013 was RMB56,074,678, of which the actual purchasing amount was RMB18,977,539, and the cap amount of payment by Asahi (China) Investment to Tsingtao Shenzhen was RMB14,468,121, of which the actual purchasing amount was RMB6,293,213, not exceeding the annual cap amounts. For details of such continuing connected transactions, please refer to the related announcements published on the websites of the Stock Exchange and SSE respectively on 30 January 2013.
- (3) 經本公司董事會審議批准，2012年11月5日，本公司全資附屬公司青啤財務與煙臺朝日簽訂一份協議書，約定煙臺朝日將其銷售款存放在青啤財務公司賬戶的關聯存款及結算服務交易，合同期限自2012年1月1日起至2014年12月31日止。協議項下不時存放於青啤財務公司之累積金額於2013年之上限為793,740,000元。截止報告期末，煙臺朝日存放於財務公司的本金及相應的利息和手續費累計為人民幣647,195,045元，未超逾年度上限。有關該持續關連交易事項的詳情請見本公司於2012年11月7日分別在聯交所和上交所網站刊登的相關公告。
- (3) As considered and approved by the Board, on 5 November 2012, Tsingtao Finance Company, the Company’s wholly-owned subsidiary, entered into an agreement with Yantai Asahi, in respect of the depositing and settlement service relating to the deposit of sales amounts of Yantai Asahi in the account in Tsingtao Finance Company for a period from 1 January 2012 to 31 December 2014. The accumulated cap amount of deposits in Tsingtao Finance Company in accordance with the agreement from time to time in 2013 was RMB793,740,000. As at the end of the Reporting Period, the principal amounts deposited by Yantai Asahi in Tsingtao Finance Company and corresponding interests and settlement fees were RMB647,195,045, not exceeding the annual cap amount. For details of such continuing connected transaction, please refer to the related announcements published by the Company on the websites of the Stock Exchange and SSE respectively on 7 November 2012.

重要事項 Significant Events

- (4) 本公司與三得利公司(於重組後為本集團子公司層面的主要股東及關連人士)的重組交易於2013年4月28日完成。重組交易完成後,新松江製造、徐州公司、彭城公司、宿遷公司及揚州公司成為三得利公司之子公司及本公司之關連人士。本公司之相關附屬公司與三得利公司之相關附屬公司進行的購銷啤酒交易,以及本公司全資擁有的青啤財務公司為新松江製造提供的存款及結算服務交易,構成上市規則下的持續關連交易。本集團與事業公司及上述五家公司於2013年7月9日簽訂啤酒銷售合同轉讓協議,期限自2013年6月1日起至2013年12月31日止。

續本公司於2013年11月22日的交易上限調整公告,本集團從新松江製造採購啤酒產品之截至2013年12月31日交易上限共為人民幣663,000,000元;從徐州公司採購啤酒產品之截至2013年12月31日交易上限共為人民幣155,736,983元;從彭城公司採購啤酒產品之截至2013年12月31日交易上限為人民幣120,000,000元;從宿遷公司採購啤酒產品之截至2013年12月31日交易上限共為人民幣63,944,313元;從揚州公司採購啤酒產品之截至2013年12月31日交易上限為人民幣5,000,000元;均未超逾上限。

青啤財務公司與新松江製造於2013年7月9日簽訂存款及結算服務合同,有效期自2013年7月9日起至2013年12月31日止。協議交易上限為人民幣500,000,000元,實際交易金額為人民幣330,110,343元,並未超逾上限。

- (4) The reorganization transaction between the Company and Suntory Company (a substantial shareholder and connected person of the Group at the subsidiary level following the reorganization) was completed on 28 April 2013, after which New Songjiang Manufacturing, Xuzhou Company, Pengcheng Company, Suqian Company and Yangzhou Company became subsidiaries of Suntory Company and the Company's connected persons. The transactions of purchase and sale of beer between the relevant subsidiaries of the Company and the relevant subsidiaries of Suntory Company, and the deposit and settlement service provided by the Company's wholly-owned Tsingtao Finance Company to New Songjiang Company constituted the continuing connected transactions pursuant to the *Listing Rules*. The Group entered into agreements for the transfer of beer distribution contracts with the Business Company and the abovementioned five companies on 9 July 2013 for a period from 1 June 2013 to 31 December 2013.

Further to the Company's announcement dated 22 November 2013 for the adjustment of cap amount, the cap amount for the Company's purchase of beer products from New Songjiang Manufacturing was RMB663,000,000 in total as at 31 December 2013; the cap amount for the Company's purchase of beer products from Xuzhou Company was RMB155,736,983 in total as at 31 December 2013; the cap amount for the Company's purchase of beer products from Pengcheng Company was RMB120,000,000 as at 31 December 2013; the cap amount for the Company's purchase of beer products from Suqian Company was RMB63,944,313 in total as at 31 December 2013; the cap amount for the Company's purchase of beer products from Yangzhou Company was RMB5,000,000 as at 31 December 2013; all of which cap amounts were not exceeded.

Tsingtao Finance Company entered into a deposit and settlement service contract with New Songjiang Manufacturing on 9 July 2013 for a period from 9 July 2013 to 31 December 2013. The cap amount of the contract was RMB500,000,000, while the actual transaction amount was RMB330,110,343, not exceeding the cap amount.

重要事項 Significant Events

此外，在重組交易完成前，本集團成員間以及三得利公司集團成員間於其各自的日常及一般業務流程中分別簽訂了購買麥芽、啤酒及財務安排等協議，重組交易完成後，本公司部分成員及三得利公司部分成員變更為本集團之關連人士，本公司已按《上市規則》第14A.41條遵守《上市規則》第14A章的相關要求。本集團成員與三得利公司成員(包括三得利上海、三得利昆山、三得利光明、三得利江蘇及江蘇三得利(淮安)啤酒有限公司)於2012年12月29日簽訂多份相關協議，內容並無變更並仍然持續進行。

有關上述持續關連交易事項的其他詳情請見本公司於2013年4月11日、2013年7月9日和11月22日分別在聯交所和上交所網站刊登的相關公告。

股東亦請注意本公司於2009年5月18日有關青啤深圳與本集團若干成員之持續關連交易之公告。朝日啤酒乃青啤深圳之主要股東，並於2009年5月6日完成收購本公司約19.99%之全部已發行股本後成為本公司之主要股東。根據上市規則第14A.11(5)條，青啤深圳成為本公司的關連人士，青啤深圳與本集團成員之交易亦構成本公司的關連交易。有關該持續關連交易事項的其他詳情見本公司於2009年5月18日在本公司上市地交易所網站發佈的公告。

報告期內，上述持續關連交易遵照上述合同的約定執行。本公司獨立非執行董事已審核本公司及相關附屬公司所進行的各項持續關連交易，並確認該等交易：

- (1) 乃由本集團在日常及正常業務過程中訂立；
- (2) 乃按正常商業條款進行，或不優於本公司給予獨立第三方或不遜於來自獨立第三方之條款訂立；
- (3) 交易條款公平合理並符合本公司股東的整體利益；

Aside from the above, before the completion of the reorganization transaction, the members of the Group and the members of Suntory Company group had respectively entered into the agreements including in respect of the purchase of malt and beer, and the financial arrangements in their respective ordinary course of business and became connected persons of the Group after the reorganisation and the Company had abided by the related requirements in Chapter 14A of the *Listing Rules* in accordance with Rule 14A.41 of the *Listing Rules*. Among which, members of the Group entered into various related agreements with members (including Suntory Shanghai, Suntory Kunshan, Suntory Guangming, Suntory Jiangsu and Jiangsu Suntory Brewing (Huainan) Company Limited) of Suntory Company group on 29 December 2012, which were still continuing unchanged.

For other details of the aforesaid continuing connected transactions, please refer to the related announcements published by the Company on the websites of the Stock Exchange and SSE on 11 April, 9 July 2013 and 22 November 2013 respectively.

Shareholders' attention is also drawn to the announcement of the Company dated 18 May 2009, regarding certain continuing connected transactions between Tsingtao Shenzhen and various members of the Group. Asahi Beer is a substantial shareholder of Tsingtao Shenzhen and has become a substantial shareholder of the Company after the completion of the acquisition of approximately 19.99% of the entire issued share capital of the Company on 6 May 2009. Pursuant to Rule 14A.11(5) of the *Listing Rules*, Tsingtao Shenzhen has become a connected person of the Company and the transaction between Tsingtao Shenzhen and certain members of the Group have become continuing connected transactions of the Company. For other details of these continuing connected transactions, please refer to the announcement published by the Company on 18 May 2009 on the website of the stock exchanges on which the Company's shares are listed.

During the Reporting Period, the aforesaid continuing connected transactions were carried out pursuant to the terms of the above contracts or agreements. The Company's independent non-executive directors had reviewed the continuing connected transactions in the Company and its related subsidiaries, and confirmed such transactions were:

- (1) entered into in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms, or entered into in terms not better than those the Company providing to the independent third party or not worse than those from the independent third party;
- (3) fair and reasonable and in the interests of the Company and its shareholders as a whole.

重要事項 Significant Events

本公司審計師受聘根據香港會計師公會發佈的香港鑒證業務準則3000「歷史財務資料審核或審閱以外的鑒證工作」並參考實務說明740「香港上市規則規定的持續關連交易的核數師函件」，對本集團持續關連交易作出報告。根據香港聯合交易所證券上市規則第14A.38條，審計師已就本年報第66-68頁所載本集團披露的持續關連交易發出函件，並載有其發現和結論。本公司已將審計師函件副本向香港聯交所提供。

該等交易在公司日常業務過程中進行，在本公司業務運營中有必要性和持續性。該等關連交易不會影響公司獨立性。

本公司確認上述2013年進行的持續關連交易之披露，符合《上市規則》第14A章的披露規定。

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group from page 66 to page 68 of the Annual Report in accordance with Rule 14A.38 of the *Listing Rules*. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Such transactions were conducted in the ordinary course of business of the Company, and are necessary and continuing in the business operations of the Company. Such connected transactions will not affect the independence of the Company.

The Company confirms that the disclosure of the aforesaid connected transactions carried out in 2013 were in compliance with the disclosure requirements as set out in Chapter 14A of the *Listing Rules*.

二. 公司收購及出售股權或資產情況

1. 經公司於2013年12月16日召開的第七屆董事會第十五次會議審議批准，本公司於2014年2月12日與嘉禾啤酒有限公司（「嘉禾啤酒」）股東簽署《股權轉讓協議》，協議約定本公司以人民幣30,000萬元受讓嘉禾啤酒工會委員會持有河北嘉禾啤酒有限公司50%股權。2014年2月25日，本公司受讓股權的工商變更登記辦理完畢。



II. Purchase and sale of equity interests or assets

1. As considered and approved at the fifteenth meeting of the seventh Board held by the Company on 16 December 2013, the Company and the shareholders of Jiahe Brewery Co., Ltd. ("Jiahe Brewery") entered into *Equity Interests Transfer Agreement* on 12 February 2014, whereby the Company agreed to acquire 50% equity interests held by the Labor Union of Jiahe Brewery in Hebei Jiahe Brewery Co., Ltd. for RMB300 million. The registration for the changes at the industry and commerce administration authority due to the Company's acquisition of equity interests has been completed on 25 February 2014.

重要事項 Significant Events

2. 經公司於2013年12月27日召開的第七屆董事會臨時會議審議批准，本公司於2013年12月29日與張家口市宣化區人民政府（「宣化區政府」）、宣化新鐘樓啤酒有限公司（「新鐘樓啤酒」）簽署《項目合作框架協議》，本公司以人民幣2,000萬元受讓新鐘樓啤酒銷售業務相關的資產，以及新鐘樓啤酒擁有的鐘樓系列註冊商標。同時，本公司根據宣化區政府產業調整規劃，在宣化區設立一家公司，擬建設一期20萬千升／年的青啤工業園項目，項目總投資額約人民幣32,801萬元。截止至本報告日，本公司與新鐘樓啤酒銷售相關資產交割已經完成，本公司在宣化區新設立的公司已經取得名稱預核准，新公司名稱為青島啤酒（張家口）有限公司。
3. 經公司董事會審議批准，2013年5月，青島啤酒漢斯寶雞有限公司（「漢斯寶雞」）支付現金對價1,600萬元人民幣收購寶雞啤酒股份有限公司擁有的「寶雞啤酒」商標、土地使用權及固定資產等啤酒業務相關資產，並接受其全部在冊職工。同時，本公司根據政府產業調整規劃，擬於寶雞市陳倉區經濟開發區搬遷建設一期30萬千升／年的青啤工業園項目，項目總投資額約35,529萬元人民幣。
2. As considered and approved at an extraordinary meeting of the seventh Board held on 27 December 2013, the Company entered into *Framework Agreement for the Project Cooperation* on 29 December 2013 with the People's Government of Xuanhua District of Zhangjiakou ("Xuanhua District Government") and Xuanhua Xinzhonglou Brewery Co., Ltd. ("Xinzhonglou Brewery"), whereby the Company agreed to acquire the assets related to the sales business of Xinzhonglou Brewery for RMB20 million. At the same time, in accordance with the industrial adjustment plan of Xuanhua District Government, the Company has established a company in Xuanhua District and planned to construct a project of Tsingtao Industrial Estate for a production capacity of 2 million hl/year at the first phase. The investment for the project is approximately RMB328.01 million in aggregate. As at the date of this Report, the transfer between the Company and Xinzhonglou Brewery of the assets related to the sales of beer has been completed. The Company has obtained the pre-approval for the name of the new company established in Xuanhua District, namely, Tsingtao Brewery (Zhangjiakou) Company Limited.
3. As considered and approved by the Board, in May 2013, Tsingtao Brewery Hans Baoji Company Limited ("Hans Baoji") acquired the assets related to the beer business including the trademark of "Baoji Beer", land use right and fixed assets owned by Baoji Beer Co., Ltd. for a consideration of RMB16 million in cash, and accepted all staff listed in the payroll. At the same time, the Company, in accordance with the industrial adjustment plan of the local government, has planned to relocate and construct a project of Tsingtao Industrial Estate for a production capacity of 3 million hl/year at the first phase in Chencang District Economic Development Zone in Baoji City. The investment for the project is approximately RMB355.29 million in aggregate.

三. 報告期內發生的控股子公司關閉事項

1. 2013年7月，經本公司董事會批准，本公司的子公司：青島啤酒（台兒莊）麥芽有限公司（「台兒莊公司」）股東會決議解散清算台兒莊公司。截至本報告日，台兒莊公司在冊員工勞動關係終止相關手續已經辦理完畢，公司資產處理及相關註銷手續正在辦理過程中。
2. 2013年11月，經本公司董事會批准，本公司的子公司：西南營銷股東會決議解散清算西南營銷。截止本報告日，西南營銷持有的青島啤酒（瀘州）有限公司95%股權已作價人民幣11,682萬元轉讓給本公司，並完成工商變更手續，西南營銷註銷手續正在辦理過程中。
1. In July 2013, as approved by the Board, a resolution was passed at the general meeting of Taierzhuang Company, a subsidiary of the Company, to dissolve and liquidate Taierzhuang Company. As at the date of this Report, the procedures related to the termination of employment relationship with the staff listed in the payroll of Taierzhuang Company have been completed, and the assets disposal and its related deregistration procedures are in process.
2. In November 2013, as approved by the Board, a resolution was passed at the general meeting of South-West Sales, a subsidiary of the Company, to dissolve and liquidate South-West Sales. As at the date of this Report, the 95% equity interests held by South-West Sales in Tsingtao Brewery (Luzhou) Company Limited have been sold to the Company for a price of RMB116.82 million, and the procedures for the changes at the industry and commerce administration authority have also been completed, while the procedures for the deregistration of South-West Sales are in process.

重要事項 Significant Events

四. 報告期內公司向子公司提供擔保及委託貸款事項

1. 根據公司與國家開發銀行股份有限公司(「國開行」)簽訂的《國家開發銀行股份有限公司外匯保函反擔保合同》，公司為國開行向青島啤酒香港貿易有限公司(「青啤香港」)開立港幣55,000萬元的保函提供反擔保，期限為2011年5月25日至2014年6月24日，截止2013年12月31日，公司擔保餘額為港幣39,000萬元。
2. 報告期內，本公司沒有發生委託理財事項。為保障子公司的生產經營，經本公司董事會批准，本公司為下屬控股子公司合計發放的委託貸款總金額約為人民幣82,265萬元。

五. 報告期內，本公司並無涉及新發生的任何重大訴訟、仲裁事項。

IV. Guarantees and entrusted loans provided by the Company to the subsidiaries during the Reporting Period

1. In accordance with the *Contract of Counter-guarantee of Foreign Exchanges L/G of China Development Bank Co., Ltd.*, entered into between the Company and China Development Bank Co., Ltd. (“Development Bank”), the Company agreed to provide counter-guarantee for the HKD550 million of letter of guarantee (“L/G”) issued by Development Bank to Tsingtao Brewery Hong Kong Trade Company Limited (“Tsingtao HK”) for a period from 25 May 2011 to 24 June 2014. As at 31 December 2013, the balance of the amount guaranteed by the Company was HKD390 million.
 2. During the Reporting Period, no event relating to the entrusted wealth management had occurred. To secure the production and operation of its subsidiaries, upon the approval by the Board, approximately RMB822.65 million in aggregate of entrusted loans was provided by the Company to its controlling subsidiaries.
- V. During the Reporting Period, the Company did not involve in any newly arising significant litigations or arbitration affairs.



財務報告 Financial Report

按照中國企業會計準則編制的財務報表

Financial Statements Prepared in Accordance with China Accounting Standards for Business Enterprises

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Auditor's Report



普华永道

PwC ZT Shen Zi (2014) No. 10059

TO THE SHAREHOLDERS OF TSINGTAO BREWERY COMPANY LIMITED,

We have audited the accompanying financial statements of Tsingtao Brewery Company Limited (hereinafter the “Company”), which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated and company income statements, the consolidated and company statements of changes in shareholders’ equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company’s financial position of the Company as of 31 December 2013, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People’s Republic of China
25 March 2014

普華永道中天會計師事務所(特殊普通合夥)

PricewaterhouseCoopers Zhong Tian LLP, 11/F PricewaterhouseCoopers Center
2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC

T: +86 (21) 2323 8888, F: +86 (21) 2323 8800, www.pwccn.com

Consolidated and Company Balance Sheets

As at 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

| ASSETS | Note 5 (unless otherwise stated) | As at 31 December | | | |
|-----------------------------------|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 2013 Consolidated | 2012 Consolidated | 2013 Company | 2012 Company |
| Current assets | | | | | |
| Cash at bank and on hand | (1) | 8,531,720,086 | 7,118,248,041 | 3,063,967,823 | 3,087,112,980 |
| Notes receivable | (2) | 84,760,000 | 61,800,000 | 68,200,000 | 53,700,000 |
| Accounts receivable | (3), 17(1) | 152,292,736 | 82,685,056 | 526,636,145 | 689,075,914 |
| Advances to suppliers | (5) | 132,345,527 | 83,739,085 | 79,532,488 | 31,459,444 |
| Interest receivable | (6) | 188,461,377 | 63,996,403 | 32,741,538 | 16,382,068 |
| Dividends receivable | 17(3) | — | — | 237,000,000 | 50,000,000 |
| Other receivables | (4), 17(2) | 183,395,467 | 87,291,890 | 115,409,496 | 155,080,986 |
| Inventories | (7) | 2,534,551,935 | 2,360,058,834 | 707,615,541 | 526,788,093 |
| Other current assets | (8) | 466,863,422 | 284,314,434 | 281,597,451 | 70,879,214 |
| Total current assets | | 12,274,390,550 | 10,142,133,743 | 5,112,700,482 | 4,680,478,699 |
| Non-current assets | | | | | |
| Long-term receivables | 17(4) | — | — | 604,190,000 | 569,790,000 |
| Long-term equity investments | (9), 17(5) | 1,271,947,380 | 163,876,932 | 8,165,381,055 | 7,317,328,354 |
| Investment properties | (10), 17(6) | 7,924,988 | 7,252,927 | 21,283,541 | 21,018,594 |
| Fixed assets | (11), 17(7) | 8,740,310,277 | 8,343,690,353 | 1,783,455,683 | 1,625,195,023 |
| Construction in progress | (12), 17(8) | 506,624,256 | 678,285,333 | 279,285,674 | 250,717,330 |
| Fixed assets pending for disposal | (13) | 5,368,759 | 9,917,059 | 3,024,172 | 9,377,775 |
| Intangible assets | (14), 17(9) | 2,533,027,393 | 2,546,579,520 | 508,548,301 | 505,086,472 |
| Goodwill | (15) | 1,079,925,496 | 1,081,684,918 | — | — |
| Long-term prepaid expenses | (16) | 21,525,082 | 6,425,454 | 3,012,849 | 907,191 |
| Deferred tax assets | (17) | 700,162,187 | 485,349,168 | 390,521,123 | 266,629,467 |
| Other non-current assets | (19) | 223,660,169 | 195,910,178 | 68,881,057 | 42,582,408 |
| Total non-current assets | | 15,090,475,987 | 13,518,971,842 | 11,827,583,455 | 10,608,632,614 |
| TOTAL ASSETS | | 27,364,866,537 | 23,661,105,585 | 16,940,283,937 | 15,289,111,313 |

Consolidated and Company Balance Sheets (Continued)

As at 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

| LIABILITIES AND SHAREHOLDERS' EQUITY | Note 5 (unless otherwise stated) | As at 31 December | | | |
|--|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 2013 Consolidated | 2012 Consolidated | 2013 Company | 2012 Company |
| Current liabilities | | | | | |
| Short-term borrowings | (20) | 101,080,110 | 147,617,652 | — | 170,000,000 |
| Notes payable | (21) | 138,382,882 | 81,883,234 | 58,100,000 | 48,100,000 |
| Accounts payable | (22),17(11) | 2,707,070,770 | 1,993,401,689 | 1,779,985,807 | 1,647,514,644 |
| Advances from customers | (23) | 980,497,616 | 656,414,452 | 553,021,261 | 344,126,929 |
| Employee benefits payable | (24) | 823,317,140 | 886,635,390 | 286,811,192 | 294,413,393 |
| Taxes payable | (25) | 332,033,368 | 350,866,482 | 47,557,688 | 65,018,805 |
| Interest payable | | 1,202,929 | 1,735,072 | 62,619 | 287,019 |
| Dividends payable | (26) | 1,020,000 | 1,101,571 | — | — |
| Other payables | (27) | 4,231,981,495 | 3,213,582,340 | 1,567,055,563 | 1,237,550,433 |
| Current portion of non-current liabilities | (28) | 1,797,167,198 | 2,786,281 | 1,488,815,632 | — |
| Total current liabilities | | 11,113,753,508 | 7,336,024,163 | 5,781,409,762 | 3,807,011,223 |
| Non-current liabilities | | | | | |
| Long-term borrowings | (29) | 4,881,294 | 452,485,603 | — | — |
| Debentures payable | (30) | — | 1,409,316,153 | — | 1,409,316,153 |
| Payables for specific projects | (31) | 450,935,656 | 120,063,611 | 87,270,918 | 90,000,000 |
| Deferred tax liabilities | (17) | 173,745,333 | 178,572,908 | — | — |
| Other non-current liabilities | (32) | 1,748,079,711 | 1,381,212,241 | 281,687,301 | 51,836,628 |
| Total non-current liabilities | | 2,377,641,994 | 3,541,650,516 | 368,958,219 | 1,551,152,781 |
| Total liabilities | | 13,491,395,502 | 10,877,674,679 | 6,150,367,981 | 5,358,164,004 |
| Shareholders' equity | | | | | |
| Share capital | (33) | 1,350,982,795 | 1,350,982,795 | 1,350,982,795 | 1,350,982,795 |
| Capital surplus | (34) | 4,078,793,635 | 3,965,939,536 | 4,306,073,277 | 4,315,189,317 |
| Surplus reserve | (35) | 1,059,469,127 | 927,657,567 | 1,059,469,127 | 927,657,567 |
| Undistributed profits | (36) | 7,505,514,981 | 6,204,347,562 | 4,073,390,757 | 3,337,117,630 |
| Difference on translation of foreign currency financial statements | | 25,798,505 | 19,025,550 | — | — |
| Total equity attributable to shareholders of the Company | | 14,020,559,043 | 12,467,953,010 | 10,789,915,956 | 9,930,947,309 |
| Minority interests | 4(5) | (147,088,008) | 315,477,896 | — | — |
| Total shareholders' equity | | 13,873,471,035 | 12,783,430,906 | 10,789,915,956 | 9,930,947,309 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 27,364,866,537 | 23,661,105,585 | 16,940,283,937 | 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

Consolidated and Company Income Statements

For the year ended 31 December 2013

(All amounts in Rmb Yuan unless otherwise stated)

| ITEM | Note 5 (unless otherwise stated) | Year ended 31 December | | | |
|--|--|-------------------------|----------------------|-------------------------|------------------|
| | | 2013 Consolidated | 2012 Consolidated | 2013 Company | 2012 Company |
| Revenue | (37),17(13) | 28,290,978,428 | 25,781,543,977 | 16,720,139,110 | 14,925,864,129 |
| Less: Cost of sales | (37),(39), 17(13) | (17,007,893,969) | (15,433,869,536) | (12,449,893,371) | (10,913,545,847) |
| Taxes and surcharges | (38) | (2,227,776,340) | (2,201,082,461) | (555,683,320) | (490,269,188) |
| Selling and distribution expenses | (39) | (5,610,693,817) | (4,930,865,618) | (2,859,374,648) | (2,622,499,931) |
| General and administrative expenses | (39) | (1,572,544,494) | (1,269,421,699) | (583,709,181) | (368,401,783) |
| Financial expenses — net | (40),17(14) | 251,391,313 | 178,141,002 | (14,935,958) | (41,340,548) |
| Asset impairment losses | (42),17(16) | (1,744,922) | (1,004,586) | (20,352,268) | 12,088,884 |
| Add: Investment income | (41),17(15) | 229,225,467 | 14,962,001 | 1,210,857,193 | 795,802,833 |
| Including: Share of profit of associates and joint venture | (41),17(15) | 9,465,953 | 14,844,764 | 18,912,870 | 14,692,242 |
| Operating profit | | 2,350,941,666 | 2,138,403,080 | 1,447,047,557 | 1,297,698,549 |
| Add: Non-operating income | (43) | 563,993,284 | 394,830,713 | 39,971,984 | 49,444,974 |
| Less: Non-operating expenses | (44) | (248,401,282) | (49,077,560) | (49,462,498) | (3,856,566) |
| Including: Losses on disposal of non-current assets | (44) | (104,922,138) | (36,682,557) | (38,535,880) | (1,411,545) |
| Total profit | | 2,666,533,668 | 2,484,156,233 | 1,437,557,043 | 1,343,286,957 |
| Less: Income tax expenses | (45),17(17) | (691,609,875) | (639,393,988) | (119,441,447) | (154,067,897) |
| Net profit | | 1,974,923,793 | 1,844,762,245 | 1,318,115,596 | 1,189,219,060 |
| Attributable to shareholders of the Company | | 1,973,372,097 | 1,758,863,400 | 1,318,115,596 | 1,189,219,060 |
| Minority interests | | 1,551,696 | 85,898,845 | Not Applicable | Not Applicable |
| Earnings per share | | | | | |
| Basic earnings per share | (46) | 1.461 | 1.302 | Not Applicable | Not Applicable |
| Diluted earnings per share | (46) | 1.461 | 1.302 | Not Applicable | Not Applicable |
| Total other comprehensive income, net of tax | (47) | 5,969,722 | 1,905,828 | (197,717) | — |
| Other comprehensive income may be reclassified to profit or loss thereafter when specified preconditions are met | | | | | |
| Currency translation differences | | 6,772,955 | 1,905,828 | — | — |
| Share of other comprehensive income of investments accounted for using the equity method | | (803,233) | — | (197,717) | — |
| Total comprehensive income | | 1,980,893,515 | 1,846,668,073 | 1,317,917,879 | 1,189,219,060 |
| Attributable to shareholders of the Company | | 1,979,341,819 | 1,760,769,228 | 1,317,917,879 | 1,189,219,060 |
| Minority interests | | 1,551,696 | 85,898,845 | 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

Consolidated and Company Cash Flow Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

| ITEM | Note 5 (unless otherwise stated) | Year ended 31 December | | | |
|---|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 2013 Consolidated | 2012 Consolidated | 2013 Company | 2012 Company |
| Cash flows from operating activities | | | | | |
| Cash received from sales of goods or rendering of services | | 31,282,494,614 | 28,017,681,948 | 18,828,174,113 | 16,332,518,973 |
| Refund of taxes and surcharges | | 4,477,949 | 19,685,510 | 4,107,230 | — |
| Cash received relating to other operating activities | (48)(a) | 1,437,886,260 | 1,239,239,170 | 366,035,434 | 284,105,658 |
| Sub-total of cash inflows | | 32,724,858,823 | 29,276,606,628 | 19,198,316,777 | 16,616,624,631 |
| Cash paid for goods and services | | (16,357,520,202) | (14,099,031,530) | (13,341,514,374) | (11,047,495,330) |
| Cash paid to and on behalf of employees | | (3,374,053,943) | (2,940,782,698) | (1,151,115,071) | (967,765,258) |
| Payments of taxes and surcharges | | (5,541,350,802) | (5,605,019,129) | (1,713,589,893) | (1,672,605,090) |
| Cash paid relating to other operating activities | (48)(b) | (4,050,782,713) | (3,528,176,497) | (1,976,677,908) | (1,859,086,917) |
| Sub-total of cash outflows | | (29,323,707,660) | (26,173,009,854) | (18,182,897,246) | (15,546,952,595) |
| Net cash flows from operating activities | (49)(a), 17(18)(a) | 3,401,151,163 | 3,103,596,774 | 1,015,419,531 | 1,069,672,036 |
| Cash flows from investing activities | | | | | |
| Cash received from disposal of investments | | 39,650,000 | — | 549,060,002 | 1,143,381,872 |
| Cash received from returns on investments | | 50,645,699 | 3,050,261 | 564,604,436 | 410,597,590 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | 11,628,307 | 12,845,364 | 3,372,055 | 5,198,199 |
| Net cash received from disposal of subsidiaries | | — | — | — | 381,149,419 |
| Cash received relating to other investing activities | (48)(c) | 865,865,627 | 677,264,130 | 11,943,170 | 54,726,600 |
| Sub-total of cash inflows | | 967,789,633 | 693,159,755 | 1,128,979,663 | 1,995,053,680 |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | | (2,036,229,867) | (2,378,217,741) | (479,570,350) | (570,563,381) |
| Cash paid to acquire investments | | (23,327) | (4,000,000) | (942,780,000) | (1,667,500,000) |
| Cash paid relating to other investing activities | (48)(d) | (427,461,788) | (305,755,551) | (16,428,390) | (708,600) |
| Sub-total of cash outflows | | (2,463,714,982) | (2,687,973,292) | (1,438,778,740) | (2,238,771,981) |
| Net cash flows from investing activities | | (1,495,925,349) | (1,994,813,537) | (309,799,077) | (243,718,301) |

Consolidated and Company Cash Flow Statements (Continued)

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

| ITEM | Note 5 (unless otherwise stated) | Year ended 31 December | | | |
|---|--|------------------------|----------------------|----------------------|----------------------|
| | | 2013 Consolidated | 2012 Consolidated | 2013 Company | 2012 Company |
| Cash flows from financing activities | | | | | |
| Cash received from capital contributions | | 10,000,000 | 70,255,000 | — | — |
| <i>Including:</i> Cash received from capital contributions by minority shareholders of subsidiaries | | 10,000,000 | 70,255,000 | — | — |
| Cash received from borrowings | | 38,092,485 | 75,402,217 | — | 170,000,000 |
| Sub-total of cash inflows | | 48,092,485 | 145,657,217 | — | 170,000,000 |
| Cash repayments of borrowings | | (207,780,250) | (97,221,202) | (170,000,000) | (170,000,000) |
| Cash payments for interest expenses and distribution of dividends or profits | | (618,020,864) | (439,640,158) | (559,995,118) | (373,321,140) |
| <i>Including:</i> Cash payments for dividends or profit to minority shareholders of subsidiaries | | (50,786,731) | (54,831,094) | — | — |
| Cash payments relating to other financing activities | (48)(e) | (6,751) | (641,247) | — | — |
| Sub-total of cash outflows | | (825,807,865) | (537,502,607) | (729,995,118) | (543,321,140) |
| Net cash flows from financing activities | | (777,715,380) | (391,845,390) | (729,995,118) | (373,321,140) |
| Effect of foreign exchange rate changes on cash and cash equivalent | | (1,790,048) | 2,098,689 | 196,283 | 261,962 |
| Net increase in cash and cash equivalents | (49)(b), 17(18)(b) | 1,125,720,386 | 719,036,536 | (24,178,381) | 452,894,557 |
| <i>Add:</i> Cash and cash equivalents at beginning of year | | 6,269,184,262 | 5,550,147,726 | 3,059,464,569 | 2,606,570,012 |
| Cash and cash equivalents at end of year | (49)(c) | 7,394,904,648 | 6,269,184,262 | 3,035,286,188 | 3,059,464,569 |

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

Legal representative:
SUN MingboPrincipal in charge of accounting
(Chief Accountant):
YU ZhumingHead of accounting department:
YU Zhuming

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

| ITEM | Note 5 (unless otherwise stated) | Attributable to shareholders of the Company | | | | | Currency translation differences | Minority interests | Total shareholders' equity |
|--|--|---|-----------------|---------------------|--------------------------|------------|--|-----------------------|----------------------------------|
| | | Share capital | Capital surplus | Surplus reserves | Undistributed profits | | | | |
| Balance at 1 January 2012 | | 1,350,982,795 | 4,017,938,901 | 808,735,661 | 4,915,661,595 | 17,119,722 | 166,495,893 | 11,276,934,567 | |
| Movements for the year ended 31 December 2012 | | — | (51,999,365) | 118,921,906 | 1,288,685,967 | 1,905,828 | 148,982,003 | 1,506,496,339 | |
| Comprehensive income | | — | — | — | 1,758,863,400 | 1,905,828 | 85,898,845 | 1,846,668,073 | |
| Net profit | | — | — | — | 1,758,863,400 | — | 85,898,845 | 1,844,762,245 | |
| Other comprehensive income | (47) | — | — | — | — | 1,905,828 | — | 1,905,828 | |
| Capital contribution and withdrawal by shareholders | | — | (51,999,365) | — | — | — | 118,254,365 | 66,255,000 | |
| Capital contribution by shareholders | | — | — | — | — | — | 70,255,000 | 70,255,000 | |
| Others | (34) | — | (51,999,365) | — | — | — | 47,999,365 | (4,000,000) | |
| Profit distribution | (36) | — | — | 118,921,906 | (470,177,433) | — | (55,171,207) | (406,426,734) | |
| Appropriation to surplus reserves | | — | — | 118,921,906 | (118,921,906) | — | — | — | |
| Profit distribution to shareholders | | — | — | — | (351,255,527) | — | (55,171,207) | (406,426,734) | |
| Balance at 31 December 2012 | | 1,350,982,795 | 3,965,939,536 | 927,657,567 | 6,204,347,562 | 19,025,550 | 315,477,896 | 12,783,430,906 | |
| Balance at 1 January 2013 | | 1,350,982,795 | 3,965,939,536 | 927,657,567 | 6,204,347,562 | 19,025,550 | 315,477,896 | 12,783,430,906 | |
| Movements for the year ended 31 December 2013 | | — | 112,854,099 | 131,811,560 | 1,301,167,419 | 6,772,955 | (462,565,904) | 1,090,040,129 | |
| Comprehensive income | | — | (803,233) | — | 1,973,372,097 | 6,772,955 | 1,551,696 | 1,980,893,515 | |
| Net profit | | — | — | — | 1,973,372,097 | — | 1,551,696 | 1,974,923,793 | |
| Other comprehensive income | (47) | — | (803,233) | — | — | 6,772,955 | — | 5,969,722 | |
| Capital contribution and withdrawal by shareholders | | — | 113,657,332 | — | — | — | (413,412,440) | (299,755,108) | |
| Others | (34) | — | 113,657,332 | — | — | — | (413,412,440) | (299,755,108) | |
| Profit distribution | (36) | — | — | 131,811,560 | (672,204,678) | — | (50,705,160) | (591,098,278) | |
| Appropriation to surplus reserves | | — | — | 131,811,560 | (131,811,560) | — | — | — | |
| Profit distribution to shareholders | | — | — | — | (540,393,118) | — | (50,705,160) | (591,098,278) | |
| Balance at 31 December 2013 | | 1,350,982,795 | 4,078,793,635 | 1,059,469,127 | 7,505,514,981 | 25,798,505 | (147,088,008) | 13,873,471,035 | |

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

Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2013

(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 | | 1,350,982,795 | 4,315,189,317 | 808,735,661 | 2,618,076,003 | 9,092,983,776 |
| Movement for the year ended 31 December 2012 | | — | — | 118,921,906 | 719,041,627 | 837,963,533 |
| Comprehensive income | | — | — | — | 1,189,219,060 | 1,189,219,060 |
| Net profit | | — | — | — | 1,189,219,060 | 1,189,219,060 |
| Profit distribution | (36) | — | — | 118,921,906 | (470,177,433) | (351,255,527) |
| Appropriation to surplus reserves | | — | — | 118,921,906 | (118,921,906) | — |
| Profit distribution to shareholders | | — | — | — | (351,255,527) | (351,255,527) |
| Balance at 31 December 2012 | | 1,350,982,795 | 4,315,189,317 | 927,657,567 | 3,337,117,630 | 9,930,947,309 |
| Balance at 1 January 2013 | | 1,350,982,795 | 4,315,189,317 | 927,657,567 | 3,337,117,630 | 9,930,947,309 |
| Movement for the year ended 31 December 2013 | | — | (9,116,040) | 131,811,560 | 736,273,127 | 858,968,647 |
| Comprehensive income | | — | (197,717) | — | 1,318,115,596 | 1,317,917,879 |
| Net profit | | — | — | — | 1,318,115,596 | 1,318,115,596 |
| Other comprehensive income | | — | (197,717) | — | — | (197,717) |
| Profit distribution | (36) | — | — | 131,811,560 | (672,204,678) | (540,393,118) |
| Appropriation to surplus reserves | | — | — | 131,811,560 | (131,811,560) | — |
| Profit distribution to shareholders | | — | — | — | (540,393,118) | (540,393,118) |
| Others | 17(5)(b) | — | (8,918,323) | — | 90,362,209 | 81,443,886 |
| Balance at 31 December 2013 | | 1,350,982,795 | 4,306,073,277 | 1,059,469,127 | 4,073,390,757 | 10,789,915,956 |

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

Notes to Financial Statements

For the Year Ended 31 December 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 size 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.

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

These financial statements have been approved for issue by the Company’s Board of Directors on 25 March 2014.

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 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.

The Ministry of Finance newly issued CAS No. 39 – Fair value measurement, CAS No. 40 – Joint arrangements and revised CAS No. 9 – Employee benefits, CAS No. 30 – Financial statement presentation and CAS No. 33 – Consolidated financial statements in 2014. These new and amended standards are effective on 1 July 2014. However, overseas listed companies are encouraged to early adopt them. As the Company issued both A shares and H shares, the Group has decided to early adopt these new and amended standards in preparing the financial statements for the year ended 31 December 2013. Management of the Company has assessed that these developments have no significant effect on the consolidated financial statement of the Group, except for the effect of applying the revised CAS No. 9 – Employee benefits (Note 2 (29)).

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

The financial statements of the Company for the year ended 31 December 2013 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the Consolidated and the Company’s financial position as of 31 December 2013 and their financial performance, cash flows and other information for the year then ended.

(3) Accounting period

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

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(4) Recording currency

The recording currency of the Company and the subsidiaries incorporated and operated in mainland China is Renminbi (RMB), while the recording currency of the subsidiaries in Hong Kong and Macau is Hong Kong Dollar (HKD) and Macau Pataca (MOP) respectively. The consolidated financial statements of the Group are 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) *Acquisition of minority interests*

When acquiring part of or all of the minority interests from its minority shareholders after obtaining the control over a subsidiary, 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 of the Company and subsidiaries are inconsistent, the financial statements of the 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.

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(6) Preparation of consolidated financial statements *(continued)*

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity, the portion of a subsidiary's net profits or losses and the portion of total comprehensive income for the period not attributable to the shareholders of the Company are recognised as minority interests and presented separately in the consolidated financial statements under shareholder's equity, net profits and total comprehensive income 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.

(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.

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(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.

Receivables

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

Available-for-sale financial assets

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

Held-to-maturity investments

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

(ii) Recognition and measurement

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

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(9) Financial instruments *(continued)*

(a) Financial assets *(continued)*

(ii) Recognition and measurement *(continued)*

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.

Objective evidence of impairment of financial assets are events that occurred after the initial recognition of the financial assets and have impacts on the estimated future cash flows of the financial assets that can be reliably estimated.

The objective evidence which indicates impairment in fair value of available-for-sale equity instruments includes the significant and prolonged decline 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 original cost at initial recognition by more than 50% (including 50%) or the period in which the fair value of the investment has been blow that original cost has lasted for no less than 1 year. While if the fair value is between 20% to 50% lower than the original cost, the Group will take other factors such as price fluctuation into consideration to estimate whether the equity instrument has impaired or not. The original cost of available-for-sale equity instruments is determined by using weighted average method.

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.

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(9) Financial instruments *(continued)*

(a) Financial assets *(continued)*

(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 mainly comprise 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 when it is applicable under current conditions and there are enough available data and other information to support. The valuation technique mainly includes market approach and income approach, etc. The valuation technique used should maximise the use of relevant observable inputs and minimize unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(10) Receivables

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

(a) Receivables 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 others |

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 | Provision 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% |

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(10) Receivables *(continued)*

- (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 comprise 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 the 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 and the net asset of which is attribute to the Group. Associates are the investees that the Group has significant influence on their financial and operating policies.

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

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

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 shareholders' 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 shareholders' 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.

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(12) Long-term equity investments (continued)

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

Control is the power over the investee when the investor is exposed, or has rights, to variable returns from its involvement with the investees, and has the ability to affect those returns through its power over the investees.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities 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 are 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)).

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(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 adopted for fixed asset that are self-owned. When a leased asset can be reasonably determined that its ownership will be transferred at the end of the lease term, it is depreciated over the period of expected use; otherwise, the leased asset is depreciated over the shorter period of the lease term and the period of expected use.

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(14) Fixed assets *(continued)*

(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 disposals 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 comprise land use rights, trademarks, sales networks, computer software, technology known-how and others. All intangible assets are measured at cost. The intangible assets contributed by the State shareholders at the reorganisation of the Company into a corporation are recognised based on the revaluated amounts as approved by the state-owned assets administration department.

(a) Land use rights

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

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(17) Intangible assets (continued)

(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) Baotuquan Sales Co., Ltd. (“Baotuquan Company”), the sales network of Shandong Xin Immense Brewery Company Limited (“Immense Brewery Company”), the sales network of Suntory (shanghai) market service Co., Ltd. (“Shanghai Market Service”) and the sales network of The Prince (Lian Yungang) beer sales Co., Ltd. (“The Prince Sales”). 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;
- 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.

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(17) Intangible assets *(continued)*

(g) *Research and development (continued)*

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.

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(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 or compensation to employees for termination of the employment relationship.

(a) Short-term employee benefits

The Group recognises short-term employee benefits as liabilities and losses (or assets) during the period employees render service to the Group. Non-monetary benefits are measured in accordance with fair value.

(b) Basic social pension security

Employees of the Group participate in the basic social pension plan set up and administered by the government authorities. Basic pensions are provided monthly according to stipulated proportions and basis, which are paid to local labour and social security institutions. After retirement of employees, local labour and social security institutions will pay related pensions to employees accordingly. The Group recognises these employee benefits as liabilities and losses (or assets) during the period employees render service to the Group.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as liabilities and losses (or assets) at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of termination plan; and (b) when the Group recognises costs for restructuring and involves the payment of termination benefits.

(d) Early retirement benefits

The Group provides early retirement benefits to employees who accept early retirement arrangements. Early retirement benefits mean wages 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 normal retirement ages. The Group pays early retirement benefits for the period from the early retirement date to their normal retirement date. The Group accounts for early retirement benefits as termination benefits. When the recognition criteria in respect of termination benefits are met, the early retirement benefits proposed to be paid by the Group are recognised as liabilities, with a corresponding charge to profit or loss for the period. The difference resulting from the charge of actuarial assumptions and benefit level is recognised as profit or loss as occurred.

(e) Supplemental retirement benefits

Approved by the Company's Board of Directors on 16 December 2013, in addition to the normal social pension plans, the Group also provides supplementary retirement benefits to those employees qualified for certain criteria and retired before 31 December 2013. Such supplementary benefits are classified as defined benefit plans. The defined benefit obligation liability recognised in the balance sheet is the present value of the defined benefit obligation, net of the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuary, using the Projected Unit Credit actuarial cost method and interest rates of government bonds that have terms to maturity approximating to the terms of the related pension obligation. The Group shall recognise the service fees and net interest income related to supplemental retirement benefits as assets or expenses, the change due to re-measurement of net defined benefit obligation liabilities or net assets is recognised as other comprehensive income.

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(21) Dividends distribution

Cash dividend is recognised as a liability for the period in which the dividend is approved by the shareholders' 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 amortised cost using the effective interest method.

(23) Revenue recognition

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

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

(a) *Sale of goods*

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

(b) *Rendering of services*

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

(c) *Transfer of asset use rights*

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

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

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(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.

Grants related to assets are those obtained for formation of long-term assets by purchase, construction or acquisition in other ways. Grants related to income are government grants other than those related to assets.

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

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

(25) Deferred tax assets and deferred tax liabilities

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

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

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

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.

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(26) Leases

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

(a) Operating leases

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

(b) Finance leases

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

(27) Held for sale and discontinued operations

Non-current assets or disposal groups are classified as assets held for sale when: (1) the non-current asset or disposal groups in current conditions can be sold immediately according to trade practices; (2) the Group has made a resolution and been approved for disposal of the non-current asset or disposal groups; (3) an irrevocable contract with the transferee has been signed and; (4) 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 assets held for sale are stated at to the lower of carrying amount and the fair value less costs to sell. Any excess of the original carrying amount over the fair value less costs to sell is recognised as asset impairment loss.

The assets and liabilities in the non-current asset or disposal groups which have been classified as assets held for sale are classified as current assets and current liabilities.

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, can be clearly distinguished operationally and for financial reporting purposes from the rest of the Group and (a) represents a separate major line of business or geographical area of operations, (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or (c) is a subsidiary acquired exclusively with a view to resale.

(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 generate 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.

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(29) Changes in significant accounting policies

| Details and reasons for the changes | Procedures for approval | Affected items | Amount |
|---|--|--|--|
| As stated in Note 2(1), the Group early adopted the revised CAS No.9 – Employee benefits, issued by the Ministry of Finance in 2014 in preparation of financial statements of the Group. There is no impact on comparative figures since the company implement supplemental retirement benefits plan in 2013. | The changes in accounting policies have been approved by the Board of the Company. | Increase employee benefits payable and other non-current liabilities of the Group as of 31 December 2013, increase general and administrative expenses of the Group for the year ended 31 December 2013. | RMB13,830,000 RMB181,880,000, and RMB195,710,000 respectively |

(30) Critical accounting estimates and judgments

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

(a) Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next 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(15)).

If management revises the gross margin that is used in the calculation of the future cash flows of asset groups and groups of asset groups, and the revised gross margin is lower than the one currently used, the Group would need to recognise further impairment against goodwill.

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

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

(ii) Accounting estimates on impairment of fixed assets

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

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(30) Critical accounting estimates and judgments *(continued)*

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

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

In 2013, the Group recognised impairment losses amounting to RMB10,302,603 (2012: RMB6,138,436) for fixed assets based on such evaluation. As at 31 December 2013, the Group recognised the cumulative provision for fixed assets impairment amounting to RMB627,722,952 (31 December 2012: RMB668,839,833) (Note 5(11)).

If management revises the gross margin that is used in the calculation of the future cash flows of asset groups and groups of asset groups, and the revised gross margin is lower than the one currently used, the Group would need to recognise further impairment against fixed assets.

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

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

(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 (benefits) and balances of deferred tax. Deviation of aforesaid estimates could result in material adjustment to the carrying amount of deferred income tax.

As at 31 December 2013, deferred tax assets of RMB700,162,187 has been recognised in the Group's balance sheet. As stated in Note 5(17), the Group had unrecognised deferred tax assets aggregated to approximately RMB440,298,000 as at 31 December 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 have 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 those subsidiaries concerned. In cases where the actual future assessable profits 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 amortisation expense in future periods.

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(30) Critical accounting estimates and judgments (continued)

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

(v) Net realisable values of inventories

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

(vi) Supplemental retirement benefits

As stated in Note 2 (20)(e), the present value of the supplemental retirement benefit obligation estimated on an actuarial basis using a number of assumptions. The actuarial assumptions, in which discount rate was determined by government bonds of China and the mortality rate was based on published statistics by China Life Annuitant Mortality Table 2000-2003, are the best estimation on the supplemental retirement benefit obligations on balance sheet date. Any changes in these assumptions will have impact on the carrying amount of supplemental retirement benefit obligations, which will be recognised in the future years.

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 | <p>Sales Price of Beer</p> <p>More than or equal to RMB3,000 per ton</p> <p>Less than RMB3,000 per ton</p> | <p>Consumption Tax per Unit</p> <p>RMB250 per ton</p> <p>RMB220 per ton</p> | Not Applicable |
| 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% | |

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

3 Taxation (continued)

(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 current year is 25%.

(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 year at a progressive rate scale ranging from 3% to 12%.

(4) VAT

According to “the People’s Republic of China Value-added Tax Temporary Regulations” (“VAT Regulations”), the Group is subject to output VAT calculated at 17% of the domestic sales value of tangible goods. In addition, it is subject to a refund of 15% on its export sales of products based on an “exempt, credit, refund” policy enacted. The Group also pays input VAT on its purchases of raw materials and auxiliary materials, machineries and VAT taxable services which is deductible against output VAT on its sales in order to arrive at the net VAT amount payable to the PRC government.

(5) Consumption tax

Beers production, manufacturing consignment and beer product importation activities undertaken by the Group are subject to consumption tax in the PRC. For beer with an ex-factory price (including packaging materials and related deposits) of RMB3,000 or above per ton, the consumption tax is RMB250 per ton. For all other beer sold below that price, the consumption tax is levied at RMB220 per ton.

Tsingtao Brewery (Langfang) Company limited (“Langfang Company”), the subsidiary of the Company, had outstanding consumption balances in respect of prior years amounting to approximately RMB3,884,000. The consumption tax was held over according to the preferential treatment provided by local governments.

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

3 Taxation (continued)

(6) Withholding Tax

According to Circular Guoshuihan [2008] No. 897 “Notice on the issue about withholding Enterprise 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 enterprise 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 | Place of main operation | 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 | 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 | 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 | 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 | 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 | Guangdong, 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 | 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 | 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 | 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”)(iii) | Indirectly | Nanjing, the PRC | Jiangsu, the PRC | Wholesale and retail sale | RMB1,000 | Domestic trading of beer | Company limited | Ma Jiji | 72457556-3 |
| Tsingtao Brewery (Wuhu) Co., Ltd. (“Wuhu Company”) | Directly & Indirectly | Wuhu, the PRC | 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 | 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 | Shouguang, the PRC | Manufacturing | RMB60,610 | Manufacture and domestic trading of beer | Company limited | Yan Zhengguang | 72621713-7 |
| Tsingtao Brewery (Weifang) Co., Ltd. (“Weifang Company”) | Directly | Weifang, the PRC | Weifang, the PRC | Manufacturing | RMB75,000 | Manufacture and domestic trading of beer | Company limited | Dong Jianjun | 72074366-2 |

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

4 Business combination and the consolidated financial statements (continued)

(1) Information of subsidiaries (continued)

(a) Subsidiaries obtained through incorporation (continued)

| | Type | Place of registration | Place of main operation | Nature of business and principal activities | Registered capital '000 | Business scope | Nature | Legal representative | Code of organisation |
|---|-----------------------|-----------------------|-------------------------|---|----------------------------|--|-----------------|----------------------|----------------------|
| Tsingtao Brewery (Xuzhou) Huaihai Sales Co., Ltd. ("Huaihai Sales Company") (iii) | Indirectly | Xuzhou, the PRC | Jiangsu, 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 | 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 | 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 | 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 | Taierzhuang, the PRC | Manufacturing | RMB5,000 | Manufacture and domestic trading of Malt | Company limited | Qu Jun | 72329576-2 |
| Langfang Company | Directly & Indirectly | Langfang, the PRC | 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 | 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 | 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 | 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 | 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 | Mishan, the PRC | Manufacturing | RMB23,400 | Manufacture and domestic trading of beer | Company limited | Yang Huajiang | 72135373-8 |
| Tsingtao Brewery (Harbin) Co., Ltd. ("Harbin Company") | Directly | Harbin, the PRC | 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 | 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 | Pingyuan, the PRC | Manufacturing | RMB25,000 | Manufacture and domestic trading of beer | Company limited | Huang Zuijiang | 16741611-2 |
| Tsingtao Brewery (Rizhao) Co., Ltd. ("Rizhao Company") | Directly | Rizhao, the PRC | 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 | Sichuan, 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") | Directly | Luzhou, the PRC | 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 | Taizhou, the PRC | Manufacturing | RMB70,000 | Manufacture and domestic trading of beer | Company limited | Huang Zuijiang | 72585057-1 |

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

4 Business combination and the consolidated financial statements (continued)

(1) Information of subsidiaries (continued)

(a) Subsidiaries obtained through incorporation (continued)

| | Type | Place of registration | Place of main operation | Nature of business and principal activities | Registered capital '000 | Business scope | Nature | Legal representative | Code of organisation |
|--|-----------------------|-----------------------|-------------------------|---|----------------------------|---|-----------------|----------------------|----------------------|
| Tsingtao Brewery (Hong Kong) Trading Co., Ltd. ("Hong Kong Company") | Directly | Hong Kong, the PRC | 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 | 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 | Beijing, the PRC | Wholesale and retail sale | RMB89,980 | Domestic trading of beer | Company limited | Yang Huajiang | 72261954-2 |
| Qingdao Guangrunlong Logistics Co., Ltd. ("Guangrunlong Logistics") | Directly | Qingdao, the PRC | Shandong, the PRC | Logistics | RMB618 | Domestic warehousing and trading of beer | Company limited | Liu Shuwei | 72401460-0 |
| Tsingtao Brewery (Xiamen) Co., Ltd. ("Xiamen Company") | Indirectly | Xiamen, the PRC | 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 | Xiamen, the PRC | Wholesale and retail sale | RMB215,000 | Domestic trading of beer | Company limited | Wang Ruiyong | 73786016-0 |
| Tsingtao Brewery (Jinan) Co., Ltd. ("Jinan Company") | Directly | Jinan, the PRC | 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 | 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 | Yulin, the PRC | Manufacturing | RMB55,000 | Manufacture and domestic trading of beer | Company limited | Zhang Anwen | 78695254-7 |
| Tsingtao Brewery Chengyang Sales Co., Ltd. ("Chengyang Sales Company") | Directly | Qingdao, the PRC | Qingdao, the PRC | Manufacturing | RMB8,000 | Whole sale and pre-packaged food | Company limited | Cai Zhiwei | 69715829-6 |
| Tsingtao Brewery Chenzhou Sales Co., Ltd. ("Chenzhou Sales Company") | Indirectly | Chenzhou, the PRC | Chenzhou, the PRC | Wholesale and retail sale | RMB1,000 | Domestic trading of beer | Company limited | Dai Guoshun | 73474630-3 |
| Tsingtao Brewery Machinery and Equipment Co., Ltd. ("Machinery and Equipment Company") | Indirectly | Qingdao, the PRC | Qingdao, the PRC | Construction | RMB2,000 | Manufacture and trading of machinery, electrical equipment accessory | Company limited | Wang Zhaoqing | 68257486-0 |
| Tsingtao Brewery (Shijiazhuang) Co., Ltd. ("Shijiazhuang Company") | Directly | Shijiazhuang, the PRC | Shijiazhuang, the PRC | Manufacturing | RMB321,010 | Manufacture and domestic trading of beer | Company limited | Lu Xujun | 55607563-0 |
| Tsingtao Brewery (Taiyuan) Co., Ltd. ("Taiyuan Company") | Directly | Taiyuan, the PRC | 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") | Directly | Qingdao, the PRC | 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 |

(ii)

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

4 Business combination and the consolidated financial statements (continued)

(1) Information of subsidiaries (continued)

(a) Subsidiaries obtained through incorporation (continued)

| Type | Place of registration | Place of main operation | Nature of business and principal activities | Registered capital '000 | Business scope | Nature | Legal representative | Code of organisation | |
|--|-----------------------|-------------------------|---|----------------------------|----------------|--|----------------------|----------------------|------------|
| Tsingtao Brewery Sifang Sales Co., Ltd. ("Sifang Sales Company") | Directly | Qingdao, the PRC | Qingdao, the PRC | Wholesale and retail sale | RMB10,000 | Whole sale and pre-packaged food | Company limited | Cai Zhiwei | 57976276-7 |
| Tsingtao Brewery (Jieyang) Co., Ltd. ("Jieyang Company") | Directly | Jieyang, the PRC | 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 | 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 | Chengmai, the PRC | Manufacturing | RMB200,000 | Manufacture and domestic trading of beer | Company limited | Zhao Jun | 58394661-4 |
| Tsingtao Brewery Shibe Sales Co., Ltd. ("Shibe Sales Company") | Directly | Qingdao, the PRC | Qingdao, the PRC | Wholesale and retail sale | RMB8,000 | Whole sale and pre-packaged food | Company limited | Wang Ruiyong | 59529728-7 |
| Tsingtao Brewery (Jiujiang) Co., Ltd. ("Jiujiang Company") | Directly | Jiujiang, the PRC | 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 Company") | Directly | Qingdao, the PRC | Qingdao, the PRC | Wholesale and retail sale | RMB5,000 | Whole sale and pre-packaged food | Company limited | Wang Ruiyong | 05308936-0 |
| Shanghai Tsingtao Brewery Sales Co., Ltd. ("New Shanghai Sales") (iii) | Indirectly | Shanghai, the PRC | Shanghai, the PRC | Wholesale and retail sale | RMB1,000 | Whole sale and pre-packaged food | Company limited | Ma Jiji | 05458196-3 |
| Tsingtao Brewery (Xuzhou) Enterprise Management Service Co., Ltd. ("Xuzhou Enterprise Management") | Directly | Xuzhou, the PRC | Xuzhou, the PRC | Wholesale and retail sale | RMB10,000 | Whole sale, pre-packaged food and asset management | Company limited | Liu Yingdi | 05867534-2 |
| Tsingtao Brewery (Luoyang) Co., Ltd. ("Luoyang Company") | Directly | Luoyang, the PRC | 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") (iii) | Directly | Shanghai, the PRC | Shanghai, the PRC | Wholesale and retail sale | RMB20,000 | Whole sale and pre-packaged food | Company limited | Wang Ruiyong | 06257661-1 |
| Qingdao Hongjiweiye Investment Co., Ltd. (Hongjiweiye) (iii) | Directly | Qingdao, the PRC | Qingdao, the PRC | Finance service | RMB10,000 | Investment management and advice | Company limited | Liu Yingdi | 08141700-X |

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

4 Business combination and the consolidated financial statements (continued)

(1) Information of subsidiaries (continued)

(a) Subsidiaries obtained through incorporation (continued)

| | 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 | — | 100% | 100% | Yes | — | — |
| Shanghai Sales Company | 100,300,000 | 20,000,000 | 100% | 100% | Yes | — | — |
| Nanjing Sales Company (iii),(iv) | 1,000,000 | — | 50% | 55.56% | Yes | — | — |
| Wuhu Company | 114,516,072 | 50,000,000 | 100% | 100% | Yes | — | — |
| Maanshan Company | 85,626,047 | — | 100% | 100% | Yes | — | — |
| Shouguang Company | 60,000,000 | — | 99% | 99% | Yes | 1,905,870 | — |
| Weifang Company | 73,620,001 | — | 100% | 100% | Yes | — | — |
| Huaihai Sales Company (iii),(iv) | 45,000,000 | — | 50% | 55.56% | Yes | — | — |
| Xuecheng Company | 2,078,659 | 125,000,000 | 85% | 85% | Yes | (10,373,707) | — |
| Tengzhou Company | 49,158,799 | — | 100% | 100% | Yes | — | — |
| Heze Company | 128,549,814 | 15,000,000 | 100% | 100% | Yes | — | — |
| Taierzhuang Malt | 5,000,000 | 22,500,000 | 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 | 2,999,952 | 2,780,571 |
| Xingkaihu Company | 129,430,000 | 7,000,000 | 100% | 100% | Yes | — | — |
| Mishan Company | 23,920,000 | 75,700,000 | 100% | 100% | Yes | — | — |
| Harbin Company | 109,940,000 | 39,000,000 | 100% | 100% | Yes | — | — |
| Import/Export Company | 11,210,000 | — | 100% | 100% | Yes | — | — |
| Pingyuan Company | 21,730,001 | — | 100% | 100% | Yes | — | — |
| Rizhao Company | 339,239,300 | — | 100% | 100% | Yes | — | — |
| Xinan Sales Company | 99,200,000 | — | 100% | 100% | Yes | — | — |
| Luzhou Company | 110,518,371 | — | 95% | 95% | Yes | 6,167,505 | — |
| Taizhou Company | 62,808,167 | — | 100% | 100% | Yes | — | — |
| Hong Kong Company | 41,728,681 | — | 100% | 100% | Yes | — | — |
| Hanzhong Company | 46,093,340 | — | 66% | 66% | Yes | 12,942,466 | — |
| Beifang Sales Company | 88,481,000 | — | 100% | 100% | Yes | — | — |
| Guangrunlong Logistics | 16,465,405 | 1,150,000 | 100% | 100% | Yes | — | — |
| Xiamen Company | 92,289,095 | — | 100% | 100% | Yes | — | — |
| Dongnan Sales Company | 293,862,688 | — | 100% | 100% | Yes | — | — |
| Jinan Company | 560,000,000 | — | 100% | 100% | Yes | — | — |
| Chengdu Company | 200,000,000 | 63,000,000 | 100% | 100% | Yes | — | — |
| Yulin Company | 54,442,237 | — | 100% | 100% | Yes | — | — |

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

4 Business combination and the consolidated financial statements (continued)

(1) Information of subsidiaries (continued)

(a) Subsidiaries obtained through incorporation (continued)

| | 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 |
|------------------------------------|--|---|----------------------|----------------------|------------------------|-----------------------|---|
| Chengyang Sales Company | 8,000,000 | — | 100% | 100% | Yes | — | — |
| Chenzhou Sales Company | 50,000 | — | 100% | 100% | Yes | — | — |
| Machinery and Equipment Company | 2,000,000 | — | 100% | 100% | Yes | — | — |
| Shijiazhuang Company | 321,010,000 | — | 100% | 100% | Yes | — | — |
| Taiyuan Company | 200,000,000 | — | 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 | 56,936,973 | — |
| 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 | 40,000,000 | 90% | 90% | Yes | 20,045,200 | — |
| Pingdu Sales Company | 5,000,000 | — | 100% | 100% | Yes | — | — |
| New Shanghai Sales (iii),(iv) | 1,000,000 | 15,000,000 | 50% | 55.56% | Yes | — | — |
| Xuzhou Enterprise Management | 10,000,000 | — | 100% | 100% | Yes | — | — |
| Luoyang Company | 200,000,000 | — | 100% | 100% | Yes | — | — |
| Sales Company (iii),(iv) | 10,000,000 | 10,000,000 | 50% | 55.56% | Yes | (486,133,665) | 86,533,866 |
| Hongjiweiye (iii) | 10,000,000 | — | 100% | 100% | Yes | — | — |
| Total | 6,067,895,822 | 483,350,000 | | | | (395,509,406) | 89,314,437 |

(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 has been completed in April 2013 as well.

(iii) Details of changes in investment refer to Note 4(2) and Note 4(4).

(iv) Details of minority interests refer to Note 4(5)(i).

As at 31 December 2013, there is no debenture issued by the subsidiaries of the Company.

The Group has no restrictions either on use of group assets or pay off the group liabilities.

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

4 Business combination and the consolidated financial statements (continued)

(1) Information of subsidiaries (continued)

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

| | Type | Place of registration | Place of main operation | 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 | 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 | 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 | 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 | 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 | 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 | Beijing, the PRC | Manufacturing | RMB862,000 | Manufacture and domestic trading of beer | Company limited | Liu Yingdi | 60002535-9 |
| Tsingtao Brewery (Weinan) Co., Ltd. ("Weinan Company") | Directly & Indirectly | Weinan, the PRC | 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 | Lanzhou, the PRC | Manufacturing | RMB174,420 | Manufacture and domestic trading of beer | Stock corporation | Zhang Anwen | 71020161-6 |
| Tsingtao Brewery (Wuwei) Company Co., Ltd. ("Wuwei Company") | Indirectly | Wuwei, the PRC | Wuwei, 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 | Rongcheng, the PRC | Manufacturing | RMB20,000 | Manufacture and domestic trading of beer | Company Limited | Huang Zujiang | 26712457-1 |
| Tsingtao Brewery (Suizhou) Company Limited ("Suizhou Company") | Indirectly | Suizhou, the PRC | 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 | Fuzhou, the PRC | Manufacturing | USD26,830 | Manufacture and domestic trading of beer | Company Limited | Sui Zhanping | 61131714-6 |
| Tsingtao Brewery (Zhangzhou) Co., Ltd. ("Zhangzhou Company") | Indirectly | Zhangzhou, the PRC | 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 | Qingdao, the PRC | Construction | RMB13,140 | Indoor decoration, industrial equipment fixing | Company Limited | Liu Yingdi | 26480798-3 |

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

4 Business combination and the consolidated financial statements (continued)

(1) Information of subsidiaries (continued)

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

| | Type | Place of registration | Place of main operation | Nature of business and principal activities | Registered capital '000 | Business scope | Nature | Legal representative | Code of organisation |
|--|------------|-----------------------|-------------------------|---|----------------------------|--|-----------------|----------------------|----------------------|
| Tsingtao Brewery (Penglai) Co., Ltd. ("Penglai Company") | Directly | Penglai, the PRC | Penglai, the PRC | Manufacturing | RMB37,500 | Manufacture and domestic trading of beer | Company Limited | Huang Zujiang | 72073544-3 |
| Tsingtao Brewery Cultural Communication Co., Ltd. ("Cultural Communication Company") | Directly | Qingdao, the PRC | Qingdao, the PRC | Manufacturing | RMB3,500 | Pre-packaged food, accommodation and design | Company Limited | Qiao Xinjian | 26462903-X |
| Tsingtao Brewery Beverage Co., Ltd. ("Beverage Company") | Directly | Qingdao, the PRC | Qingdao, the PRC | Manufacturing | RMB110,000 | Manufacture and domestic trading of beverage | Company Limited | Xie Jianqiang | 72402575-6 |
| Baotouquan Company | Directly | Jinan, the PRC | Jinan, the PRC | Wholesale and retail sale | RMB20,000 | Domestic trading of beer | Company Limited | Yan Zhengguang | 67727382-8 |
| Immense Brewery company | Directly | Mengyin, the PRC | Shandong, the PRC | Manufacturing | USD18,760 | Manufacture and domestic trading of beer | Company Limited | Liu Yingdi | 78715752-9 |
| Tsingtao Brewery (Hangzhou) Co., Ltd. ("Hangzhou Company") | Directly | Jiande, the PRC | 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 | Macau, the PRC | Wholesale and retail sale | MOP200 | Trading of beer in Macau | Company limited | Ma Ning | Not Applicable |
| Shanghai Market Service (iii) | Indirectly | Shanghai, the PRC | Shanghai, the PRC | Wholesale and retail sale | RMB208,870 | Wholesale and Pre-packaged food | Company limited | Ma Jiji | 60740995-3 |
| The Prince Sales (iii) | Indirectly | LianYungang, the PRC | Jiangsu, the PRC | Wholesale and retail sale | RMB1,000 | Wholesale and Pre-packaged food | Company limited | Ma Jiji | 05189831-6 |

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

4 Business combination and the consolidated financial statements (continued)

(1) Information of subsidiaries (continued)

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

| | Ending balance of actual contribution | Ending balance of other items which forms substantially a part of net investment in 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 | 28,542,904 | — |
| Chenzhou Company | 71,921,877 | — | 100% | 100% | Yes | — | — |
| Shenzhen Asahi | 126,746,680 | — | 51% | 51% | Yes | 214,142,102 | — |
| Nanning Company | 270,495,918 | — | 75% | 75% | Yes | 46,538,455 | — |
| Three Ring Company | 73,846,179 | 93,000,000 | 54% | 54% | Yes | (13,389,855) | — |
| Five Star Company | 75,917,538 | 96,000,000 | 62.64% | 62.64% | Yes | (23,469,541) | — |
| Weinan Company | 50,693,709 | — | 100% | 100% | Yes | — | — |
| Gansu Nongken Company | 64,292,092 | 40,000,000 | 55.06% | 55.06% | Yes | (56,223,592) | — |
| Wuwei Company | 35,710,000 | 23,000,000 | 54.91% | 99.72% | Yes | 97,442 | — |
| Rongcheng Company | 65,103,434 | — | 70% | 70% | Yes | 1,181,179 | — |
| Suizhou Company | 9,000,000 | — | 90% | 90% | Yes | (2,744,854) | 781,988 |
| Fuzhou Company | 68,094,738 | — | 100% | 100% | Yes | — | — |
| Zhangzhou Company | 69,367,401 | — | 90% | 90% | Yes | 11,397,977 | — |
| Construction Company | 2,490,000 | — | 100% | 100% | Yes | — | — |
| Penglai Company | 30,000,000 | 67,300,000 | 80% | 80% | Yes | (13,174,273) | 1,081,162 |
| Cultural Communication Company | 5,290,000 | — | 100% | 100% | Yes | — | — |
| Beverage Company | 44,000,001 | 20,000,000 | 100% | 100% | Yes | — | — |
| Baotouquan Company | 174,160,000 | — | 100% | 100% | Yes | — | — |
| Immense Brewery Company | 1,874,866,697 | — | 100% | 100% | Yes | — | — |
| Hangzhou Company | 186,000,000 | — | 80% | 80% | Yes | 37,080,459 | 806,142 |
| Macau Company (ii) | 97,365 | — | 60% | 100% | Yes | 9,351,956 | — |
| Shanghai Market Service (iii) | 1 | — | 50% | 55.56% | Yes | — | — |
| The Prince Sales (iii) | 2 | — | 50% | 55.56% | Yes | — | — |
| Total | 3,356,883,509 | 339,300,000 | | | | 239,330,359 | 2,669,292 |

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

(ii) As stated in Note 5(34), Hong Kong Company acquired 15% equity interest of Macau Company, a subsidiary of the Company, in May 2013 by a consideration of RMB23,013. 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 based on the new shareholding proportion is adjusted against the capital surplus by RMB3,074,969.

(iii) Details of changes in investment refer to Note 4(2); details of minority interests refer to Note 4(5)(i).

As at 31 December 2013, there is no debenture issued by the subsidiaries of the Company.

The Group has no restrictions either on use of group assets or pay off the group liabilities.

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

4 Business combination and the consolidated financial statements (continued)

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

| | Net assets on 31 December 2013 | Net profits/ (losses) for the current year |
|------------------------------|--------------------------------------|--|
| Sales Company (i) | 15,013,443 | (4,986,553) |
| Shanghai Market Service (ii) | (438,331,331) | (47,509,537) |
| The Prince Sales (ii) | (26,586,912) | (26,274,299) |
| Hongjiweiye (iii) | 10,005,388 | 5,388 |

(i) Sales Company is the subsidiary jointly established by the Company and Suntory (China) Investment Company Limited (“Suntory Company”) on 20 March 2013. The Company’s percentage of equity interests is 50%, while the voting rate is 55.56%. All operating activities decisions are made by the board of directors in Sales Company, and only when at least half of the directors attending the meeting agree that the decisions could be made. There are 9 directors in total in Sales Company and 5 directors are from the Company, so the Company has control over Sales Company. Net losses for the current year are from the establishment date to 31 December 2013.

(ii) Shanghai Market Service and Prince Sales are subsidiaries of Sales Company. Net losses for the current year are from the acquisition date to 31 December 2013.

(iii) Hongjiweiye is the wholly owned subsidiary established by the Company in the current year. Net profits for the current year are from the establishment date to 31 December 2013.

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

| | Net assets at the disposal date | Net profit/ (losses) from 1 January 2013 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 be an associate of the Company from a subsidiary in the current year.

(ii) All these companies are subsidiaries of Manufacturing Company, as stated above, Manufacturing Company has changed to be an associate of the Company, these companies have changed to be associates in the current year as well.

(4) Decrease investment in subsidiaries of the Company

As stated in Note 12(1)(i), the Company transfer its equity interest of Nanjing Sales Company, Huaihai Sales Company and New Shanghai Sales to Sales Company in which the Company holds 50% of equity interests. Hence, the Company’s proportion of shares in the three companies changed from 100% to 50% accordingly.

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

4 Business combination and the consolidated financial statements (continued)

(5) Subsidiaries with significant minority interests

| | As at 31 December 2013 Minority interests | Year ended 31 December 2013 Minority interests | Total proposed dividend in the year ended 31 December 2013 attributable to the minority shareholders of subsidiaries |
|---------------------------------|---|--|--|
| Shenzhen Asahi Sales Company | 214,142,102 (486,133,665) | 46,486,012 (86,533,866) | (37,852,500) — |
| | <u>(271,991,563)</u> | <u>(40,047,854)</u> | <u>(37,852,500)</u> |

Major financial information in this year

| | As at 31 December 2013 | | | | |
|-------------------|------------------------|-----------------------|------------------------|----------------------------|-------------------------|
| | Current assets | Non-current assets | Current liabilities | Non-current liabilities | Shareholders' equity |
| Shenzhen Asahi | 153,181,692 | 620,888,488 | (329,622,868) | (6,677,083) | 437,770,229 |
| Sales Company (i) | 196,127,652 | 86,320,969 | (1,237,169,195) | (17,546,757) | (972,267,331) |
| | <u>349,309,344</u> | <u>707,209,457</u> | <u>(1,566,792,063)</u> | <u>(24,223,840)</u> | <u>(534,497,102)</u> |
| | As at 31 December 2012 | | | | |
| | Current assets | Non-current assets | Current liabilities | Non-current liabilities | Shareholders' equity |
| Shenzhen Asahi | 146,206,371 | 646,360,275 | (366,548,670) | (6,612,690) | 419,405,286 |

Notes to Financial Statements

For the Year Ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

4 Business combination and the consolidated financial statements (continued)

(5) Subsidiaries with significant minority interests (continued)

| | Year ended 31 December 2013 | | | | |
|----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|--|
| | Revenue | Total profit | Net profit/(loss) | Other comprehensive income | Total comprehensive income/(loss) |
| Shenzhen Asahi Sales Company (i) | 1,164,865,545 | 127,886,405 | 95,614,943 | — | 95,614,943 |
| | 2,095,851,007 | (565,443,154) | (564,202,141) | — | (564,202,141) |
| | <u>3,260,716,552</u> | <u>(437,556,749)</u> | <u>(468,587,198)</u> | <u>—</u> | <u>(468,587,198)</u> |
| | Year ended 31 December 2012 | | | | |
| | Revenue | Total profit | Net profit | Other comprehensive income | Total comprehensive income |
| Shenzhen Asahi | 1,314,351,387 | 115,120,988 | 85,837,868 | — | 85,837,868 |
| | Year ended 31 December 2013 | | | | |
| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at beginning of year | Cash and cash equivalents at end of year |
| Shenzhen Asahi Sales Company (i) | 191,510,630 | (38,886,128) | (150,835,438) | 707,979 | 2,497,043 |
| | (135,349,309) | (6,347,209) | 80,883,244 | 94,268,695 | 33,455,421 |
| | <u>56,161,321</u> | <u>(45,233,337)</u> | <u>(69,952,194)</u> | <u>94,976,674</u> | <u>35,952,464</u> |
| | Year ended 31 December 2012 | | | | |
| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at beginning of year | Cash and cash equivalents at end of year |
| Shenzhen Asahi | 151,252,770 | (57,230,723) | (95,457,188) | 2,143,120 | 707,979 |

Financial information above doesn't include the intra-group elimination amount.

- (i) Financial statements of Sales Company are the consolidated financial statement with its subsidiaries Nanjing Sales Company, Huaihai Sales Company, New Shanghai Sale, Shanghai Market Service and The Prince Sales. Operating results and cashflows for the current year are from the establishment date to 31 December 2013.

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

| | Assets and liabilities | |
|-------------------|------------------------|------------------|
| | 31 December 2013 | 31 December 2012 |
| Hong Kong Company | HKD1 = RMB0.7862 | HKD1 = RMB0.8109 |
| Macau Company | MOP1 = RMB0.7588 | 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 date of the transactions.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements

(1) Cash at bank and on hand

| | 31 December 2013 | | | 31 December 2012 | | |
|-------------------------------|---------------------|------------------|----------------------|---------------------|------------------|----------------------|
| | Foreign currency | Exchange rate | RMB | Foreign currency | Exchange rate | RMB |
| Cash on hand | | | | | | |
| RMB | — | — | 469,735 | — | — | 425,980 |
| HKD | 11,341 | 0.7862 | 8,916 | 16,650 | 0.8109 | 13,501 |
| MOP | 822 | 0.7588 | 624 | 17,451 | 0.7804 | 13,619 |
| | | | <u>479,275</u> | | | <u>453,100</u> |
| Bank deposits | | | | | | |
| RMB | — | — | 569,702,701 | — | — | 1,349,596,216 |
| USD | 7,671,969 | 6.0969 | 46,775,228 | 8,194,195 | 6.2855 | 51,504,613 |
| HKD | 68,854,679 | 0.7862 | 54,133,549 | 235,092,183 | 0.8109 | 190,636,251 |
| EUR | 606,570 | 8.4189 | 5,106,652 | 5,858 | 8.3176 | 48,725 |
| MOP | 17,016,443 | 0.7588 | 12,912,077 | 9,144,188 | 0.7804 | 7,136,124 |
| | | | <u>688,630,207</u> | | | <u>1,598,921,929</u> |
| Interbank deposits (i) | | | | | | |
| RMB | — | — | 6,674,424,658 | — | — | 4,637,688,863 |
| USD | 5,145,321 | 6.0969 | 31,370,508 | 5,110,233 | 6.2855 | 32,120,370 |
| | | | <u>6,705,795,166</u> | | | <u>4,669,809,233</u> |
| Deposits in central bank (ii) | | | | | | |
| RMB | — | — | 1,092,900,000 | — | — | 802,560,000 |
| Other cash balances (iii) | | | | | | |
| RMB | — | — | 43,915,438 | — | — | 46,503,779 |
| | | | <u>8,531,720,086</u> | | | <u>7,118,248,041</u> |

(i) Interbank deposits represents bank deposits reserved in other domestic banks by Finance Company.

(ii) Deposits in central bank represents statutory deposit reserves in the People's Bank of China by Finance Company. At 31 December 2013, the statutory deposit reserve ratio of Finance Company is 15% (31 December 2012: 15%).

(iii) As at 31 December 2013, other cash balances of RMB11,698,305 (31 December 2012: RMB8,413,180) are pledged as collateral for issuance of bank acceptance (Note 5(21)); other cash balances of RMB31,297,133 (31 December 2012: RMB31,165,986) represent housing maintenance fund deposited in the bank; other cash balances of RMB920,000 (31 December 2012: nil) represent deposits in Alipay for online sales.

Cash and cash equivalent presented in cash flow statements

| | 31 December 2013 | 31 December 2012 |
|---|----------------------|----------------------|
| Cash at bank and on hand | 8,531,720,086 | 7,118,248,041 |
| Less: Deposits in central bank under restrictions | (1,092,900,000) | (802,560,000) |
| Other deposits under restrictions | (43,915,438) | (46,503,779) |
| | <u>7,394,904,648</u> | <u>6,269,184,262</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(2) Notes receivable

| | 31 December 2013 | 31 December 2012 |
|-----------------------|---------------------|---------------------|
| Bank acceptance notes | <u>84,760,000</u> | <u>61,800,000</u> |

As at 31 December 2013, analysis for the five largest notes receivable and others that are not mature but have been endorsed to other parties are as follows:

| Issued Company | Issuance date | Maturity date | Amount |
|----------------------------|----------------|----------------|--------------------|
| Client A | 25/07/2013 | 09/01/2014 | 31,500,000 |
| Client A | 25/09/2013 | 25/03/2014 | 19,300,000 |
| Client A | 26/08/2013 | 26/02/2014 | 15,100,000 |
| Client B | 09/09/2013 | 09/03/2014 | 13,000,000 |
| Client A | 24/10/2013 | 24/04/2014 | 11,500,000 |
| Others below RMB10,000,000 | Not Applicable | Not Applicable | <u>230,132,455</u> |
| | | | <u>320,532,455</u> |

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

(3) Accounts receivable

| | 31 December 2013 | 31 December 2012 |
|-------------------------------|----------------------|----------------------|
| Accounts receivable | <u>354,377,376</u> | 312,427,165 |
| Less: provision for bad debts | <u>(202,084,640)</u> | <u>(229,742,109)</u> |
| | <u>152,292,736</u> | <u>82,685,056</u> |

The majority of the Group's domestic sales are collected by 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 as below:

| | 31 December 2013 | 31 December 2012 |
|--------------------|---------------------|---------------------|
| Within 6 months | <u>150,525,869</u> | 81,615,211 |
| 6 months to 1 year | <u>1,859,860</u> | 234,437 |
| 1 to 2 years | — | 1,694,260 |
| 2 to 3 years | <u>565,506</u> | 298,209 |
| Over 3 years | <u>201,426,141</u> | <u>228,585,048</u> |
| | <u>354,377,376</u> | <u>312,427,165</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(3) Accounts receivable (continued)

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

| | 31 December 2013 | | | | 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 | | |
| Individually significant and that the related provision for bad debts is provided on the individual basis | 36,801,710 | 10.38% | (36,801,710) | 100% | 45,101,710 | 14.44% | (45,101,710) | 100% |
| Subject to provision on the grouping basis | | | | | | | | |
| Group C | 317,575,666 | 89.62% | (165,282,930) | 52.05% | 267,325,455 | 85.56% | (184,640,399) | 69.07% |
| | <u>354,377,376</u> | <u>100%</u> | <u>(202,084,640)</u> | <u>57.03%</u> | <u>312,427,165</u> | <u>100%</u> | <u>(229,742,109)</u> | <u>73.53%</u> |

(c) As at 31 December 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 | Provision for bad debts | Ratio | Reason |
|--|-------------------|-------------------------|-------|--------|
| Gansu Nongken Brewery Company Limited (“Nongken Brewery Company”) | 14,996,236 | (14,996,236) | 100% | (i) |
| Beijing Tsingtao Brewery Sales Company Limited (“Beijing Sales Company”) | 11,245,784 | (11,245,784) | 100% | (ii) |
| Tsingtao Brewery (Guangzhou) General Agency Company Limited (“Guangzhou General Agency”) | 10,559,690 | (10,559,690) | 100% | (iii) |
| | <u>36,801,710</u> | <u>(36,801,710)</u> | | |

(i) As Nongken Brewery Company had been deregistered, the management of the Group is of the view that it is difficult to collect the receivable amount, therefore full bad debt provision has been made accordingly.

(ii) The Company has ceased all business transactions with Beijing Sales Company since year 2002, the management of the Company is of the view that it is difficult to collect the receivable amount, therefore full bad debt provision has been made accordingly.

(iii) As Guangzhou General Agency has ceased operation, the management of the Company is of the view that it is difficult to collect the receivable amount, therefore full bad debt provision has been made accordingly.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(3) Accounts receivable (continued)

(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:

| | 31 December 2013 | | | | 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 | 150,525,869 | 47.40% | — | — | 81,615,211 | 30.53% | — | — |
| 6 months to 1 year | 1,859,860 | 0.58% | (92,993) | 5% | 234,437 | 0.09% | (11,722) | 5% |
| 1 to 2 years | — | — | — | — | 1,694,260 | 0.63% | (847,130) | 50% |
| 2 to 3 years | 565,506 | 0.18% | (565,506) | 100% | 298,209 | 0.11% | (298,209) | 100% |
| Over 3 years | 164,624,431 | 51.84% | (164,624,431) | 100% | 183,483,338 | 68.64% | (183,483,338) | 100% |
| | 317,575,666 | 100% | (165,282,930) | 52.05% | 267,325,455 | 100% | (184,640,399) | 69.07% |

(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 year are as follows (2012: nil).

| | Reason for reversal/ collection | Basis for determining the provision for bad debts | Cumulative amount of provision provided before reversal/collection | Amount of reversal/collection |
|--------------------------|--|---|---|----------------------------------|
| Guangzhou General Agency | Collected in a proportion in the current year | The management of the Company considers that the possibility of recovery is low | 18,859,690 | 8,300,000 |

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

| | Nature | Amount | Reason | Arising from related party transactions or not |
|-----------------|---------------|------------------|---------------------|---|
| Huangshi Market | Sales of beer | 4,777,511 | Deregistration etc. | No |
| Taizhou Market | Sales of beer | 1,477,995 | Deregistration etc. | No |
| Heze Market | Sales of beer | 1,235,514 | Deregistration etc. | No |
| Others | Others | 403,185 | Deregistration etc. | No |
| | | 7,894,205 | | |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(3) Accounts receivable (continued)

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

| | 31 December 2013 | | 31 December 2012 | |
|--|------------------|-------------------------|------------------|-------------------------|
| | Amount | Provision for bad debts | Amount | Provision for bad debts |
| Asahi Breweries, Ltd. ("Asahi Breweries") | 1,856,920 | — | 1,703,799 | — |

- (h) As at 31 December 2013, the five largest accounts receivable are analysed as follows:

| | Relationship with the Group | Amount | Ageing | % of total balance |
|--|-----------------------------|------------|-----------------|--------------------|
| Tsingtao Brewery Shanghai Songjiang Manufacturing Co., Ltd. ("New Songjiang Manufacturing") | Associate | 21,550,620 | Within 6 months | 6.08% |
| Nongken Brewery Company (i) | Third party | 14,996,236 | Over 3 years | 4.23% |
| Beijing Sales Company (i) | Associate | 11,245,784 | Over 3 years | 3.17% |
| Guangzhou General Agency (i) | Associate | 10,559,690 | Over 3 years | 2.98% |
| Tsingtao Brewery Import&Export S.A.R.L ("European Company") | Associate | 8,979,371 | Within 6 months | 2.53% |
| | | 67,331,701 | | 18.99% |

- (i) Full bad debt provision has been made accordingly.

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

| | Relationship with the Group | 31 December 2013 | | | 31 December 2012 | | |
|--|-----------------------------|------------------|--------------------|-------------------------|------------------|--------------------|-------------------------|
| | | Amount | % of total balance | Provision for bad debts | Amount | % of total balance | Provision for bad debts |
| New Songjiang Manufacturing | Associate | 21,550,620 | 6.08% | — | — | — | — |
| Beijing Sales Company | Associate | 11,245,784 | 3.17% | (11,245,784) | 11,245,784 | 3.60% | (11,245,784) |
| Guangzhou General Agency | Associate | 10,559,690 | 2.98% | (10,559,690) | 18,859,690 | 6.04% | (18,859,690) |
| European Company | Associate | 8,979,371 | 2.53% | — | 10,475,314 | 3.35% | — |
| Pengcheng Company | Associate | 6,172,275 | 1.74% | — | — | — | — |
| Yangzhou Company | Associate | 5,726,964 | 1.62% | — | — | — | — |
| Xuzhou Company | Associate | 2,244,742 | 0.63% | — | — | — | — |
| Asahi Breweries | Shareholder of the Company | 1,856,920 | 0.52% | — | 1,703,799 | 0.55% | — |
| Suqian Company | Associate | 1,334,719 | 0.38% | — | — | — | — |
| Asahi Beer (China) Investment Co., Ltd. ("Asahi Investment") | Asahi Breweries' subsidiary | 438,049 | 0.12% | — | 616,798 | 0.20% | — |
| | | 70,109,134 | 19.77% | (21,805,474) | 42,901,385 | 13.74% | (30,105,474) |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(3) Accounts receivable (continued)

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

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

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

| | 31 December 2013 | | | 31 December 2012 | | |
|-----|------------------|---------------|-------------------|------------------|---------------|-------------------|
| | Amount | Exchange rate | RMB | Amount | Exchange rate | RMB |
| HKD | 39,132,753 | 0.7862 | 30,766,170 | 39,537,776 | 0.8109 | 32,061,183 |
| USD | 2,681,241 | 6.0969 | 16,347,258 | 3,136,324 | 6.2855 | 19,713,365 |
| EUR | 1,066,573 | 8.4189 | 8,979,371 | 1,264,892 | 8.3176 | 10,520,866 |
| MOP | 6,418,047 | 0.7588 | 4,870,014 | 6,392,179 | 0.7804 | 4,988,456 |
| CAD | 226,870 | 5.7259 | 1,299,035 | 194,078 | 6.3184 | 1,226,262 |
| | | | <u>62,261,848</u> | | | <u>68,510,132</u> |

(4) Other receivables

| | 31 December 2013 | 31 December 2012 |
|---|---------------------|---------------------|
| Receivables on construction and equipment (i) | 44,698,215 | — |
| Deposits | 33,574,454 | 17,065,831 |
| Staff advance | 27,967,711 | 29,403,125 |
| Payment on behalf for recycled bottles | 24,942,168 | 18,223,493 |
| Refund for prepayment of land use rights | 17,441,647 | 17,441,647 |
| Brand use fee (ii) | 12,639,838 | — |
| VAT refund | 6,190,446 | 2,741,233 |
| Others | 89,362,545 | 88,112,945 |
| | <u>256,817,024</u> | <u>172,988,274</u> |
| Less: provision for bad debts | <u>(73,421,557)</u> | <u>(85,696,384)</u> |
| | <u>183,395,467</u> | <u>87,291,890</u> |

(i) It represents the receivables of Construction Company and Machinery and Equipment Company, subsidiaries of the Company, from the Company's associates New Songjiang Manufacturing, Xuzhou Company, Pengcheng Company, Suqian Company and Yangzhou Company (Note 7(5)).

(ii) It represents the Company's brand use fee from May to December 2013 from New Songjiang Manufacturing, Xuzhou Company, Pengcheng Company, Suqian Company and Yangzhou Company according to the Brand Service Contract signed among the Company and these associates (Note 7(5)).

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(4) Other receivables (continued)

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

| | 31 December 2013 | 31 December 2012 |
|--------------------|---------------------|---------------------|
| Within 6 months | 174,597,753 | 78,373,877 |
| 6 months to 1 year | 3,801,297 | 3,468,822 |
| 1 to 2 years | 4,430,663 | 9,485,980 |
| 2 to 3 years | 5,126,417 | 5,101,603 |
| Over 3 years | 68,860,894 | 76,557,992 |
| | <u>256,817,024</u> | <u>172,988,274</u> |

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

| | 31 December 2013 | | | | 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 that the related provision for bad debts is provided on the individual basis | 17,441,647 | 6.79% | (17,441,647) | 100% | 17,441,647 | 10.08% | (17,441,647) | 100% |
| Subject to provision on the grouping basis | | | | | | | | |
| Group A | 7,851,446 | 3.06% | — | — | 2,643,835 | 1.53% | — | — |
| Group C | 231,523,931 | 90.15% | (55,979,910) | 24.18% | 152,902,792 | 88.39% | (68,254,737) | 44.64% |
| | <u>256,817,024</u> | <u>100%</u> | <u>(73,421,557)</u> | <u>28.59%</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 | Provision for bad debts | Ratio | Reason |
|--|----------------|----------------------------|-------|--------|
| Refund for prepayment of land use rights | 17,441,647 | (17,441,647) | 100% | (i) |

(i) The land use right of the company was expropriated by the government years ago. The government committed rendering 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 related construction cost of RMB8,857,210 to other receivables, and full bad debt provision has been made accordingly.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(4) Other receivables (continued)

- (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:

| | 31 December 2013 | | | | 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 | 172,510,464 | 74.51% | — | — | 78,373,877 | 51.25% | — | — |
| 6 months to 1 year | 2,153,679 | 0.93% | (107,684) | 5% | 2,485,987 | 1.63% | (124,299) | 5% |
| 1 to 2 years | 1,975,124 | 0.85% | (987,562) | 50% | 7,824,980 | 5.12% | (3,912,490) | 50% |
| 2 to 3 years | 3,465,417 | 1.50% | (3,465,417) | 100% | 5,101,603 | 3.34% | (5,101,603) | 100% |
| Over 3 years | 51,419,247 | 22.21% | (51,419,247) | 100% | 59,116,345 | 38.66% | (59,116,345) | 100% |
| | 231,523,931 | 100% | (55,979,910) | 24.18% | 152,902,792 | 100% | (68,254,737) | 44.64% |

- (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 year (2012: fully collected deposit that the related provision for bad debts had been provided in full amount in previous years amounting to RMB13,000,000).

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

| Nature | Amount | Reason | Arising from related party transactions or not |
|---------------------------------|-------------------|--|--|
| Deposits on packaging materials | 2,398,822 | Cessation of business, deregistration or bankruptcy | No |
| Staff advance | 251,449 | Amount due from individuals, no collection evidenced | No |
| Deposits | 166,207 | Cessation of business, deregistration or bankruptcy | No |
| Others | 9,527,822 | Cessation of business, deregistration or bankruptcy | No |
| | 12,344,300 | | |

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

- (h) As at 31 December 2013, the five largest other receivables are analysed as follows:

| | Relationship with the Group | Amount | Ageing | % of total balance |
|---|-----------------------------|-------------------|-----------------|--------------------|
| Suqian Company | Associate | 25,243,889 | Within 6 months | 9.83% |
| New Songjiang Manufacturing | Associate | 20,508,389 | Within 6 months | 7.99% |
| Yangzhou Company | Associate | 19,822,427 | Within 6 months | 7.72% |
| Shanghai Songjiao Trading Co., Ltd. | Third party | 9,796,893 | Within 6 months | 3.81% |
| Qingdao Bureau of Land and Resources of Economic Technical Development Area | Third party | 8,584,437 | Over 3 years | 3.34% |
| | | 83,956,035 | | 32.69% |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(4) Other receivables (continued)

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

| | Relationship with the Group | 31 December 2013 | | | 31 December 2012 | | |
|--|-----------------------------|-------------------|--------------------|-------------------------|------------------|--------------------|-------------------------|
| | | Amount | % of total balance | Provision for bad debts | Amount | % of total balance | Provision for bad debts |
| | | | | | | | |
| Suqian Company | Associate | 25,243,889 | 9.83% | — | — | — | |
| New Songjiang Manufacturing | Associate | 20,508,389 | 7.99% | — | — | — | |
| Yangzhou Company | Associate | 19,822,427 | 7.72% | — | — | — | |
| Xuzhou Company | Associate | 5,492,488 | 2.14% | — | — | — | |
| China Jiangsu Suntory Food Co., Ltd. ("Suntory Jiangsu") | Associate | 3,609,414 | 1.41% | — | — | — | |
| Pengcheng Company | Associate | 2,801,363 | 1.09% | — | — | — | |
| | | 77,477,970 | 30.18% | — | — | — | |

(j) As at 31 December 2013, there is no other receivable derecognised due to transfer of financial assets (31 December 2012: nil).

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

| | 31 December 2013 | | | 31 December 2012 | | |
|-----|------------------|---------------|------------------|------------------|---------------|------------------|
| | Amount | Exchange rate | RMB | Amount | Exchange rate | RMB |
| HKD | 2,260,311 | 0.7862 | 1,777,057 | 1,483,410 | 0.8109 | 1,202,897 |
| MOP | 244,595 | 0.7588 | 185,599 | 266,670 | 0.7804 | 208,109 |
| | | | 1,962,656 | | | 1,411,006 |

(5) Advances to suppliers

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

| | 31 December 2013 | | 31 December 2012 | |
|---------------|--------------------|--------------------|-------------------|--------------------|
| | Amount | % of total balance | Amount | % of total balance |
| Within 1 year | 130,167,919 | 98.35% | 77,671,804 | 92.75% |
| 1 to 2 years | 248,289 | 0.19% | 6,045,274 | 7.22% |
| 2 to 3 years | 1,929,319 | 1.46% | — | — |
| Over 3 years | — | — | 22,007 | 0.03% |
| | 132,345,527 | 100% | 83,739,085 | 100% |

As at 31 December 2013, advances to suppliers over 1 year with carrying amount of RMB2,177,608 (31 December 2012: RMB6,067,281) are mainly advances paid for materials, which are not fully settled due to production plan.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(5) Advances to suppliers (continued)

(b) As at 31 December 2013, the five largest advances to suppliers are analysed as follows:

| | Relationship with the Group | Amount | % of total balance | Recognition date | Reason for unsettled |
|-----------------|--------------------------------|--------------------|-----------------------|---------------------|-------------------------|
| Supplier A | Third party | 40,000,000 | 30.22% | 2013 | Services not received |
| Supplier B | Third party | 32,783,210 | 24.77% | 2013 | Goods not received |
| Suntory Jiangsu | Associate | 18,440,338 | 13.93% | 2013 | Goods not received |
| Supplier C | Third party | 9,258,010 | 7.00% | 2013 | Goods not received |
| Xuzhou Company | Associate | 6,338,878 | 4.79% | 2013 | Goods not received |
| | | <u>106,820,436</u> | <u>80.71%</u> | | |

(c) As at 31 December 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) Advances to related parties are analysed as follows (Note 7(5)):

| | 31 December 2013 | 31 December 2012 |
|-----------------|--------------------------|---------------------|
| Suntory Jiangsu | 18,440,338 | — |
| Xuzhou Company | 6,338,878 | — |
| | <u>24,779,216</u> | — |

(e) As at 31 December 2013, advances to suppliers dominated in foreign currency are as follows:

| | 31 December 2013 | | | 31 December 2012 | | |
|-----|------------------|------------------|-----------------------|------------------|------------------|-----|
| | Amount | Exchange rate | RMB | Amount | Exchange rate | RMB |
| MOP | 376,889 | 0.7588 | <u>285,983</u> | — | — | — |

(6) Interests Receivable

| | 31 December 2012 | Increase in the current year | Decrease in the current year | 31 December 2013 |
|----------------------|---------------------|---------------------------------|---------------------------------|---------------------------|
| Interests Receivable | <u>63,996,403</u> | <u>355,389,217</u> | <u>(230,924,243)</u> | <u>188,461,377</u> |

Interests receivable are the interbank deposits interests that Finance Company will receive from the external financial institutions.

As at 31 December 2013, there is no interest receivable overdue (31 December 2012: nil.).

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(7) Inventories

(a) Classification of inventories is as follow:

| | 31 December 2013 | | | 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 | 627,732,569 | (3,572,307) | 624,160,262 | 644,045,118 | (5,612,209) | 638,432,909 |
| Packaging materials | 909,403,798 | (11,130,052) | 898,273,746 | 914,975,848 | (12,496,324) | 902,479,524 |
| Low-value consumption goods | 51,071,803 | — | 51,071,803 | 45,654,180 | — | 45,654,180 |
| Material on consignment for further processing | 4,174,110 | — | 4,174,110 | 13,017,185 | — | 13,017,185 |
| Work in progress | 385,960,322 | — | 385,960,322 | 373,284,933 | — | 373,284,933 |
| Finished goods | 570,911,692 | — | 570,911,692 | 387,190,103 | — | 387,190,103 |
| | 2,549,254,294 | (14,702,359) | 2,534,551,935 | 2,378,167,367 | (18,108,533) | 2,360,058,834 |

(b) Movement of inventories is as follows:

| | 31 December 2012 | Increase in the current year | Decrease in the current year | Increase due to business combinations | Decrease due to disposal of subsidiaries | 31 December 2013 |
|--|----------------------|------------------------------|------------------------------|---------------------------------------|--|----------------------|
| Raw materials | 644,045,118 | 3,731,739,866 | (3,721,214,336) | 169,852 | (27,007,931) | 627,732,569 |
| Packaging materials | 914,975,848 | 7,396,725,857 | (7,353,630,674) | — | (48,667,233) | 909,403,798 |
| Low-value consumption goods | 45,654,180 | 387,648,894 | (382,961,180) | 1,019,909 | (290,000) | 51,071,803 |
| Material on consignment for further processing | 13,017,185 | 133,180,925 | (142,024,000) | — | — | 4,174,110 |
| Work in progress | 373,284,933 | 4,843,145,707 | (4,798,457,567) | — | (32,012,751) | 385,960,322 |
| Finished goods | 387,190,103 | 17,044,758,739 | (16,859,026,302) | 36,252,087 | (38,262,935) | 570,911,692 |
| | 2,378,167,367 | 33,537,199,988 | (33,257,314,059) | 37,441,848 | (146,240,850) | 2,549,254,294 |

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

| | 31 December 2012 | Increase in the current year | Decrease in the current year | | 31 December 2013 |
|---------------------|---------------------|------------------------------|------------------------------|------------------|---------------------|
| | | | Reversal | Write-off | |
| Raw materials | (5,612,209) | (186,224) | 883,524 | 1,342,602 | (3,572,307) |
| Packaging materials | (12,496,324) | (43,839) | 158,270 | 1,251,841 | (11,130,052) |
| | (18,108,533) | (230,063) | 1,041,794 | 2,594,443 | (14,702,359) |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(7) Inventories (continued)

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

| | Basis for provision | Reason for reversal | % of total balance |
|---------------------|---|----------------------------------|--------------------|
| Raw materials | Carrying amount of the raw materials is lower than the net realisable value | Increase in net realisable value | 0.14% |
| Packaging materials | Carrying amount of the raw materials is lower than the net realisable value | Increase in net realisable value | 0.02% |

(8) Other current assets

| | 31 December 2013 | 31 December 2012 |
|-------------------------------|---------------------|---------------------|
| Input VAT | 320,426,790 | 183,377,399 |
| Prepaid enterprise income tax | 142,498,623 | 98,997,204 |
| Others | 3,938,009 | 1,939,831 |
| | <u>466,863,422</u> | <u>284,314,434</u> |

(9) Long-term equity investments

| | 31 December 2013 | 31 December 2012 |
|--|----------------------|---------------------|
| Joint Venture — not quoted in an active market (a) | — | — |
| Associates (b) | 1,271,858,738 | 163,788,290 |
| Other long-term equity investments (c) | 10,116,821 | 10,116,821 |
| | <u>1,281,975,559</u> | <u>173,905,111</u> |
| Less: Provision for impairment of long-term equity investments (d) | (10,028,179) | (10,028,179) |
| | <u>1,271,947,380</u> | <u>163,876,932</u> |

There is no limitation on transfer of cash among the Group and its joint venture and associates.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(9) Long-term equity investments (continued)

(a) Joint Venture

| | Accounting Method | Investment cost | 31 December 2012 | Current year movement | | | | 31 December 2013 | Equity interest held | Voting rights held | Provision for impairment | Impairment provided in the current year |
|---|-------------------|-----------------|------------------|---------------------------------|---|------------------------|-------------------------|------------------|----------------------|--------------------|--------------------------|---|
| | | | | Increase/Decrease in investment | Share of net profit using the equity method | Cash dividend declared | Other changes in equity | | | | | |
| Tsingtao Brewery | | | | | | | | | | | | |
| Equipment Manufacture | | | | | | | | | | | | |
| Company Limited | | | | | | | | | | | | |
| ("Equipment Manufacture") Equity Method | | | | | | | | | | | | |
| | | 577,406 | — | — | — | — | — | 50% | 50% | — | — | |

Register and mainly operate in China, Equipment Manufacture is one of the main suppliers of Construction Company, the Company's subsidiary. Both the percentages of equity interests and voting rights held by the Group are 50%, so the Group owns jointly control over Equipment Manufacture and reflects it as a joint venture.

Equipment Manufacture has been loss-making with negative net assets accordingly, while the Group does not have any obligation for its additional losses. Therefore, upon recognition of the Group's share of its net loss, the carrying value of the long-term equity investment only reduced to zero. The unrecognised investment loss for the year amounted to RMB515,003 (2012: unrecognised investment loss RMB608,194). As at 31 December 2013, the cumulative unrecognised investment loss amounted to RMB883,230 (31 December 2012: RMB1,398,233).

Major financial information of joint venture is as follows:

| | Equipment Manufacture | |
|---------------------------|-----------------------|------------------|
| | 31 December 2013 | 31 December 2012 |
| Cash at bank and on hand | 1,053,041 | 667,167 |
| Other current assets | 13,644,149 | 23,374,199 |
| Total current assets | 14,697,190 | 24,041,366 |
| Total non-current assets | 1,602,584 | 1,623,112 |
| Accounts payable | (13,100,180) | (11,278,480) |
| Other current liabilities | (4,966,054) | (17,182,464) |
| Total current liabilities | (18,066,234) | (28,460,944) |
| Shareholders' equity | (1,766,460) | (2,796,466) |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(9) Long-term equity investments (continued)

(a) Joint Venture (continued)

| | Equipment Manufacture | |
|--|-----------------------|------------------|
| | 31 December 2013 | 31 December 2012 |
| Total equity attributable to shareholders | (1,766,460) | (2,796,466) |
| Adjusted fair value of the identifiable net assets when obtained | — | — |
| Adjusted total equity attributable to shareholders | (1,766,460) | (2,796,466) |
| Percentages of equity interest held by the Group | 50% | 50% |
| Equity attributable to the Group | (883,230) | (1,398,233) |
| Unrecognised investment loss | 883,230 | 1,398,233 |
| Long-term equity investments | — | — |
| | Equipment Manufacture | |
| | 2013 | 2012 |
| Revenue | 27,269,259 | 20,132,530 |
| Total profit/(loss) | 1,117,133 | (1,216,388) |
| Income tax credit | (87,127) | — |
| Net profit/(loss) and comprehensive income | 1,030,006 | (1,216,388) |

(b) Associates

| | Accounting Method | Investment cost | 31 | | Share of net profit using the equity method | Share of other comprehensive income | Cash dividend declared | Other equity movement | 31 December 2013 | Equity interest held | Voting rights held | Provision for impairment | Impairment provided in the current year |
|---|-------------------|-----------------|---------------|------------------------|---|-------------------------------------|------------------------|-----------------------|------------------|----------------------|--------------------|--------------------------|---|
| | | | December 2012 | Increase in investment | | | | | | | | | |
| Manufacturing Company (i) | Equity Method | 1,141,123,402 | — | 1,141,123,402 | (20,446,566) | — | — | (10,559,280) | 1,110,117,556 | 50% | 44.44% | — | — |
| Yantai Asahi (ii) | Equity Method | 120,024,598 | 133,007,877 | — | 14,602,344 | (197,717) | (10,070,000) | — | 137,342,504 | 39% | 39% | — | — |
| Qingdao Zhaoshang Logistics Company Limited | | | | | | | | | | | | | |
| ("Zhaoshang Logistics") (iii) | Equity Method | 6,000,000 | 23,935,600 | — | 4,024,818 | — | (10,097,160) | — | 17,863,258 | 30% | 30% | — | — |
| Liaoning Shengqing Tsingtao Brewery Company Limited | | | | | | | | | | | | | |
| ("Liaoning Shengqing") (iv) | Equity Method | 600,000 | 3,517,552 | — | 204,813 | — | — | — | 3,722,365 | 30% | 30% | — | — |
| European Company (v) | Equity Method | 584,166 | 2,107,261 | — | 91,309 | (605,515) | — | — | 1,593,055 | 40% | 40% | — | — |
| Others | Equity Method | 1,220,000 | 1,220,000 | — | — | — | — | — | 1,220,000 | Not Applicable | Not Applicable | (1,220,000) | — |
| | | | 163,788,290 | 1,141,123,402 | (1,523,282) | (803,232) | (20,167,160) | (10,559,280) | 1,271,858,738 | | | (1,220,000) | — |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(9) Long-term equity investments (continued)

(b) Associates (continued)

- (i) Register and mainly operate in China, Manufacturing Company is one of the main beer suppliers of the Group in Shanghai and Jiangsu region, having important strategic influence on product supply of the Group. The Group's percentage of equity interests is 50%, while the voting rate is 44.44%. All operating activities decisions are made by the board of directors in Manufacturing Company. There are 9 directors in total but only 4 directors are from the Group, so the Group can have significant influence over Manufacturing Company and reflect it as an associate.

Details of increase in investment refers to Note 12(2)(ii). The share of net loss using the equity method is RMB20,446,566, including: (a) investment loss RMB6,239,352 is based on the adjusted net profit considering fair value impact, (b) RMB8,309,428 is 50% unrealised profit in fixed assets transaction with Manufacturing Company before the acquisition, and (c) RMB5,897,786 is unrealised profit in fixed assets transaction with Manufacturing Company in the current year.

- (ii) Register and mainly operate in China, Yantai Asahi is one of the main suppliers of the Group in Shandong region, having important strategic influence on product supply of the Group. The Group can have significant influence over Yantai Asahi and reflect it as an associate.
- (iii) Register and mainly operate in China, Zhaoshang Logistics provides logistics services to the Group, having important strategic influence on product transportation and storage for the Group. The Group can have significant influence over Zhaoshang Logistics and reflect it as an associate.
- (iv) Register and mainly operate in China, Liaoning Shenqing is one of the main distributors of the Group in Liaoning region, having important strategic influence on sales of the Group's product in specific region. The Group can have significant influence over Liaoning Shenqing and reflect it as an associate.
- (v) Register and mainly operate in France, European Company is one of the main distributors of the Group in Europe, having important strategic influence on sales of the Group's product in oversea markets. The Group can have significant influence over European Company and reflect it as an associate.

Summarised financial information of associates is as follows:

| | Manufacturing Company | | Yantai Asahi | | Zhaoshang Logistics | | Liaoning Shenqing | | European Company | |
|-----------------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| Cash at bank and on hand | 135,379,102 | — | 46,463,778 | 49,628,908 | 1,607,886 | 2,170,870 | 12,547,221 | 10,257,004 | 3,833,012 | 6,367,663 |
| Other current assets | 1,132,633,841 | — | 168,793,678 | 165,798,282 | 110,892,502 | 135,290,386 | 61,176,187 | 70,474,430 | 15,604,561 | 13,369,628 |
| Current assets | 1,268,012,943 | — | 215,257,456 | 215,427,190 | 112,500,388 | 137,461,256 | 73,723,408 | 80,731,434 | 19,437,573 | 19,737,291 |
| Non-current assets | 2,484,229,460 | — | 175,386,556 | 176,859,720 | 5,184,536 | 2,937,069 | 4,499,639 | 5,256,455 | 214,233 | 210,294 |
| Accounts payable | (272,751,508) | — | (51,101,548) | (40,378,503) | (48,338,464) | (51,554,938) | (7,060) | (27,560) | (8,846,420) | (10,633,669) |
| Other financial liabilities | (835,847,935) | — | (51,258,477) | (83,798,024) | (4,903,052) | (4,477,319) | (43,195,852) | (41,943,224) | (747,595) | (867,110) |
| Other current liabilities | (147,528,121) | — | (10,171,906) | (7,189,684) | (4,810,774) | (4,565,627) | (22,612,251) | (31,842,721) | (429,682) | (366,165) |
| Current liabilities | (1,256,127,564) | — | (112,531,931) | (131,366,211) | (58,052,290) | (60,597,884) | (65,815,163) | (73,813,505) | (10,023,697) | (11,866,944) |
| Non-current liabilities | (431,836,009) | — | — | — | (88,440) | (60,000) | — | — | (5,645,471) | (4,253,346) |
| Net assets | 2,064,278,830 | — | 278,112,081 | 260,920,699 | 59,544,194 | 79,740,441 | 12,407,884 | 12,174,384 | 3,982,638 | 3,827,295 |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(9) Long-term equity investments (continued)

(b) Associates (continued)

| | Manufacturing Company | | Yantai Asahi | | Zhaoshang Logistics | | Liaoning Shengqing | | European Company | |
|---|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| Total equity attributable to shareholders | 2,040,078,019 | — | 278,112,081 | 260,920,699 | 59,544,194 | 79,740,441 | 12,407,884 | 12,174,384 | 3,982,638 | 3,827,295 |
| Adjustment by the fair value of the identifiable net assets at acquisition date | 131,491,337 | — | 49,328,497 | 53,188,497 | — | — | — | — | — | — |
| Adjusted total equity attributable to shareholders | 2,171,569,356 | — | 327,440,578 | 314,109,196 | 59,544,194 | 79,740,441 | 12,407,884 | 12,174,384 | 3,982,638 | 3,827,295 |
| Interest in associates | 50% | — | 39% | 39% | 30% | 30% | 30% | 30% | 40% | 40% |
| Equity attributable to the shareholder | 1,085,784,678 | — | 127,701,825 | 122,502,586 | 17,863,258 | 23,922,132 | 3,722,365 | 3,652,315 | 1,593,055 | 1,530,918 |
| Goodwill included in long-term equity investments | 38,540,092 | — | 9,640,679 | 9,640,679 | — | — | — | — | — | — |
| Offset unrealised internal transaction profits | (14,207,214) | — | — | — | — | — | — | — | — | — |
| Long-term equity investments | 1,110,117,556 | — | 137,342,504 | 132,143,265 | 17,863,258 | 23,922,132 | 3,722,365 | 3,652,315 | 1,593,055 | 1,530,918 |

| | Manufacturing Company | | Yantai Asahi | | Zhaoshang Logistics | | Liaoning Shengqing | | European Company | |
|--|-----------------------|------|--------------|-------------|---------------------|-------------|--------------------|-------------|------------------|------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenue | 1,857,540,229 | — | 624,739,879 | 618,534,491 | 248,071,863 | 207,590,102 | 305,827,613 | 376,542,783 | 60,847,170 | 57,734,517 |
| Total profit | 24,517,245 | — | 57,107,076 | 35,405,309 | 18,148,467 | 22,105,922 | 311,334 | 682,754 | 322,379 | 563,294 |
| Income tax expenses | (24,010,213) | — | (14,095,181) | (6,754,917) | (4,687,514) | (5,871,359) | (77,834) | (170,689) | (94,105) | (181,988) |
| Minority interests | (6,220,307) | — | — | — | — | — | — | — | — | — |
| Net profit attributable to the shareholder | 6,227,339 | — | 43,011,895 | 28,650,392 | 13,460,953 | 16,234,563 | 233,500 | 512,065 | 228,274 | 381,306 |
| Other comprehensive income | — | — | — | — | — | — | — | — | (72,931) | 23,645 |
| Total comprehensive income attributable to the shareholder | 6,227,339 | — | 43,011,895 | 28,650,392 | 13,460,953 | 16,234,563 | 233,500 | 512,065 | 155,343 | 404,951 |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(9) Long-term equity investments (continued)

(c) Other long-term equity investments

| | Accounting Method | Investment cost | 31 December 2012 | Increase/Decrease in investment | 31 December 2013 | Provision for impairment | Impairment provided in the current year | Cash dividends declared in the current year |
|--|-------------------|-----------------|------------------|---------------------------------|------------------|--------------------------|---|---|
| Guangxi Beihai Real Estate Company Limited ("Beihai Real Estate Company") | Cost Method | 3,610,000 | 3,610,000 | — | 3,610,000 | (3,610,000) | — | — |
| Qingdao Yingxiao Club ("Yingxiao Club") | Cost Method | 3,985,261 | 3,985,261 | — | 3,985,261 | (3,985,261) | — | — |
| 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 the current year | Decrease in the current year | 31 December 2013 |
|----------------------------|------------------|------------------------------|------------------------------|------------------|
| Beihai Real Estate Company | (3,610,000) | — | — | (3,610,000) |
| Yingxiao Club | (3,985,261) | — | — | (3,985,261) |
| Others | (2,432,918) | — | — | (2,432,918) |
| | (10,028,179) | — | — | (10,028,179) |

(10) Investment properties

| | 31 December 2012 | Increase in the current year | Decrease in the current year | 31 December 2013 |
|--------------------------|------------------|------------------------------|------------------------------|------------------|
| Cost | 18,572,021 | 1,031,960 | — | 19,603,981 |
| Buildings | 18,572,021 | 1,031,960 | — | 19,603,981 |
| Accumulated depreciation | (11,072,934) | (359,899) | — | (11,432,833) |
| Buildings | (11,072,934) | (359,899) | — | (11,432,833) |
| Net book value | 7,499,087 | — | — | 8,171,148 |
| Buildings | 7,499,087 | — | — | 8,171,148 |
| Provision for impairment | (246,160) | — | — | (246,160) |
| Buildings | (246,160) | — | — | (246,160) |
| Carrying amount | 7,252,927 | — | — | 7,924,988 |
| Buildings | 7,252,927 | — | — | 7,924,988 |

In 2013, the Group changed the use of certain Buildings with carrying amount of RMB1,031,960 (cost: RMB1,031,960) to lease out and therefore, such assets were transferred from fixed assets to investment properties at the date of change.

Depreciation of investment properties recognised in the current year is RMB359,899 (2012: RMB188,488).

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(11) Fixed assets

| | 31 December 2012 | Increase in the current year | Increase due to business combinations | Decrease in the current year | Decrease due to disposal of subsidiaries | 31 December 2013 |
|--------------------------|---------------------|---------------------------------|---|---------------------------------|--|------------------------|
| Cost | 15,875,853,985 | 1,945,464,231 | 9,963,140 | (528,209,855) | (1,283,531,064) | 16,019,540,437 |
| Buildings | 5,102,127,514 | 768,104,889 | 311,997 | (99,028,679) | (402,127,957) | 5,369,387,764 |
| Machinery and equipment | 9,822,917,824 | 1,012,010,289 | 1,913,320 | (347,722,001) | (830,468,946) | 9,658,650,486 |
| Motor vehicles | 378,991,352 | 48,891,439 | 6,946,820 | (51,893,080) | (21,428,896) | 361,507,635 |
| Other equipment | 571,817,295 | 116,457,614 | 791,003 | (29,566,095) | (29,505,265) | 629,994,552 |
| Accumulated depreciation | (6,863,323,799) | (711,602,405) | — | 384,432,809 | 538,986,187 | (6,651,507,208) |
| Buildings | (1,382,026,797) | (98,677,990) | — | 43,328,020 | 95,382,344 | (1,341,994,423) |
| Machinery and equipment | (4,920,559,264) | (520,410,479) | — | 300,793,811 | 415,303,734 | (4,724,872,198) |
| Motor vehicles | (207,686,965) | (26,754,313) | — | 17,763,940 | 10,960,099 | (205,717,239) |
| Other equipment | (353,050,773) | (65,759,623) | — | 22,547,038 | 17,340,010 | (378,923,348) |
| Net book value | 9,012,530,186 | — | — | — | — | 9,368,033,229 |
| Buildings | 3,720,100,717 | — | — | — | — | 4,027,393,341 |
| Machinery and equipment | 4,902,358,560 | — | — | — | — | 4,933,778,288 |
| Motor vehicles | 171,304,387 | — | — | — | — | 155,790,396 |
| Other equipment | 218,766,522 | — | — | — | — | 251,071,204 |
| Provision for impairment | (668,839,833) | (10,302,603) | — | 48,488,810 | 2,930,674 | (627,722,952) |
| Buildings | (87,405,550) | (2,098,362) | — | 2,403,070 | — | (87,100,842) |
| Machinery and equipment | (562,667,421) | (8,156,319) | — | 38,539,183 | 2,913,011 | (529,371,546) |
| Motor vehicles | (18,381,398) | — | — | 7,516,622 | — | (10,864,776) |
| Other equipment | (385,464) | (47,922) | — | 29,935 | 17,663 | (385,788) |
| Carrying amount | 8,343,690,353 | — | — | — | — | 8,740,310,277 |
| Buildings | 3,632,695,167 | — | — | — | — | 3,940,292,499 |
| Machinery and equipment | 4,339,691,139 | — | — | — | — | 4,404,406,742 |
| Motor vehicles | 152,922,989 | — | — | — | — | 144,925,620 |
| Other equipment | 218,381,058 | — | — | — | — | 250,685,416 |

As at 31 December 2013, there is no fixed assets pledged as collateral for borrowings (31 December 2012: nil).

In 2013, depreciation charged to fixed assets amounts to RMB711,602,405 (2012: RMB684,896,272), of which RMB625,610,113, RMB10,966,040 and RMB75,026,252 (2012: RMB617,622,428, RMB9,743,617 and RMB57,530,227) 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 RMB1,801,688,134 (2012: RMB1,330,691,950).

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(11) Fixed assets (continued)

(a) Temporarily idle fixed assets

As at 31 December 2013, the buildings and the machinery and equipment with carrying amount of RMB9,832,690 (cost of RMB54,809,962) 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 follows:

| | Cost | Accumulated depreciation | Provision for impairment | Carrying amount |
|-------------------------|-------------------|--------------------------|--------------------------|------------------|
| Machinery and equipment | 54,300,862 | (35,296,666) | (9,322,759) | 9,681,437 |
| Buildings | 509,100 | (250,478) | (107,369) | 151,253 |
| | <u>54,809,962</u> | <u>(35,547,144)</u> | <u>(9,430,128)</u> | <u>9,832,690</u> |

(b) Fixed assets held under finance leases

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

(c) Provision for impairment

According to the accounting policies stated in Note 2(19), the Group perform impairment testing on buildings, machinery and equipment with impairment indicator at the balance sheet date, and impairment of RMB10,302,603 has been recognised.

(d) Fixed assets with pending certificates of ownership

The ownership certificates of the Group's certain buildings have not been obtained. The analysis is as follows:

| Reason | 31 December 2013 | | 31 December 2012 | |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| | Cost | Carrying amount | Cost | Carrying amount |
| In the application process | 760,091,000 | 650,380,000 | 745,984,000 | 643,895,000 |
| Unable to obtain | 156,165,000 | 83,693,000 | 156,165,000 | 86,511,000 |
| | <u>916,256,000</u> | <u>734,073,000</u> | <u>902,149,000</u> | <u>730,406,000</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(11) Fixed assets *(continued)*

(d) Fixed assets with pending certificates of ownership *(continued)*

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(14)).

| | Reason | Estimated date |
|--|--------------------|----------------|
| Partial buildings of Immense Brewery Company | In progress | Not determined |
| Partial buildings of Zhuhai Company | In progress | Not determined |
| 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 Chengdu 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 Shenzhen Asahi 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 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 |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(12) Construction in progress

| | 31 December 2013 | | | 31 December 2012 | | |
|--|------------------|--------------------------|-----------------|------------------|--------------------------|-----------------|
| | Ending balance | Provision for impairment | Carrying amount | Ending balance | Provision for impairment | Carrying amount |
| Relocation Project of Malt Factory | 181,815,189 | — | 181,815,189 | 16,862,188 | — | 16,862,188 |
| Production Line Improvement of Heze Company | 130,232,175 | — | 130,232,175 | 671,224 | — | 671,224 |
| Production Line Improvement of No. 1 Factory | 44,717,502 | — | 44,717,502 | 41,993,097 | — | 41,993,097 |
| Production Line Improvement of Gansu Nongken Company | 31,365,944 | — | 31,365,944 | 201,038 | — | 201,038 |
| Production Line Improvement of No. 2 Factory | 26,757,777 | (462,515) | 26,295,262 | 178,535,980 | (462,515) | 178,073,465 |
| Production Line Improvement of No. 3 Factory | 21,653,376 | — | 21,653,376 | 114,530 | — | 114,530 |
| Production Line Improvement of Harbin Company | 16,063,881 | — | 16,063,881 | 21,386,161 | — | 21,386,161 |
| Production Line Improvement of Immense Brewery Company | 8,446,537 | — | 8,446,537 | 5,437,907 | — | 5,437,907 |
| Production Line Improvement of Taiyuan Company | 5,654,481 | — | 5,654,481 | 1,728,355 | — | 1,728,355 |
| Production Line Improvement of Xi'an Company | 4,139,129 | — | 4,139,129 | 8,298,478 | — | 8,298,478 |
| Production Line Improvement of Sanshui Company | 3,718,739 | — | 3,718,739 | — | — | — |
| Production Line Improvement of Shenzhen Asahi Company | 3,186,508 | — | 3,186,508 | 4,808,731 | — | 4,808,731 |
| Production Line Improvement of Rizhao Company | 2,602,181 | — | 2,602,181 | — | — | — |
| Production Line Improvement of Hanzhong Company | 2,510,640 | — | 2,510,640 | 234,000 | — | 234,000 |
| Production Line Improvement of Changsha Company | 2,345,900 | — | 2,345,900 | — | — | — |
| Production Line Improvement of Nanning Company | 2,254,340 | — | 2,254,340 | 1,030,156 | — | 1,030,156 |
| Production Line Improvement of Jinan Factory | 2,150,606 | — | 2,150,606 | 11,315,692 | — | 11,315,692 |
| Production Line Improvement of Jiujiang Company | 2,136,834 | — | 2,136,834 | 20,300,581 | — | 20,300,581 |
| Production Line Improvement of Maanshan Company | 1,892,471 | — | 1,892,471 | 2,380,195 | — | 2,380,195 |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(12) Construction in progress (continued)

| | 31 December 2013 | | | 31 December 2012 | | |
|---|--------------------|--------------------------|--------------------|--------------------|--------------------------|--------------------|
| | Ending balance | Provision for impairment | Carrying amount | Ending balance | Provision for impairment | Carrying amount |
| New office building project of Shanghai Sales Company | 1,657,376 | — | 1,657,376 | 1,194,000 | — | 1,194,000 |
| Production Line Improvement of Chenzhou Company | 1,391,356 | — | 1,391,356 | — | — | — |
| Production Line Improvement of No. 4 Factory | 1,228,661 | — | 1,228,661 | 5,560,852 | — | 5,560,852 |
| Production Line Improvement of Weinan Company | 977,602 | — | 977,602 | — | — | — |
| Production Line Improvement of Shouguang Company | 918,870 | — | 918,870 | 3,905,870 | — | 3,905,870 |
| Instruments Installation of Headquarter | 903,955 | — | 903,955 | 364,604 | — | 364,604 |
| Production Line Improvement of Shijiazhuang Company | 764,121 | — | 764,121 | 222,232 | — | 222,232 |
| Production Line Improvement of Xiamen Company | 652,427 | — | 652,427 | 652,427 | — | 652,427 |
| New Factory Project of Jieyang Company | 648,000 | — | 648,000 | 615,359 | — | 615,359 |
| Production Line Improvement of Chengdu Company | 590,522 | — | 590,522 | 546,801 | — | 546,801 |
| Other projects | 3,709,671 | — | 3,709,671 | 350,387,390 | — | 350,387,390 |
| | 507,086,771 | (462,515) | 506,624,256 | 678,747,848 | (462,515) | 678,285,333 |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(12) Construction in progress (continued)

(a) Movement in significant construction in progress

| Name | Budget | 31 December 2012 | Increase in current year | Transfer to fixed assets | Decrease due to disposal of subsidiaries | 31 December 2013 | Proportion of expenditures incurred to budgeted amount | Progress of construction | Source of funds |
|--|-------------|---------------------|-----------------------------|-----------------------------|--|---------------------|---|-----------------------------|------------------------------------|
| Relocation Project of Malt Factory | 373,220,000 | 16,862,188 | 164,953,001 | — | — | 181,815,189 | 60% | 58% | Funding from convertible bonds |
| Production Line Improvement of Heze Company | 291,640,000 | 671,224 | 129,696,848 | (135,897) | — | 130,232,175 | 54% | 54% | Self-funding |
| Production Line Improvement of No. 1 Factory | 297,660,000 | 41,993,097 | 60,152,179 | (57,427,774) | — | 44,717,502 | 70% | 70% | Self-funding |
| Production Line Improvement of Gansu Nongken Company | 296,200,000 | 201,038 | 31,164,906 | — | — | 31,365,944 | 9% | 9% | Self-funding |
| Production Line Improvement of No. 2 Factory | 537,670,000 | 178,535,980 | 62,535,238 | (214,313,441) | — | 26,757,777 | 95% | 95% | Funding from the exercise of bonds |
| Production Line Improvement of No. 3 Factory | 327,059,660 | 114,530 | 21,538,846 | — | — | 21,653,376 | 9% | 8% | Self-funding |
| Production Line Improvement of Harbin Company | 215,400,000 | 21,386,161 | 158,735,679 | (164,057,959) | — | 16,063,881 | 84% | 84% | Self-funding |
| Production Line Improvement of Immense Brewery Company | 104,600,000 | 5,437,907 | 5,196,886 | (2,188,256) | — | 8,446,537 | 40% | 40% | Self-funding |
| Production Line Improvement of Taiyuan Company | 24,577,339 | 1,728,355 | 15,275,245 | (11,349,119) | — | 5,654,481 | 92% | 92% | Self-funding |
| Production Line Improvement of Xi'an Company | 68,259,800 | 8,298,478 | 35,347,467 | (39,506,816) | — | 4,139,129 | 99% | 99% | Self-funding |
| Production Line Improvement of Sanshui Company | 20,650,000 | — | 4,899,936 | (1,181,197) | — | 3,718,739 | 25% | 24% | Self-funding |
| Production Line Improvement of Shenzhen Asahi Company | 153,257,352 | 4,808,731 | 30,114,108 | (31,736,331) | — | 3,186,508 | 98% | 98% | Self-funding |
| Production Line Improvement of Rizhao Company | 9,038,153 | — | 2,602,181 | — | — | 2,602,181 | 92% | 90% | Self-funding |
| Production Line Improvement of Hanzhong Company | 10,220,000 | 234,000 | 7,637,447 | (5,360,807) | — | 2,510,640 | 77% | 77% | Self-funding |
| Production Line Improvement of Changsha Company | 7,765,300 | — | 5,306,204 | (2,960,304) | — | 2,345,900 | 68% | 68% | Self-funding |
| Production Line Improvement of Nanning Company | 31,060,000 | 1,030,156 | 28,562,672 | (27,338,488) | — | 2,254,340 | 96% | 96% | Self-funding |
| Production Line Improvement of Jinan Factory | 54,890,000 | 11,315,692 | 44,607,503 | (53,772,589) | — | 2,150,606 | 100% | 99% | Self-funding |
| Production Line Improvement of Jiujiang Company | 299,540,000 | 20,300,581 | 207,290,311 | (225,454,058) | — | 2,136,834 | 76% | 76% | Self-funding |
| Production Line Improvement of Maanshan Company | 12,500,000 | 2,380,195 | 10,583,818 | (11,071,542) | — | 1,892,471 | 100% | 99% | Self-funding |
| New office building project of Shanghai Sales Company | 140,000,000 | 1,194,000 | 463,376 | — | — | 1,657,376 | 1% | 1% | Self-funding |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(12) Construction in progress (continued)

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

| Name | Budget | 31 December 2012 | Increase in current year | Transfer to fixed assets | Decrease due to disposal of subsidiaries | 31 December 2013 | Proportion of expenditures incurred to budgeted amount | Progress of construction | Source of funds |
|--|-------------|---------------------|-----------------------------|-----------------------------|--|---------------------|---|-----------------------------|--------------------|
| Production Line Improvement of Chenzhou Company | 8,552,300 | — | 5,059,179 | (3,667,823) | — | 1,391,356 | 59% | 59% | Self-funding |
| Production Line Improvement of No. 4 Factory | 14,910,000 | 5,560,852 | 9,351,249 | (13,683,440) | — | 1,228,661 | 100% | 98% | Self-funding |
| Production Line Improvement of Weinan Company | 308,330,000 | — | 977,602 | — | — | 977,602 | 1% | 1% | Self-funding |
| Production Line Improvement of Shouguang Company | 14,489,100 | 3,905,870 | 9,474,880 | (12,461,880) | — | 918,870 | 92% | 92% | Self-funding |
| Instruments Installation of Headquarter | 10,773,648 | 364,604 | 1,442,085 | (902,734) | — | 903,955 | 65% | 65% | Self-funding |
| Production Line Improvement of Shijiazhuang Company | 6,800,000 | 222,232 | 6,571,862 | (6,029,973) | — | 764,121 | 100% | 99% | Self-funding |
| Production Line Improvement of Xiamen Company | 186,670,000 | 652,427 | 9,211,976 | (9,211,976) | — | 652,427 | 54% | 54% | Self-funding |
| New Factory Project of Jieyang Company | 98,935,348 | 615,359 | 5,848,201 | (5,815,560) | — | 648,000 | 70% | 70% | Self-funding |
| Production Line Improvement of Chengdu Company | 87,580,000 | 546,801 | 15,585,746 | (15,542,025) | — | 590,522 | 99% | 99% | Self-funding |
| Other projects | | 350,387,390 | 670,931,936 | (886,518,145) | (131,091,510) | 3,709,671 | | | |
| | | 678,747,848 | 1,761,118,567 | (1,801,688,134) | (131,091,510) | 507,086,771 | | | |

In the current year, the amount of the borrowing costs of production line improvement of Malt Factory to be capitalised is RMB20,370,497. The capitalisation rate of borrowing costs is 6.53%. Interest charges capitalised from convertible bonds amount to RMB22,869,706, less interest income amount to RMB2,499,209, (2012: the amount of the borrowing costs to be capitalised is RMB3,257,590. The capitalisation rate of borrowing costs is 6.53%. Interest charges capitalised from convertible bonds amount to RMB3,811,618, less interest income amount to RMB554,028).

(b) Provision for impairment

| | 31 December 2012 | Increase in the current year | Decrease in the current year | 31 December 2013 | 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.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(13) Fixed assets pending for disposal

| | 31 December 2013 | 31 December 2012 | Reason for transfer to assets pending for disposal |
|-------------------------|---------------------|---------------------|--|
| Machinery and equipment | 5,368,759 | 9,917,059 | Old machinery and equipment for disposal |

(14) Intangible assets

| | 31 December 2012 | Increase in the current year | Increase due to business combinations | Decrease in the current year | Decrease due to disposal of subsidiaries | 31 December 2013 |
|--------------------------|---------------------|---------------------------------|---|---------------------------------|--|----------------------|
| Original cost | 3,177,261,616 | 210,289,600 | 72,059,566 | (43,207,527) | (115,594,975) | 3,300,808,280 |
| Land use rights | 1,785,707,881 | 154,737,757 | — | (40,986,046) | (99,396,347) | 1,800,063,245 |
| 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 | 55,551,843 | 1,219,566 | (1,825,481) | (16,198,628) | 266,789,311 |
| Accumulated amortisation | (630,682,096) | (167,025,396) | — | 9,687,727 | 20,238,878 | (767,780,887) |
| Land use rights | (268,353,700) | (35,591,349) | — | 8,028,031 | 15,715,751 | (280,201,267) |
| Patents | (104,252,606) | (28,990,182) | — | 396,000 | — | (132,846,788) |
| Proprietary | (18,629,100) | — | — | — | — | (18,629,100) |
| Marketing network | (171,274,278) | (81,365,337) | — | — | — | (252,639,615) |
| Others | (68,172,412) | (21,078,528) | — | 1,263,696 | 4,523,127 | (83,464,117) |
| Net book value | 2,546,579,520 | — | — | — | — | 2,533,027,393 |
| Land use rights | 1,517,354,181 | — | — | — | — | 1,519,861,978 |
| Patents | 273,765,980 | — | — | — | — | 244,775,798 |
| Proprietary | — | — | — | — | — | — |
| Marketing network | 595,589,760 | — | — | — | — | 585,064,423 |
| Others | 159,869,599 | — | — | — | — | 183,325,194 |

In 2013, amortisation of intangible assets amount to RMB167,025,396, which is recognised in profit or loss for the current year (2012: RMB154,062,620).

As at 31 December 2013, there are no intangible assets pledged as collateral for bank borrowings (31 December 2012: nil).

As at 31 December 2013, the relevant legal procedures for certificates application of the Group's land use rights with carrying value of approximately RMB61,644,000 (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 31 December 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 buildings constructed thereon were approximately RMB55,269,000 as at 31 December 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.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(14) Intangible assets (continued)

Expenditures on research and development are set out as follows:

| | 31 December 2012 | Increase in the current year | Decrease in the current year | | 31 December 2013 |
|--|---------------------|------------------------------------|------------------------------|---------------------------------------|---------------------|
| | | | Charged to losses | Recognised as intangible assets | |
| Beer production process improvement project | — | 20,104,429 | (20,104,429) | — | — |

In 2013, expenditures on research and development incurred amount to RMB20,104,429 (2012: RMB12,299,946) in total, which is recognised in profit and loss for the current year.

The land usage right is located in the mainland of china, between 10 to 50 years.

(15) Goodwill

| | 31 December 2012 | Increase in the current year | Decrease in the current year | 31 December 2013 |
|--|---------------------|---------------------------------|---------------------------------|---------------------|
| 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 |
| | 1,279,095,657 | — | (1,759,422) | 1,277,336,235 |
| Less: provision for impairment (a) — | | | | |
| 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) |
| | (197,410,739) | — | — | (197,410,739) |
| | 1,081,684,918 | — | (1,759,422) | 1,079,925,496 |

(i) As stated in Note 12(2), the decrease of goodwill resulted from disposal of a subsidiary in the current year.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(15) Goodwill (continued)

(a) Impairment

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

| | 31 December 2013 | 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> |

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.

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

| | Immense Brewery Company | Dongnan Region | Other Regions |
|-------------------------|-------------------------------|-------------------|------------------|
| Gross margin | 30.2% | 28.8% | 23.3% |
| Pre-tax discount rate | 22.0% | 17.8% | 18.8% |
| After tax discount rate | 14.1% | 14.1% | 14.1% |

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

(16) Long-term prepaid expenses

| | 31 December 2012 | Increase in the current year | Amortisation in the current year | 31 December 2013 |
|------------------------------------|---------------------|---------------------------------|--|---------------------|
| Decoration and renovation expenses | 2,149,562 | 8,515,784 | (1,547,218) | 9,118,128 |
| Gardening expenses | 1,086,750 | 6,594,520 | (2,667,373) | 5,013,897 |
| Rental charges | 356,211 | 4,349,479 | (757,120) | 3,948,570 |
| Occupancy expenses | 1,920,000 | — | (160,000) | 1,760,000 |
| Others | 912,931 | 1,701,051 | (929,495) | 1,684,487 |
| | <u>6,425,454</u> | <u>21,160,834</u> | <u>(6,061,206)</u> | <u>21,525,082</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(17) Deferred tax assets and deferred tax liabilities

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

| | 31 December 2013 | | 31 December 2012 | |
|--|---------------------|----------------------------------|-------------------------|----------------------------------|
| | Deferred tax assets | Deductible temporary differences | Deferred tax assets | Deductible temporary differences |
| Deductible losses | — | — | 4,811,371 | 19,245,484 |
| Provision for assets impairment | 6,058,166 | 24,232,664 | 7,064,248 | 28,256,991 |
| Deferred government grants | 7,754,741 | 31,018,964 | 6,024,639 | 24,098,557 |
| Elimination of intra-group unrealised profit | 38,289,772 | 153,159,088 | 18,859,739 | 75,438,955 |
| Accruals of expenses | 653,105,600 | 2,612,422,400 | 473,510,133 | 1,894,040,538 |
| | <u>705,208,279</u> | <u>2,820,833,116</u> | <u>510,270,130</u> | <u>2,041,080,525</u> |
| Including: | | | 31 December 2013 | 31 December 2012 |
| Amount of reversal within 1 year(Including 1 year) | | | 619,839,767 | 457,304,117 |
| Amount of reversal beyond 1 year | | | 85,368,512 | 52,966,013 |

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

| | 31 December 2013 | | 31 December 2012 | |
|--|--------------------------|-------------------------------|--------------------------|-------------------------------|
| | Deferred tax liabilities | Taxable temporary differences | Deferred tax liabilities | Taxable temporary differences |
| Business combinations involving entities not under common control | 172,763,072 | 691,052,288 | 178,449,767 | 713,799,069 |
| The difference between carrying amount and tax base of convertible bonds | 5,046,092 | 20,184,368 | 24,920,962 | 99,683,848 |
| The difference between carrying amount and tax base resulted from government grants charged in current profit and loss | 982,261 | 3,929,044 | 123,141 | 492,563 |
| | <u>178,791,425</u> | <u>715,165,700</u> | <u>203,493,870</u> | <u>813,975,480</u> |
| Including: | | | 31 December 2013 | 31 December 2012 |
| Amount of reversal within 1 year (Including 1 year) | | | 29,619,934 | 42,706,397 |
| Amount of reversal beyond 1 year | | | 149,171,491 | 160,787,473 |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

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

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

| | 31 December 2013 | 31 December 2012 |
|----------------------------------|-----------------------------|---------------------|
| Deductible temporary differences | 399,534,590 | 489,701,736 |
| Deductible losses | 1,361,655,040 | 856,256,894 |
| | 1,761,189,630 | 1,345,958,630 |

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 RMB340,414,000 (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 RMB99,884,000 (31 December 2012: RMB122,425,000) arising from the deductible temporary differences resulting from the impact of provision for impairment losses and business combinations.

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

| | 31 December 2013 | 31 December 2012 |
|------|-----------------------------|---------------------|
| 2013 | — | 155,672,168 |
| 2014 | 89,081,607 | 89,081,607 |
| 2015 | 193,003,753 | 81,286,262 |
| 2016 | 360,081,218 | 259,182,527 |
| 2017 | 406,656,485 | 271,034,330 |
| 2018 | 312,831,977 | — |
| | 1,361,655,040 | 856,256,894 |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

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

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

| | 31 December 2013 | 31 December 2012 |
|--------------------------|---------------------|---------------------|
| Deferred tax assets | 5,046,092 | 24,920,962 |
| Deferred tax liabilities | 5,046,092 | 24,920,962 |

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

| | 31 December 2013 | | 31 December 2012 | |
|--------------------------|------------------|--|------------------|--|
| | Net amounts | Deductible/ taxable temporary differences after offsetting | Net amounts | Deductible/ taxable temporary differences after offsetting |
| Deferred tax assets | 700,162,187 | 2,800,648,748 | 485,349,168 | 1,941,396,677 |
| Deferred tax liabilities | 173,745,333 | 694,981,332 | 178,572,908 | 714,291,632 |

(18) Provision for asset impairment

| | 31 December 2012 | Increase in the current year | Decrease in the current year | | | 31 December 2013 |
|---|----------------------|---------------------------------|------------------------------|---------------------|-----------------------------|----------------------|
| | | | Reversal | Write-off | Disposal of subsidiaries | |
| Provision for bad debts | 315,438,493 | 2,589,331 | (10,335,281) | (20,238,505) | (11,947,841) | 275,506,197 |
| Including: | | | | | | |
| Provision for bad debts of accounts receivable | 229,742,109 | 843 | (9,620,166) | (7,894,205) | (10,143,941) | 202,084,640 |
| Provision for bad debts of other receivables | 85,696,384 | 2,588,488 | (715,115) | (12,344,300) | (1,803,900) | 73,421,557 |
| Provision for decline in value of inventories | 18,108,533 | 230,063 | (1,041,794) | (2,594,443) | — | 14,702,359 |
| Provision for impairment of long-term equity investments | 10,028,179 | — | — | — | — | 10,028,179 |
| Provision for impairment of fixed assets | 668,839,833 | 10,302,603 | — | (48,488,810) | (2,930,674) | 627,722,952 |
| 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>13,121,997</u> | <u>(11,377,075)</u> | <u>(71,321,758)</u> | <u>(14,878,515)</u> | <u>1,126,079,101</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(19) Other non-current assets

| | 31 December 2013 | 31 December 2012 |
|--|---------------------|---------------------|
| Prepayments for construction and equipment | 192,210,169 | 195,910,178 |
| Others (Note 12(4)) | 31,450,000 | — |
| | <u>223,660,169</u> | <u>195,910,178</u> |

As at 31 December 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).

(20) Short-term borrowings

Classification of short-term borrowings

| | Currency | 31 December 2013 | 31 December 2012 |
|---------------|----------|---------------------|---------------------|
| Unsecured | HKD | 11,793,450 | 85,617,652 |
| Entrusted (i) | RMB | 89,286,660 | 62,000,000 |
| | | <u>101,080,110</u> | <u>147,617,652</u> |

(i) As at 31 December 2013, it represents short-term borrowings entrusted to Shanghai Market Service and The Prince Sales by Suntory Company through banks, amounting to RMB45,847,700 and RMB43,438,960 (31 December 2012: Represents short-term borrowings entrusted to Yangzhou Company by Tsingtao Brewery Group Co., Ltd. (“TB Group Company”) through bank) (note 7(5)).

In 2013, the weighted average interest rate of short-term borrowings is 3.06% annually (2012: 5.16%).

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

(21) Notes payable

| | 31 December 2013 | 31 December 2012 |
|------------------------|---------------------|---------------------|
| Trade acceptance notes | 68,100,000 | 51,100,000 |
| Bank acceptance notes | 70,282,882 | 30,783,234 |
| | <u>138,382,882</u> | <u>81,883,234</u> |

Other cash balances of RMB11,698,305 (31 December 2012: RMB8,413,180) are pledged as collateral for insurance of bank acceptance notes (Note 5(1)).

As at 31 December 2013, there are no notes payable guaranteed by companies outside the Group (31 December 2012: nil).

As at 31 December 2013, all notes payable are due within six months.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(22) Accounts payable

| | 31 December 2013 | 31 December 2012 |
|--|----------------------|----------------------|
| Payable for materials purchase | 1,991,026,108 | 1,956,408,429 |
| Payable for beer purchase from related parties | 667,798,509 | 21,792,927 |
| Payable for goods for promotion | 46,552,932 | 12,846,853 |
| Others | 1,693,221 | 2,353,480 |
| | <u>2,707,070,770</u> | <u>1,993,401,689</u> |

(a) As at 31 December 2013, there are no accounts payables 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)):

| | 31 December 2013 | 31 December 2012 |
|---|---------------------|---------------------|
| New Songjiang Manufacturing | 262,586,846 | — |
| Suntory Brewery (Kunshan) Company Limited (“Suntory Kunshan”) | 225,535,406 | — |
| Pengcheng Company | 78,976,202 | — |
| Yantai Asahi | 45,903,404 | 21,792,927 |
| Suntory Brewery (Shanghai) Company Limited (“Suntory Shanghai”) | 27,916,108 | — |
| Yangzhou Company | 16,341,453 | — |
| Suqian Company | 10,539,090 | — |
| | <u>667,798,509</u> | <u>21,792,927</u> |

(c) As at 31 December 2013, accounts payable over 1 year with carrying amount of RMB36,139,990 (31 December 2012: RMB35,826,187) are mainly payables for materials purchase, for which final settlement has not yet been completed. As at the date on which the financial statements are approved for issue, the aforesaid accounts payable have been paid with the amount of RMB7,251,030 (Note 10 (1)).

(d) As at 31 December 2013, there are no accounts payable dominated in foreign currency (31 December 2012: nil).

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

| | 31 December 2013 | 31 December 2012 |
|---------------|----------------------|----------------------|
| Within 1 year | 2,670,930,780 | 1,957,575,502 |
| 1 to 2 years | 14,474,250 | 9,214,829 |
| 2 to 3 years | 3,017,998 | 7,266,872 |
| Over 3 years | 18,647,742 | 19,344,486 |
| | <u>2,707,070,770</u> | <u>1,993,401,689</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(23) Advances from customers

| | 31 December 2013 | 31 December 2012 |
|---------------------------|---------------------|---------------------|
| Advances on sales of beer | <u>980,497,616</u> | <u>656,414,452</u> |

(a) As at 31 December 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)):

| | 31 December 2013 | 31 December 2012 |
|-------------------|---------------------|---------------------|
| Liaoning Shenqing | <u>9,612,722</u> | <u>13,943,339</u> |

(c) As at 31 December 2013, advances from customers over 1 year with carrying amount of approximately RMB12,307,032 (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. As at the date on which the financial statements are approved to issue, revenue recognised with respect to these advances amounts to RMB1,716,296 (Note 10(1)).

(d) As at 31 December 2013, there are no advances from customers denominated in foreign currency (31 December 2012: nil).

(24) Employee benefits payable

| | 31 December 2012 | Increase in current year | Decrease in current year | 31 December 2013 |
|---|---------------------|-----------------------------|-----------------------------|---------------------------|
| Salaries, bonuses, allowances and subsidies | 419,918,735 | 2,479,942,750 | (2,413,741,346) | 486,120,139 |
| Staff welfare | 214,197 | 190,638,858 | (190,241,177) | 611,878 |
| Social insurances | 42,328,080 | 497,385,354 | (493,629,556) | 46,083,878 |
| Including: Medical insurance | 15,458,118 | 141,515,710 | (139,337,249) | 17,636,579 |
| Pension insurance | 18,942,606 | 303,071,071 | (301,428,628) | 20,585,049 |
| Unemployment insurance | 5,239,283 | 22,707,120 | (23,191,527) | 4,754,876 |
| Other insurances | 2,688,073 | 30,091,453 | (29,672,152) | 3,107,374 |
| Housing funds | 18,254,722 | 168,753,922 | (166,105,339) | 20,903,305 |
| Labour union fund and employee education fund | 131,840,114 | 109,580,913 | (73,479,882) | 167,941,145 |
| Early retirement benefits | 274,079,542 | 103,862,216 | (290,114,963) | 87,826,795 |
| Defined benefit plan obligation (current portion) (Note 5(32)(b)) | — | 13,830,000 | — | 13,830,000 |
| | <u>886,635,390</u> | <u>3,563,994,013</u> | <u>(3,627,312,263)</u> | <u>823,317,140</u> |

As at 31 December 2013, no defaulted payables are included in the balance of employee benefits payable and the balance (other than partial bonuses, social assurance and housing funds for temporary staff, labour union funds and employee education funds) is estimated to be used up in 2014. Bonuses will be paid according to payment plan, social assurance and housing funds for temporary staff will be paid based on actual usage, labour union funds and employee education funds will be paid in instalments based on usage plans.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(25) Taxes payable

| | 31 December 2013 | 31 December 2012 |
|---------------------------------------|---------------------|---------------------|
| Enterprise income tax | 151,982,579 | 98,824,419 |
| Consumption tax | 90,390,319 | 116,725,314 |
| VAT | 34,612,879 | 60,000,947 |
| Business tax | 9,506,613 | 15,747,999 |
| City maintenance and construction tax | 7,676,252 | 10,662,923 |
| Education surcharge | 7,599,861 | 11,423,364 |
| Others | 30,264,865 | 37,481,516 |
| | <u>332,033,368</u> | <u>350,866,482</u> |

(26) Dividends payable

| | 31 December 2013 | 31 December 2012 |
|---|---------------------|---------------------|
| Payable to Shanxi Dreaming Chemical Co., Ltd. | 1,020,000 | — |
| Payable to SITC Logistic (HK) Limited | — | 1,101,571 |
| | <u>1,020,000</u> | <u>1,101,571</u> |

(27) Other payables

| | 31 December 2013 | 31 December 2012 |
|--|----------------------|----------------------|
| Accruals for marketing expenses | 2,013,204,630 | 1,346,765,571 |
| Guarantee deposits | 779,318,274 | 698,414,980 |
| Payables to vendors of construction, machinery and equipment | 742,278,549 | 545,993,754 |
| Accruals for transportation expenses | 110,468,153 | 110,418,916 |
| Accruals for advertising expenses | 76,107,166 | 55,196,781 |
| Accruals for general and administrative expenses | 56,490,573 | 37,802,317 |
| Accruals for labour expenses | 49,250,941 | 22,780,353 |
| Accruals for electricity expenses | 16,420,582 | 15,349,803 |
| Withholding social expenses for staff | 11,476,642 | 10,060,927 |
| Others | 376,965,985 | 370,798,938 |
| | <u>4,231,981,495</u> | <u>3,213,582,340</u> |

(a) As at 31 December 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).

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(27) Other payables (continued)

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

| | 31 December 2013 | 31 December 2012 |
|---|---------------------|---------------------|
| Yantai Asahi | 31,618,667 | 20,128,779 |
| Suntory Shanghai | 29,900,231 | — |
| Zhaoshang Logistics | 29,860,209 | 49,704,038 |
| Suntory Kunshan | 22,899,387 | — |
| New songjiang manufacturing | 3,581,981 | — |
| Pengcheng company | 3,577,228 | — |
| Suqian company | 1,519,634 | — |
| Yangzhou company | 1,298,122 | — |
| Xuzhou company | 633,901 | — |
| Suntory Brewery (Guangming) Company Limited (“Suntory Guangming”) | 116,492 | — |
| Suntory Company | 89,847 | — |
| Suntory Jiangsu | 34,270 | — |
| | <u>125,129,969</u> | <u>69,832,817</u> |

(c) As at 31 December 2013, other payables over 1 year with carrying amount of RMB412,487,432 (31 December 2012: RMB320,884,930) are mainly liabilities incurred on acquisition of subsidiaries and payables to vendors of construction, machinery and equipment. As at the date on which the financial statements are approved for issue, the aforesaid other payables have been repaid with the amount of RMB17,894,457 (Note 10(1)).

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

| | 31 December 2013 | | | 31 December 2012 | | |
|-----|----------------------------------|------------------|-------------------|----------------------------------|------------------|------------------|
| | Amount in foreign currency | Exchange rate | Amount in RMB | Amount in foreign currency | Exchange rate | Amount in RMB |
| HKD | 10,715,778 | 0.7862 | 8,424,745 | 268,845 | 0.8109 | 218,006 |
| USD | 661,364 | 6.0969 | 4,032,270 | 718,600 | 6.2855 | 4,516,760 |
| MOP | 224,138 | 0.7588 | 170,076 | 880,885 | 0.7804 | 687,443 |
| | | | <u>12,627,091</u> | | | <u>5,422,209</u> |

(28) Current portion of non-current liabilities

| | 31 December 2013 | 31 December 2012 |
|--|----------------------|---------------------|
| Current portion of long-term borrowings (a) | 308,351,566 | 1,786,281 |
| Current portion of debentures payable (Note 5(30)) | 1,488,815,632 | — |
| Current portion of long-term payables | — | 1,000,000 |
| | <u>1,797,167,198</u> | <u>2,786,281</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

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

(a) Current portion of long-term borrowings

| | 31 December 2013 | 31 December 2012 |
|------------|---------------------|---------------------|
| Guaranteed | <u>308,351,566</u> | <u>1,786,281</u> |

As at 31 December 2013, there are no overdue borrowings (31 December 2012: nil). Guarantee details please refer to Note 5(29).

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

| | Starting date | Ending date | Currency | Interest rate (%) | 31 December 2013 | | 31 December 2012 | |
|--|---------------|-------------|----------|-------------------|----------------------------|--------------------|----------------------------|------------------|
| | | | | | Amount in foreign currency | Amount in RMB | Amount in foreign currency | Amount in RMB |
| Import and Export Bank of China | 1996.10.01 | 2014.04.01 | DKK | — | 394,114 | 441,566 | 396,832 | 438,023 |
| Import and Export Bank of China | 1996.12.31 | 2014.12.31 | EUR | — | 153,465 | 1,292,000 | 152,348 | 1,267,168 |
| China Development Bank, Hong Kong Branch | 2011.05.25 | 2014.05.26 | HKD | 3.15% | 390,000,000 | 306,618,000 | 100,000 | 81,090 |
| | | | | | | <u>308,351,566</u> | | <u>1,786,281</u> |

(29) Long-term borrowings

| | Currency | 31 December 2013 | 31 December 2012 |
|----------------|----------|---------------------|---------------------|
| Guaranteed (a) | HKD | — | 445,913,910 |
| Guaranteed (a) | EUR | 1,964,614 | 3,260,293 |
| Guaranteed (a) | DKK | <u>2,916,680</u> | <u>3,311,400</u> |
| | | <u>4,881,294</u> | <u>452,485,603</u> |

As at 31 December 2013, guaranteed long-term borrowings include:

Bank guaranteed borrowing of RMB306,618,000 (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 of the Company. The bank guaranteed borrowing falls due within one year (31 December 2012: the amount due within one year amounted to RMB81,090);

Bank guaranteed borrowing of RMB3,256,614 (Original foreign currency: EUR386,822) (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 RMB1,292,000 (31 December 2012: RMB1,267,168);

Bank guaranteed borrowing of RMB3,358,246 (Original foreign currency: DKK2,997,363) (31 December 2012: RMB3,749,423 (Original 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 RMB441,566 (31 December 2012: RMB438,023).

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(29) Long-term borrowings (continued)

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

| | Starting date | Ending date | Currency | Interest rate (%) | 31 December 2013 | | 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 | 3.15% | — | — | 549,900,000 | 445,913,910 |
| Import and Export Bank of China | 1996.12.31 | 2016.12.31 | EUR | — | 233,357 | 1,964,614 | 391,975 | 3,260,293 |
| Import and Export Bank of China | 1996.10.01 | 2021.04.01 | DKK | — | 2,603,249 | 2,916,680 | 3,000,000 | 3,311,400 |
| | | | | | | 4,881,294 | | 452,485,603 |

In 2013, the weighted average interest rate of long-term borrowings is 3.09% annually (2012: 3.12%).

As at 31 December 2013, there is no overdue long-term borrowing. (31 December 2013: nil).

(30) Debentures payable

| | 31 December 2012 | Increase in the current year | Decrease in the current year | 31 December 2013 |
|-------------------|------------------|------------------------------|------------------------------|------------------|
| Convertible bonds | 1,409,316,153 | 91,499,479 | (12,000,000) | 1,488,815,632 |

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, and the convertible bond will expire on 2 April 2014. Accordingly, the debentures payable is classified as the current portion of non-current liabilities on 31 December 2013 (Note 5(28)). The coupon rate of the convertible bonds was 0.8% per annum. Upon the issue of the bonds, the prevailing market interest rates of similar bonds without warrants were higher than the interest rate of the bond. The effective interest rate of the convertible bonds was 6.1%.

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

Accrued interests of debentures are analysed as follows:

| | Accrued interests | | | 31 December 2013 |
|-------------------|-------------------|-----------------------|-----------------------|------------------|
| | 31 December 2012 | Current year accruals | Current year payments | |
| Convertible bonds | — | 12,000,000 | (12,000,000) | — |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(30) Debentures payable (continued)

As at 31 December 2013, the liability component of the convertible bonds is set out as follow:

| | RMB |
|--|----------------------|
| 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, as at 2 April 2008 | 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 year ended 31 December 2013 | 91,499,479 |
| Including: Capitalised interest expenses | <u>22,869,706</u> |
| Interest expenses recognised as financial expenses | 68,629,773 |
| Interest paid for the year ended 31 December 2013 | <u>(12,000,000)</u> |
| Liability component as at 31 December 2013 | <u>1,488,815,632</u> |

(31) 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.

(32) Other non-current liabilities

| | 31 December 2013 | 31 December 2012 |
|--------------------------------------|----------------------|----------------------|
| Deferred income (a) | 1,260,778,419 | 1,381,212,241 |
| Early retirement benefits | 305,421,292 | — |
| Supplemental retirement benefits (b) | <u>181,880,000</u> | — |
| | <u>1,748,079,711</u> | <u>1,381,212,241</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(32) Other non-current liabilities (continued)

(a) Deferred income

| | 31 December 2012 | Current year additions | Amount recognised in non-operating income | Decrease due to disposal of subsidiaries | 31 December 2013 | Related to assets/ income |
|---|----------------------|---------------------------|--|--|----------------------|------------------------------|
| Government grants items | | | | | | |
| Relocation projects | | | | | | |
| Rizhao Company project | 204,967,405 | — | (10,700,586) | — | 194,266,819 | Assets |
| Zhuhai Company project | 202,247,577 | — | (12,113,556) | — | 190,134,021 | Assets |
| Tengzhou Company project | 169,455,366 | 22,500,011 | (9,628,188) | — | 182,327,189 | Assets |
| Gansu nongken Company project | 161,814,873 | 15,859,800 | (2,869,205) | — | 174,805,468 | Assets |
| Fuzhou Company project | 183,096,151 | 3,200,000 | (12,606,657) | — | 173,689,494 | Assets |
| Harbin Company project | 43,590,843 | 73,613,837 | (1,610,211) | — | 115,594,469 | Assets |
| Langfang Company project | — | 48,980,145 | (1,113,645) | — | 47,866,500 | Assets |
| No. 3 Factory project | 35,792,580 | — | (3,814,071) | — | 31,978,509 | Assets |
| Heze Company project | 20,348,328 | 1,557,206 | (2,428,379) | — | 19,477,155 | Assets |
| Jiujiang Company project | 4,930 | 8,023,725 | (31,676) | — | 7,996,979 | Assets |
| Malt Factory project | — | 9,029,082 | (2,729,082) | — | 6,300,000 | Assets |
| Suqian Company project | 162,794,167 | 20,000,000 | (2,849,749) | (179,944,418) | — | Assets |
| Yangzhou Company project | 44,674,742 | 15,000,000 | — | (59,674,742) | — | Assets |
| Pengcheng Company project | 30,743,328 | — | (1,048,642) | (29,694,686) | — | Assets |
| Wuwei Company project | — | 57,546,879 | (57,546,879) | — | — | Income |
| Projects on technology improvement | | | | | | |
| Luzhou Company project | 14,830,082 | — | (1,034,373) | — | 13,795,709 | Assets |
| Songjiang Company project | 9,538,571 | — | (295,437) | (9,243,134) | — | Assets |
| Other projects | 97,313,298 | 19,661,698 | (14,428,889) | — | 102,546,107 | |
| | <u>1,381,212,241</u> | <u>294,972,383</u> | <u>(136,849,225)</u> | <u>(278,556,980)</u> | <u>1,260,778,419</u> | |

(b) Supplemental retirement benefits

Supplemental retirement benefits are provided to employees retired before 31 December 2013. The benefits that they can receive after their retirement depend on their position and seniority. Such defined benefit obligations were calculated by an external actuary, Towers Watson, using the projected unit credit method.

(i) Supplemental retirement benefits obligation of the Group:

| | 31 December 2013 |
|--|---------------------|
| The defined benefit obligation | 195,710,000 |
| Less: fair value of plan assets | — |
| The defined benefit obligation liabilities | 195,710,000 |

(ii) The supplemental retirement benefits policy was approved in year 2013 and hence there is no movement in the current year.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(32) Other non-current liabilities (continued)

(b) Supplemental retirement benefits (continued)

(iii) The principal actuarial assumptions of the Group for the present value of the defined benefit obligation:

| | 31 December 2013 |
|---------------|---------------------|
| Discount rate | 4.5% |

(iv) The sensitivity analysis of the significant actuarial assumptions to the present value of defined benefit obligation:

| | Change in assumption | Impact on defined benefit obligation | |
|---------------|-------------------------|--------------------------------------|---------------------------|
| | | Increase in assumption | Decrease in assumption |
| Discount rate | 0.25% | Decrease by 2.46% | Increase by 2.57% |

The sensitivity analysis above is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity analysis, the same method, projected unit credit method, has been applied as well.

(v) The group has not invested in any plan assets.

(vi) The weighted average duration of the defined benefit obligation is 10.1 years.

(vii) There are no separate trustee-administered assets to reimburse the expenditure of the defined benefit obligation in the Group.

(viii) Supplemental retirement benefits caused many risk to the Group, and primary risk is the fluctuation of the interest rates of government bonds. Decrease in interest rates of government bonds results in increase in the defined benefit obligation.

(33) Share capital

| | 31 December 2012 | Current year movement | | 31 December 2013 |
|---|----------------------|-----------------------|----------|----------------------|
| | | Others | Subtotal | |
| Shares not subject to trading restriction — | | | | |
| RMB-denominated ordinary shares | 695,913,617 | — | — | 695,913,617 |
| Foreign shares listed overseas | 655,069,178 | — | — | 655,069,178 |
| | <u>1,350,982,795</u> | <u>—</u> | <u>—</u> | <u>1,350,982,795</u> |
| | 31 December 2011 | Current year movement | | 31 December 2012 |
| | | Others | Subtotal | |
| Shares not subject to trading restriction — | | | | |
| RMB-denominated ordinary shares | 695,913,617 | — | — | 695,913,617 |
| Foreign shares listed overseas | 655,069,178 | — | — | 655,069,178 |
| | <u>1,350,982,795</u> | <u>—</u> | <u>—</u> | <u>1,350,982,795</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(34) Capital surplus

| | 31 December 2012 | Increase in the current year | Decrease in the current year | 31 December 2013 |
|---|----------------------|---------------------------------|---------------------------------|-----------------------------|
| Share premium (i) | 3,868,211,548 | 124,216,612 | — | 3,992,428,160 |
| Other capital surplus — | 97,727,988 | — | (11,362,513) | 86,365,475 |
| Share of changes in equity other than profits of investees (ii) | 1,636,986 | — | (10,559,280) | (8,922,294) |
| Share of changes in other comprehensive income of investees | — | — | (803,233) | (803,233) |
| 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>(11,362,513)</u> | <u>4,078,793,635</u> |
| | 31 December 2011 | Increase in the current year | Decrease in the current year | 31 December 2012 |
| Share premium | 3,920,210,913 | — | (51,999,365) | 3,868,211,548 |
| 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>(51,999,365)</u> | <u>3,965,939,536</u> |

- (i) The increase in the current year includes: as stated in Note 12(3), transferring the equity of sales business to Sales Company, the Company's subsidiary jointly established by the Company and Suntory 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), Hong Kong Company, the Company's subsidiary, acquired 15% of Macau Company's equity with impact on capital surplus of RMB3,074,969.
- (ii) The decrease is due to Manufacturing Company, the associate of the Company, having acquired 33.4% equity interest from minority shareholders of Suntory Jiangsu in the current year. 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, amounting to RMB21,118,560. The Company recognised the capital surplus according to the percentage of 50% using the equity method.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(35) Surplus reserve

| | 31 December 2012 | Increase in the current year | Decrease in the current year | 31 December 2013 |
|---------------------------|---------------------|---------------------------------|---------------------------------|----------------------|
| Statutory surplus reserve | <u>927,657,567</u> | <u>131,811,560</u> | <u>—</u> | <u>1,059,469,127</u> |
| | 31 December 2011 | Increase in the current year | Decrease in the current year | 31 December 2012 |
| Statutory surplus reserve | <u>808,735,661</u> | <u>118,921,906</u> | <u>—</u> | <u>927,657,567</u> |

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. According to a resolution at the Board of Directors, the Company appropriated 10% of net profit, amounting to RMB131,811,560 for the year ended 31 December 2013 (2012: 10% of the net profit for year, amounting to RMB118,921,906) to the statutory surplus reserve.

(36) Undistributed profits

| | 2013 | | 2012 | |
|--|----------------------|---|----------------------|---|
| | Amount | Ratio for appropriation or distribution | Amount | Ratio for appropriation or distribution |
| Undistributed profits at the beginning of the year | <u>6,204,347,562</u> | | 4,915,661,595 | |
| Add: Net profit attributable to the Company for the current year | <u>1,973,372,097</u> | | 1,758,863,400 | |
| Less: Appropriation for statutory surplus reserve | <u>(131,811,560)</u> | 10% | (118,921,906) | 10% |
| Ordinary shares dividend payable | <u>(540,393,118)</u> | 0.4 per share | <u>(351,255,527)</u> | 0.26 per share |
| Undistributed profits at the end of the year | <u>7,505,514,981</u> | | <u>6,204,347,562</u> | |
| Dividend proposed but not declared | <u>607,942,258</u> | 0.45 per share | 540,393,118 | 0.40 per share |
| Total proposed dividend in the current year | <u>607,942,258</u> | 0.45 per share | 540,393,118 | 0.40 per share |

As at 31 December 2013, included in the undistributed profits, RMB620,139,125 is subsidiaries' surplus reserve attributable to the Company (31 December 2012: RMB589,294,835), of which RMB30,844,290 is appropriated for the current year (2012: RMB36,619,651).

In accordance with the resolution at the Annual General Meeting dated on 25 June 2013, the Company proposed a cash dividend RMB0.4 per share (pre-tax) to the shareholders of the Company of RMB540,393,118, based on a total number of 1,350,982,795 shares.

In accordance with the resolution at the Board of Directors' meeting dated on 25 March 2014, the Company proposed a cash dividend to the shareholders of the Company of RMB607,942,258 (RMB0.45 per share (pre-tax)) based on a total number of 1,350,982,795 shares. Such dividend distribution is still subject to the approval of the Annual General Meeting (Note 10(2)).

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(37) Revenue and cost of sales

| | 2013 | 2012 |
|-----------------------------------|-------------------------|-------------------------|
| Revenue from main operation (a) | 27,766,755,010 | 25,318,235,820 |
| Revenue from other operations (b) | 524,223,418 | 463,308,157 |
| | 28,290,978,428 | 25,781,543,977 |
| | 2013 | 2012 |
| Cost of main operation (a) | (16,622,997,268) | (15,099,979,531) |
| Cost of other operations (b) | (384,896,701) | (333,890,005) |
| | (17,007,893,969) | (15,433,869,536) |

(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:

| | 2013 | | 2012 | |
|---------------|--------------------------------|---------------------------|--------------------------------|---------------------------|
| | Revenue from main operation | Cost of main operation | Revenue from main operation | Cost of main operation |
| Sales of Beer | 27,766,755,010 | (16,622,997,268) | 25,318,235,820 | (15,099,979,531) |

Analysis by locations is as follow:

| | 2013 | | 2012 | |
|-------------------------------------|--------------------------------|---------------------------|--------------------------------|---------------------------|
| | Revenue from main operation | Cost of main operation | Revenue from main operation | Cost of main operation |
| Shandong Region | 15,179,773,437 | (9,015,352,935) | 13,559,800,871 | (8,162,217,905) |
| Huabei Region | 5,264,432,469 | (3,660,667,184) | 4,628,715,690 | (3,289,794,010) |
| Huanan Region | 5,011,082,414 | (3,004,014,932) | 5,070,749,736 | (2,979,755,272) |
| Huadong Region | 3,055,286,825 | (2,602,016,744) | 2,219,808,801 | (1,672,532,892) |
| Dongnan Region | 2,059,932,824 | (1,300,466,749) | 1,781,830,658 | (1,169,575,849) |
| Hong Kong, Macau and other overseas | 454,614,491 | (264,867,655) | 426,337,813 | (241,745,943) |
| | 31,025,122,460 | (19,847,386,199) | 27,687,243,569 | (17,515,621,871) |
| Less: eliminations | (3,258,367,450) | 3,224,388,931 | (2,369,007,749) | 2,415,642,340 |
| | 27,766,755,010 | (16,622,997,268) | 25,318,235,820 | (15,099,979,531) |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(37) Revenue and cost of sales (continued)

(b) Revenue and cost of other operations

| | 2013 | | 2012 | |
|------------------------------|-------------------------------|--------------------------|-------------------------------|--------------------------|
| | Revenue from other operations | Cost of other operations | Revenue from other operations | Cost of other operations |
| Sale of materials and scraps | 216,281,340 | (176,173,374) | 193,972,141 | (151,151,541) |
| Sale of packaging materials | 78,860,354 | (81,360,489) | 71,650,907 | (73,862,504) |
| Transportation service | 59,408,110 | (55,579,882) | 49,027,952 | (47,808,826) |
| Others | 169,673,614 | (71,782,956) | 148,657,157 | (61,067,134) |
| | <u>524,223,418</u> | <u>(384,896,701)</u> | <u>463,308,157</u> | <u>(333,890,005)</u> |

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

Revenue from the five largest customers of the Group with amount of RMB1,683,617,417 (2012: RMB1,630,481,199) accounts for 5.95% (2012: 6.32%) of the total revenue of the Group, as analysed below:

| | Revenue of sales | Percentage of the total revenue |
|------------|----------------------|---------------------------------|
| Customer A | 487,871,896 | 1.72% |
| Customer B | 342,588,092 | 1.21% |
| Customer C | 315,336,957 | 1.12% |
| Customer D | 295,354,281 | 1.04% |
| Customer E | 242,466,191 | 0.86% |
| | <u>1,683,617,417</u> | <u>5.95%</u> |

(38) Taxes and surcharges

| | 2013 | 2012 | Tax basis |
|--|----------------------|----------------------|-----------|
| Consumption tax | 1,754,868,396 | 1,734,809,828 | Note 3 |
| City maintenance and construction tax | 262,670,848 | 259,526,950 | Note 3 |
| Education surcharge and local education surcharges | 198,054,156 | 197,799,951 | Note 3 |
| Business tax | 12,146,451 | 8,828,837 | Note 3 |
| Others | 36,489 | 116,895 | |
| | <u>2,227,776,340</u> | <u>2,201,082,461</u> | |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(39) Expenses classified by nature

| | 2013 | 2012 |
|---|-----------------------|-----------------------|
| Materials consumption | 12,115,813,457 | 12,081,535,002 |
| Employee benefit expenses | 3,624,942,344 | 3,107,146,238 |
| Movement in Finished goods, Work in progress and Material on consignment for further processing | 2,201,833,141 | 811,959,363 |
| Promotion related expenses | 1,773,901,322 | 1,552,086,138 |
| Transportation expenses and handling charges | 1,317,490,516 | 1,212,455,719 |
| Depreciation and amortisation expenses | 885,048,906 | 843,837,172 |
| Advertising related expenses | 639,822,709 | 673,546,991 |
| Repair expenses | 376,830,109 | 337,798,151 |
| Administrative and business travel expenses | 354,504,830 | 340,283,122 |
| Service charges | 152,766,685 | 119,577,592 |
| Tax expenses | 143,692,447 | 137,473,829 |
| Rental expenses | 110,453,130 | 90,514,035 |
| Auditors' remuneration | 8,580,000 | 8,400,000 |
| Others | 485,452,684 | 317,543,501 |
| Total Cost of sales, Selling and distribution expenses and General and administrative expenses | <u>24,191,132,280</u> | <u>21,634,156,853</u> |

(40) Financial expenses — net

| | 2013 | 2012 |
|-------------------------------|----------------------|----------------------|
| Interest expense | 83,451,256 | 104,099,156 |
| Including: Bank borrowings | 14,821,483 | 21,287,338 |
| Debentures payable | 68,629,773 | 82,811,818 |
| Less: Interest income | (355,033,717) | (299,272,868) |
| Exchange (gains)/losses | (32,786) | 2,478,602 |
| Unrecognised financing charge | 11,903,888 | 7,919,446 |
| Others | 8,320,046 | 6,634,662 |
| | <u>(251,391,313)</u> | <u>(178,141,002)</u> |

As at 31 December 2013 and 31 December 2012, the Group's interest expenses by repayment term of bank borrowings and debentures payable are wholly repayable within five years.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(41) Investment income

| | 2013 | 2012 |
|---|--------------------|-------------------|
| Income from long-term equity investment under cost method (a) | 47,283 | 117,237 |
| Income from long-term equity investment under equity method (b) | 9,465,953 | 14,844,764 |
| Income from disposal of long-term equity investment (c) | 219,356,731 | — |
| Others | 355,500 | — |
| | <u>229,225,467</u> | <u>14,962,001</u> |

There is no significant restriction on recovery of investment income.

In 2013 and 2012, investment income of the Group was from unlisted investments.

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

The investees are set out as follows:

| | 2013 | 2012 | Reason for current year fluctuation |
|---|---------------|----------------|--|
| Harbin Commercial Bank | 33,189 | 103,143 | Decrease in distributed profit of the investee for the year |
| Zhejiang Taizhou Expressway Group Co., Ltd. | 14,094 | 14,094 | No change in distributed profit of the investee for the year |
| | <u>47,283</u> | <u>117,237</u> | |

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

The investees are set out as follows:

| | 2013 | 2012 | Reason for current year fluctuation |
|-----------------------|------------------|-------------------|---|
| Manufacturing Company | (7,180,148) | — | New associate |
| Yantai Asahi | 12,325,161 | 9,668,253 | Increase in profit of the investee for the year |
| Zhaoshang Logistics | 4,024,818 | 4,870,369 | Decrease in profit of the investee for the year |
| Liaoning Shenqing | 204,813 | 153,620 | Decrease in profit of the investee for the year |
| European Company | 91,309 | 152,522 | Decrease in profit of the investee for the year |
| | <u>9,465,953</u> | <u>14,844,764</u> | |

(c) As stated in note 12(2)(ii), the company disposes partial of subsidiaries' equity in transaction with Suntory Company. The difference between the fair value of the Company's manufacturing business and the book value of net asset (including goodwill) is recognised as investment income.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(42) Asset impairment losses

| | 2013 | 2012 |
|--|------------------|------------------|
| Impairment loss of fixed assets | 10,302,603 | 6,138,436 |
| Reversal of impairment on bad debts | (7,745,950) | (5,533,578) |
| (Reversal)/Impairment loss on decline in the values of inventories | (811,731) | 399,728 |
| | <u>1,744,922</u> | <u>1,004,586</u> |

(43) Non-operating income

| | 2013 | 2012 |
|--|--------------------|--------------------|
| Government grants (a) | 374,818,301 | 360,278,759 |
| Income from the transaction with Suntory Company (b) | 170,541,992 | — |
| Gain on unpaid debts | 4,548,575 | 10,029,904 |
| Gain on disposal of non-current assets | 3,277,089 | 10,410,237 |
| Including: Gains on disposal of fixed assets | 3,277,089 | 10,410,237 |
| Penalty gains | 1,912,843 | 1,222,029 |
| Others | 8,894,484 | 12,889,784 |
| | <u>563,993,284</u> | <u>394,830,713</u> |

In 2013, all non-operating income has been recognised in non-recurring profit or loss.

(a) Details of government grants

| | 2013 | 2012 | Note |
|-----------------------------|--------------------|--------------------|--|
| Project support fund | 168,456,377 | 196,830,544 | Grants for technology improvement projects and sewage treatment projects |
| Relocation compensation | 121,090,526 | 104,933,825 | Relocation compensation for manufacturing factories |
| Enterprise development fund | 17,086,490 | 16,259,793 | Subsidies for enterprise development |
| Tax return | 31,897,262 | 16,615,745 | Return of certain portion of tax paid |
| Others | 36,287,646 | 25,638,852 | |
| | <u>374,818,301</u> | <u>360,278,759</u> | |

(b) As stated in note 12(4)(i), this income is the difference between the combination cost and the fair value of net identifiable assets of the acquiree on the acquisition date, upon the Company obtained Suntory sales business.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(44) Non-operating expenses

| | 2013 | 2012 |
|---|--------------------|-------------------|
| Staff settlement expenses (i) | 120,931,669 | — |
| Losses on disposal of non-current assets | 104,922,138 | 36,682,557 |
| Including: Losses on disposal of fixed assets | 73,045,456 | 34,959,791 |
| Losses on disposal of intangible assets | 31,876,682 | 1,722,766 |
| Compensation and overdue fine | 1,389,911 | 1,694,340 |
| Public welfare donations | 12,128,100 | 1,126,703 |
| Penalty losses | 1,214,082 | 436,789 |
| Others | 7,815,382 | 9,137,171 |
| | 248,401,282 | 49,077,560 |

- (i) According to the agreement signed on 2 May 2013 with Baoji Beer Co., Ltd, the government of Chencang District in Baoji city and the State-owned Assets Supervision and Administration Commission of Baoji, Hansi Baoji should settle down the employees of Baoji Beer Co., Ltd. Up to 31 December 2013, Hansi Baoji has signed early retirement agreement with the employees which could not be settled, early retirement benefits of RMB120,931,669 has been recognized accordingly in the current year.

(45) Income tax expenses

| | 2013 | 2012 |
|---|--------------------|--------------------|
| Current income tax calculated according to tax law and related regulations in mainland China | 922,205,257 | 749,932,060 |
| Current profits tax calculated according to tax law and related regulations in Hong Kong | 9,583,322 | 11,974,331 |
| Current profits supplemental tax calculated according to tax law and related regulations in Macau | 938,872 | 1,368,984 |
| Deferred income tax | (241,117,576) | (123,881,387) |
| | 691,609,875 | 639,393,988 |

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 as follows:

| | 2013 | 2012 |
|---|--------------------|--------------------|
| Total profit | 2,666,533,668 | 2,484,156,233 |
| Income tax expenses calculated at applicable tax rates | 663,581,558 | 606,267,489 |
| Tax impact for equivalent sales and expenses not deductible | 55,678,659 | 41,479,582 |
| Income not subject to tax (i) | (121,705,331) | (30,787,642) |
| Utilisation of previously unrecognised deferred tax assets | (29,886,114) | (30,469,497) |
| Tax impact for which no deferred tax asset was recognised | 125,817,321 | 65,849,591 |
| Others | (1,876,218) | (12,945,535) |
| Income tax expenses | 691,609,875 | 639,393,988 |

- (i) Income not subject to tax mainly comprise of investment income and non-operating income free from tax, which arise from transactions with Suntory Company. Details of the abovementioned transaction are stated in Note 12.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(46) 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:

| | 2013 | 2012 |
|--|----------------------|---------------|
| Consolidated net profit attributable to ordinary shareholders of the Company | 1,973,372,097 | 1,758,863,400 |
| Weighted average number of ordinary shares outstanding | 1,350,982,795 | 1,350,982,795 |
| Basic earnings per share | 1.461 | 1.302 |
| Including: | | |
| — Basic earnings per share relating to continuing operations | 1.461 | 1.302 |

(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 in 2013 (2012: nil), diluted earnings per share equal to basic earnings per share.

(47) Other comprehensive income

| | 31 December 2012 | Movement in current year | Impact of the income tax | Reclassified | 31 December 2013 |
|---|---------------------|-----------------------------|-----------------------------|--------------|---------------------|
| Other comprehensive income may be reclassified into profit or loss thereafter when specified preconditions are met: | 19,025,550 | 5,969,722 | — | — | 24,995,272 |
| Currency translation differences | 19,025,550 | 6,772,955 | — | — | 25,798,505 |
| Share of other comprehensive income of investments accounted for using the equity method | — | (803,233) | — | — | (803,233) |

| | 31 December 2011 | Movement in current year | Impact of the income tax | Reclassified | 31 December 2012 |
|---|---------------------|-----------------------------|-----------------------------|--------------|---------------------|
| Other comprehensive income may be reclassified into profit or loss thereafter when specified preconditions are met: | 17,119,722 | 1,905,828 | — | — | 19,025,550 |
| Currency translation differences | 17,119,722 | 1,905,828 | — | — | 19,025,550 |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(48) Notes to consolidated cash flow statement

(a) Cash received relating to other operating activities

| | 2013 | 2012 |
|---|----------------------|----------------------|
| Deposits | 726,751,164 | 596,950,219 |
| Government grants | 265,452,438 | 231,436,142 |
| Income from sales of materials and scraps | 222,587,483 | 186,995,816 |
| Others | 223,095,175 | 223,856,993 |
| | <u>1,437,886,260</u> | <u>1,239,239,170</u> |

(b) Cash paid relating to other operating activities

| | 2013 | 2012 |
|----------------------------------|----------------------|----------------------|
| Transportation expenses | 1,475,704,977 | 1,285,735,004 |
| Marketing and promotion expenses | 815,291,081 | 731,145,465 |
| Advertising expenses | 688,731,374 | 643,522,430 |
| Deposits | 399,617,905 | 314,019,659 |
| Administrative expense | 333,392,934 | 323,994,716 |
| Others | 338,044,442 | 229,759,223 |
| | <u>4,050,782,713</u> | <u>3,528,176,497</u> |

(c) Cash received relating to other investing activities

| | 2013 | 2012 |
|--|--------------------|--------------------|
| Government compensation for relocation and expansion projects | 596,654,153 | 409,690,373 |
| Interest income of Finance Company | 219,293,784 | 224,851,728 |
| Deposits from related party by Finance Company | 21,594,606 | 18,624,745 |
| Cash receipt due to acquisition of a subsidiary (Note 12(4)(ii)) | 12,637,454 | — |
| Receipt of tender deposits etc. | 15,685,630 | 24,097,284 |
| | <u>865,865,627</u> | <u>677,264,130</u> |

(d) Cash paid relating to other investing activities

| | 2013 | 2012 |
|--|--------------------|--------------------|
| Increase of deposits in central bank | 290,340,000 | 280,990,000 |
| Cash payment in disposal of subsidiaries (Note 12(2)(i)) | 91,093,122 | — |
| Payment of tender deposits etc. | 46,028,666 | 24,765,551 |
| | <u>427,461,788</u> | <u>305,755,551</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

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

(e) Cash paid relating to other financing activities

| | 2013 | 2012 |
|---------------------------|--------------|----------------|
| Others | 6,751 | — |
| Payment for finance lease | — | 641,247 |
| | <u>6,751</u> | <u>641,247</u> |

(49) 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:

| | 2013 | 2012 |
|--|----------------------|----------------------|
| Net profit | 1,974,923,793 | 1,844,762,245 |
| Add: Provisions for asset impairment | 1,744,922 | 1,004,586 |
| Depreciation of fixed assets and investment properties | 711,962,304 | 685,084,760 |
| Amortisation of intangible assets | 167,025,396 | 154,062,620 |
| Amortisation of long-term prepaid expenses | 6,061,206 | 4,689,792 |
| Losses on disposal of fixed assets and intangible assets | 101,645,049 | 26,272,320 |
| Financial expenses | (263,806,231) | (169,421,184) |
| Investment income | (229,225,467) | (14,962,001) |
| Increase in deferred tax assets | (217,582,982) | (92,885,024) |
| Decrease in deferred tax liabilities | (23,534,594) | (30,996,363) |
| (Increase)/decrease in inventories | (336,290,704) | 359,296,653 |
| (Increase)/decrease in operating receivables | (632,823,473) | 150,256,806 |
| Increase in operating payables | 2,141,051,944 | 186,431,564 |
| Net cash flows from operating activities | <u>3,401,151,163</u> | <u>3,103,596,774</u> |

Investment activities that do not involve cash receipts and payments:

As stated in note 12, cash consideration is not involved in the establishment of Manufacturing Company and Sales Company during the transaction with Suntory Company.

(b) Net increase in cash and cash equivalent

| | 2013 | 2012 |
|---|------------------------|------------------------|
| Cash at the end of the year (c) | 7,394,904,648 | 6,269,184,262 |
| Less: Cash at the beginning of the year | <u>(6,269,184,262)</u> | <u>(5,550,147,726)</u> |
| Net increase in cash | <u>1,125,720,386</u> | <u>719,036,536</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

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

(c) Cash and cash equivalent

| | 31 December 2013 | 31 December 2012 |
|--|----------------------|----------------------|
| Cash (Note 5(1)) | 7,394,904,648 | 6,269,184,262 |
| Including: Cash on hand | 479,275 | 453,100 |
| Cash at bank that can be readily drawn on demand | 7,394,425,373 | 6,268,731,162 |
| Cash at end of year | <u>7,394,904,648</u> | <u>6,269,184,262</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 strategies, and 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-owned 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 surrounding 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 is based on mutually-agreed prices.

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

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

6 Segment information (continued)

(a) Segment information as at and for the year ended 31 December 2013 is as follow:

| | 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 | 14,094,827,756 | 4,837,542,164 | 4,000,871,852 | 2,836,675,203 | 2,064,249,615 | 456,773,334 | 38,504 | — | — | 28,290,978,428 |
| Inter-segment revenue | 2,234,418,232 | 248,611,459 | 1,309,771,908 | 224,674,037 | 6,847,900 | 111,871,488 | 29,012,601 | — | (4,165,207,625) | — |
| Selling and distribution expenses | (2,879,546,898) | (1,061,492,176) | (442,018,415) | (545,893,460) | (576,505,010) | (105,178,678) | (59,180) | — | — | (5,610,693,817) |
| Interest income | 27,450,286 | 15,180,983 | 49,737,465 | 1,665,220 | 6,011,594 | 2,089,774 | 344,384,553 | 71,687,006 | (163,173,164) | 355,033,717 |
| Interest expenses | — | (1,209,563) | — | (1,615,483) | — | (11,413,342) | (170,966,921) | (68,629,773) | 170,383,826 | (83,451,256) |
| Share of profit of associates and joint venture | — | — | — | — | — | — | — | 9,465,953 | — | 9,465,953 |
| Asset impairment losses | 2,261,872 | 479,421 | 834,191 | (1,195,053) | (697,998) | (3,427,355) | 17,000 | — | (17,000) | (1,744,922) |
| Depreciation and amortisation | (376,484,695) | (224,719,497) | (137,078,710) | (58,686,944) | (45,328,695) | (2,240,959) | (948,201) | (39,561,205) | — | (885,048,906) |
| Total profit | 1,977,575,212 | 329,589,110 | 414,329,235 | (216,347,296) | 67,383,789 | 69,381,435 | 197,175,937 | (93,751,783) | (78,801,971) | 2,666,533,668 |
| Income tax expenses | (465,611,713) | (88,557,235) | (90,025,249) | 16,249,794 | (6,927,710) | (16,331,153) | (49,148,033) | — | 8,741,424 | (691,609,875) |
| Net profit | 1,511,963,499 | 241,031,875 | 324,303,986 | (200,097,502) | 60,456,079 | 53,050,282 | 148,027,904 | (93,751,783) | (70,060,547) | 1,974,923,793 |
| Total assets | 9,484,349,394 | 4,738,553,943 | 5,109,285,307 | 890,279,960 | 1,436,711,644 | 256,846,893 | 8,424,683,384 | 5,490,921,972 | (8,466,765,960) | 27,364,866,537 |
| Total liabilities | 5,099,455,441 | 2,009,662,466 | 3,691,027,461 | 1,587,337,654 | 727,543,370 | 308,455,631 | 7,630,992,693 | 1,824,831,664 | (9,387,910,878) | 13,491,395,502 |
| Long-term equity investments in associates and joint venture | — | — | — | — | — | — | — | 1,270,638,738 | — | 1,270,638,738 |
| Additions to non-current assets other than long-term equity investments | 976,677,744 | 137,675,238 | 591,469,503 | 244,054,713 | 230,967,301 | 4,125,132 | 1,044,800 | 60,103,364 | — | 2,246,117,795 |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

6 Segment information (continued)

(b) Segment information as at and for the year ended 31 December 2012 is as follow:

| | 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 | 12,920,137,680 | 4,979,642,715 | 3,659,697,194 | 2,016,091,565 | 1,772,259,935 | 433,705,807 | 9,081 | — | — | 25,781,543,977 |
| Inter-segment revenue | 1,760,806,680 | 208,717,064 | 1,008,896,206 | 239,948,440 | 25,410,942 | 51,213,978 | 11,713,753 | — | (3,306,707,063) | — |
| Selling and distribution expenses | (2,596,997,248) | (1,073,180,516) | (371,841,430) | (381,454,497) | (404,366,724) | (102,854,566) | (170,637) | — | — | (4,930,865,618) |
| Interest income | 16,304,385 | 10,555,808 | 42,747,075 | 4,387,087 | 3,568,043 | 423,653 | 275,943,839 | 60,282,068 | (114,939,090) | 299,272,868 |
| Interest expenses | 56,407,279 | (9,668,042) | (40,019,687) | (13,412,047) | — | (14,040,813) | (114,939,090) | (83,365,846) | 114,939,090 | (104,099,156) |
| Share of profit of associates and joint venture | — | — | — | — | — | — | — | 14,844,764 | — | 14,844,764 |
| Asset impairment losses | 9,477,775 | (5,737,731) | (2,391,306) | (1,268,837) | (308,177) | (776,310) | — | — | — | (1,004,586) |
| Depreciation and amortisation | (343,186,060) | (239,738,011) | (137,409,508) | (76,808,399) | (5,898,460) | (2,428,047) | (679,792) | (37,688,895) | — | (843,837,172) |
| Total profit | 1,738,414,872 | 399,270,775 | 357,948,017 | (128,044,774) | 122,718,337 | 44,911,618 | 163,759,118 | (195,555,358) | (19,266,372) | 2,484,156,233 |
| Income tax expenses | (364,483,732) | (126,393,844) | (65,585,022) | (12,061,257) | (22,516,365) | (21,575,061) | (39,306,278) | — | 12,527,571 | (639,393,988) |
| Net profit | 1,373,931,140 | 272,876,931 | 292,362,995 | (140,106,031) | 100,201,972 | 23,336,557 | 124,452,840 | (195,555,358) | (6,738,801) | 1,844,762,245 |
| Total assets | 8,588,271,267 | 4,531,165,568 | 3,981,695,082 | 1,826,865,079 | 1,242,179,374 | 403,180,121 | 5,944,344,971 | 3,941,284,015 | (6,797,879,892) | 23,661,105,585 |
| Total liabilities | 3,804,176,331 | 2,009,918,722 | 2,520,683,669 | 1,196,999,247 | 571,101,202 | 456,614,295 | 5,493,293,931 | 1,743,173,112 | (6,918,285,830) | 10,877,674,679 |
| Long-term equity investments in associates and joint venture | — | — | — | — | — | — | — | 162,568,290 | — | 162,568,290 |
| Additions to non-current assets other than long-term equity investments | 625,457,944 | 578,133,486 | 427,909,640 | 415,244,652 | 148,997,696 | 1,092,498 | 1,631,409 | 68,240,427 | — | 2,266,707,752 |

The Group's revenue from external customers domestically and in foreign countries or geographical areas, 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:

| Revenue from external customers | 2013 | 2012 |
|---------------------------------------|-----------------------|----------------|
| Domestic | 27,808,934,342 | 25,205,377,883 |
| In Hong Kong and Macau | 257,086,415 | 241,466,676 |
| In other countries/geographical areas | 224,957,671 | 334,699,418 |
| | 28,290,978,428 | 25,781,543,977 |
| | 31 December | 31 December |
| Total non-current assets | 2013 | 2012 |
| Domestic | 14,379,252,855 | 13,022,100,574 |
| In Hong Kong and Macau | 11,060,945 | 11,522,100 |
| | 14,390,313,800 | 13,033,622,674 |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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).

(2) Information of joint venture and associates

| | Type | Place of registration | Legal representative | Nature of business | Registered capital | Equity interest (%) | Voting rights (%) | Code of organisation |
|-----------------------------|-------------------------------------|-----------------------|----------------------|---|--------------------|---------------------|-------------------|----------------------|
| Joint venture — | | | | | | | | |
| Equipment Manufacture | Sino-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 of beer | EUR152,449 | 40% | 40% | Not applicable |
| Manufacturing Company | Company limited | Shanghai, the PRC | Matsumoto | Producing & trading of beer | RMB907,320,000 | 50% | 44.44% | 60733504-2 |
| New Songjiang Manufacturing | Company limited | Shanghai, the PRC | Liu Yingdi | Producing & trading of beer | RMB50,000,000 | 50% | 44.44% | 06378694-4 |
| Pengcheng Company | Company limited | Xuzhou, the PRC | Higashiyama Yuansuke | Producing & trading of beer | RMB155,000,000 | 50% | 44.44% | 70617665-7 |
| Yangzhou Company | Company limited | Yangzhou, the PRC | Higashiyama Yuansuke | Producing & trading of beer | RMB10,000,000 | 50% | 44.44% | 84088001-2 |
| Xuzhou Company | Company limited | Xuzhou, the PRC | Higashiyama Yuansuke | Producing & trading of beer | RMB39,336,899 | 33% | 44.44% | 70358441-X |
| Suqian Company | Company limited | Suqian, the PRC | Higashiyama Yuansuke | Producing & trading of beer | RMB25,000,000 | 50% | 44.44% | 72220045-0 |
| Suntory Kunshan | Company limited | Suzhou, the PRC | Chi Tianbo | Producing & trading of beer | RMB731,535,952 | 50% | 44.44% | 71150466-X |
| Suntory Shanghai | Company limited | Shanghai, the PRC | Chi Tianbo | Producing & trading of beer | RMB377,251,020 | 48.25% | 44.44% | 60733654-7 |
| Suntory Guangming | Company limited | Shanghai, the PRC | Chi Tianbo | Producing & trading of beer. | RMB948,005,310 | 50% | 44.44% | 60723351-3 |
| Suntory Jiangsu | Company limited | Lianyungagn, the PRC | Chi Tianbo | Producing & trading of beer | RMB166,093,523 | 50% | 44.44% | 60839259-1 |

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For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (continued)

(3) Information of other related parties

| | Relationship with the Group | Code of organisation |
|------------------|--|----------------------|
| TB Group Company | Shareholder of the Company | 26462834-4 |
| Asahi Breweries | Shareholder of the Company | Not applicable |
| Asahi Investment | Same shareholder of the Company | 71092096-0 |
| Suntory Company | Minority shareholder of the Subsidiary | 71092073-3 |

(4) Related party transactions

(a) Purchases of goods and receiving services

| Name of related party | Nature of transaction | Pricing policies and procedures for decision-making | 2013 | | 2012 | |
|----------------------------------|---|---|-------------|------------------------------------|-------------|------------------------------------|
| | | | Amount | Percentage of similar transactions | Amount | Percentage of similar transactions |
| Yantai asahi | Purchase of beer | Mutually-agreed prices and approval by board of directors | 612,104,832 | 4.40% | 605,842,449 | 3.88% |
| New Songjiang Manufacturing (ii) | Purchase of beer and materials | Mutually-agreed prices and approval by board of directors | 453,408,082 | 3.26% | — | — |
| Suntory Kunshan (i) | Purchase of beer | Mutually-agreed prices | 297,135,134 | 2.14% | — | — |
| Suntory Shanghai (i) | Purchase of beer | Mutually-agreed prices | 285,275,422 | 2.05% | — | — |
| Pengcheng Company (ii) | Purchase of beer and materials | Mutually-agreed prices | 204,940,627 | 1.47% | — | — |
| Yangzhou Company (ii) | Purchase of beer | Mutually-agreed prices | 130,274,403 | 0.94% | — | — |
| Xuzhou Company (ii) | Purchase of beer | Mutually-agreed prices | 123,890,673 | 0.89% | — | — |
| Suqian Company (ii) | Purchase of beer | Mutually-agreed prices | 94,747,128 | 0.68% | — | — |
| Suntory Jiangsu (i) | Purchase of beer | Mutually-agreed prices | 85,379,692 | 0.61% | — | — |
| Manufacturing Company (ii) | Purchase of beer and materials | Mutually-agreed prices | 75,431,781 | 0.54% | — | — |
| Suntory Guangming (i) | Purchase of beer | Mutually-agreed prices | 26,799,271 | 0.19% | — | — |
| Zhaoshang Logistics | Purchase logistics service (including paid on behalf) | Mutually-agreed prices and approval by board of directors | 307,092,867 | 25.61% | 250,914,772 | 25.49% |

(i) As stated in Note 12, because of the transaction with Suntory Company, the companies above have changed to be associates of the Company in the current year.

(ii) As stated in Note 12, because of the transaction with Suntory Company, all these companies above, which were subsidiaries of the Company before, have changed to be associates of the Company in the current year.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (continued)

(4) Related party transactions (continued)

(b) Sales of goods and rendering of services

| Name of related party | Nature of transaction | Pricing policies and procedures for decision-making | 2013 | | 2012 | |
|---------------------------------|---|---|-------------|------------------------------------|-------------|------------------------------------|
| | | | Amount | Percentage of similar transactions | Amount | Percentage of similar transactions |
| Liaoning Shenqing | Sale of beer | Mutually-agreed prices and approval by board of directors | 242,466,191 | 0.86% | 310,101,074 | 1.22% |
| European Company | Sale of beer | Mutually-agreed prices and approval by board of directors | 58,093,166 | 0.21% | 54,489,371 | 0.22% |
| New Songjiang manufacturing (i) | Sale of materials | Mutually-agreed prices | 47,472,391 | 0.17% | — | — |
| Asahi Breweries | Sale of beer | Mutually-agreed prices and approval by board of directors | 18,977,539 | 0.07% | 40,838,726 | 0.16% |
| Pengcheng Company (i) | Sale of materials | Mutually-agreed prices | 16,128,225 | 0.06% | — | — |
| Xuzhou Company (i) | Sale of materials | Mutually-agreed prices | 11,653,810 | 0.04% | — | — |
| Yangzhou Company (i) | Sale of materials | Mutually-agreed prices | 10,689,567 | 0.04% | — | — |
| Suqian Company (i) | Sale of materials | Mutually-agreed prices | 10,624,139 | 0.04% | — | — |
| Asahi Investment | Sale of beer | Mutually-agreed prices and approval by board of directors | 6,293,213 | 0.02% | 9,825,306 | 0.04% |
| Manufacturing Company (i) | Sale of materials | Mutually-agreed prices | 6,036,233 | 0.02% | — | — |
| Yangzhou Company (i) | Provide engineering and equipment installation services | Mutually-agreed prices | 36,000,000 | 0.13% | — | — |
| Suqian Company (i) | Provide engineering and equipment installation services | Mutually-agreed prices | 2,823,658 | 0.01% | — | — |

- (i) As stated in Note 12, because of the transaction with Suntory Company, all these companies above, which were subsidiaries of the Company before, have changed to be associates of the Company in the current year.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (continued)

(4) Related party transactions (continued)

(c) Brand use fee

| Name of related party | Nature of transaction | Pricing policies and procedures for decision-making | 2013 | | 2012 | |
|---------------------------------|-----------------------|---|-----------|------------------------------------|--------|------------------------------------|
| | | | Amount | Percentage of similar transactions | Amount | Percentage of similar transactions |
| New Songjiang manufacturing (i) | Brand use fee | Mutually-agreed prices | 6,613,053 | 55.46% | — | — |
| Pengcheng Company (i) | Brand use fee | Mutually-agreed prices | 1,970,134 | 16.52% | — | — |
| Yangzhou Company (i) | Brand use fee | Mutually-agreed prices | 1,440,316 | 12.08% | — | — |
| Xuzhou Company (i) | Brand use fee | Mutually-agreed prices | 1,083,336 | 9.09% | — | — |
| Suqian Company (i) | Brand use fee | Mutually-agreed prices | 817,537 | 6.85% | — | — |

(i) As stated in Note 12, because of the transaction with Suntory Company, all these companies above, which were subsidiaries of the Company before, have changed to be associates of the Company in the current year.

(d) Entrusted funds from related parties

| | 2013 | 2012 |
|------------------|--------------------|-------------------|
| Suntory Company | 410,862,595 | — |
| TB Group Company | — | 62,000,000 |
| | <u>410,862,595</u> | <u>62,000,000</u> |

(e) Repayment funds to related parties

| | 2013 | 2012 |
|------------------|--------------------|-------------------|
| Suntory Company | 372,770,110 | — |
| TB Group Company | 5,000,000 | 62,000,000 |
| | <u>377,770,110</u> | <u>62,000,000</u> |

(f) Receiving funds to related party

| | 2013 | 2012 |
|--------------------|-------------------|------|
| Xuzhou company (i) | <u>10,000,000</u> | — |

(i) As stated in Note 12, Xuzhou Company changed from a subsidiary of the Company to be an associate of the Company due to the transaction with Suntory Company. Before the transaction, the Group provided Xuzhou Company an entrusted loan with amount of RMB 10,000,000. The entrusted loan has been paid back in the current year.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (continued)

(4) Related party transactions (continued)

(g) Deposits increased

| | 2013 | 2012 |
|---------------------------------|----------------------|--------------------|
| Yantai Asahi | 647,034,862 | 576,071,877 |
| New Songjiang manufacturing (i) | 329,962,939 | — |
| Suqian company (i) | 57,482,744 | — |
| Xuzhou company (i) | 53,939,015 | — |
| Pengcheng company (i) | 51,601,205 | — |
| Yangzhou company (i) | 18,930,561 | — |
| Manufacturing Company (i) | 15,346,883 | — |
| | <u>1,174,298,209</u> | <u>576,071,877</u> |

(i) As stated in Note 12, because of the transaction with Suntory Company, all these companies above, which were subsidiaries of the Company before, have changed to be associates of the Company in the current year.

(h) Payment of interest

| | 2013 | 2012 |
|-----------------------------|------------------|------------------|
| TB Group Company | 1,371,040 | 4,347,653 |
| Suntory Company | 820,343 | — |
| Pengcheng Company | 159,645 | — |
| Yantai Asahi | 150,358 | 119,035 |
| New Songjiang manufacturing | 136,844 | — |
| Yangzhou Company | 79,100 | — |
| Suqian Company | 25,832 | — |
| Xuzhou Company | 20,035 | — |
| Manufacturing Company | 11,281 | — |
| | <u>2,774,478</u> | <u>4,466,688</u> |

(i) Interest received

| | 2013 | 2012 |
|----------------|----------------|----------|
| Xuzhou Company | <u>355,500</u> | <u>—</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (continued)

(4) Related party transactions (continued)

(j) Service charge to related parties

| | 2013 | 2012 |
|-----------------------------|---------------|--------------|
| New Songjiang manufacturing | 10,560 | — |
| Yantai Asahi | 9,825 | 7,298 |
| Pengcheng Company | 4,722 | — |
| Yangzhou Company | 3,729 | — |
| Suqian Company | 3,599 | — |
| Xuzhou Company | 3,393 | — |
| Manufacturing Company | 2,676 | — |
| | <u>38,504</u> | <u>7,298</u> |

(k) Remuneration of key management

| | 2013 | 2012 |
|--------------------------------|-------------------|-------------------|
| Remuneration of key management | <u>22,261,324</u> | <u>19,147,245</u> |

(l) Directors, supervisors and CEO's emoluments

Directors, supervisors and CEO's emoluments for the year ended 31 December 2013 are set out below:

| Name | Fees | Salary | Social insurance and housing funds | Total |
|---------------------|----------------|------------------|------------------------------------|------------------|
| Directors: | | | | |
| Sun Mingbo | — | 1,817,916 | 49,680 | 1,867,596 |
| Wang Fan | — | 1,414,076 | 49,680 | 1,463,756 |
| Huang Kexing (i) | — | 1,504,756 | 49,680 | 1,554,436 |
| Jiang Hong | — | 1,107,436 | 49,680 | 1,157,116 |
| Sun Yuguo | — | 1,007,436 | 49,680 | 1,057,116 |
| Wang Xuezheng | 100,000 | — | — | 100,000 |
| Zhao Changwen | 100,000 | — | — | 100,000 |
| Wu Xiaobo | 100,000 | — | — | 100,000 |
| Ma Haitao | 100,000 | — | — | 100,000 |
| Supervisors: | | | | |
| Duan Jiajun | 100,000 | — | — | 100,000 |
| Yang Weicheng | 60,000 | — | — | 60,000 |
| Li Yan | 60,000 | — | — | 60,000 |
| Xue Chaoshan | — | 487,200 | 49,680 | 536,880 |
| Sun Lihong | — | 377,100 | 49,680 | 426,780 |
| Xing Jun | — | 328,554 | 49,680 | 378,234 |
| | <u>620,000</u> | <u>8,044,474</u> | <u>397,440</u> | <u>9,061,914</u> |

(i) Appointed as director on 25 June 2013.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (continued)

(4) Related party transactions (continued)

(l) Directors, supervisors and CEO's emoluments (continued)

Directors, supervisors and CEO's emoluments for the year ended 31 December 2012 are set out below:

| Name | Fees | Salary | Social insurance and housing funds | Total |
|---------------------|----------------|------------------|------------------------------------|------------------|
| Directors: | | | | |
| Jin Zhiguo (i) | — | 689,028 | 21,758 | 710,786 |
| Sun Mingbo (ii) | — | 1,715,996 | 44,463 | 1,760,459 |
| Wang Fan | — | 1,364,076 | 44,463 | 1,408,539 |
| Jiang Hong | — | 1,067,436 | 44,463 | 1,111,899 |
| Sun Yuguo | — | 967,436 | 44,463 | 1,011,899 |
| Wang Xuezheng | 100,000 | — | — | 100,000 |
| Zhao Changwen | 100,000 | — | — | 100,000 |
| Wu Xiaobo | 100,000 | — | — | 100,000 |
| Ma Haitao | 100,000 | — | — | 100,000 |
| CEO: | | | | |
| Huang Kexing (iii) | — | 729,128 | 22,706 | 751,834 |
| Supervisors: | | | | |
| Duan Jiajun (iv) | 50,000 | — | — | 50,000 |
| Du Changgong (v) | 50,000 | — | — | 50,000 |
| Yang Weicheng | 60,000 | — | — | 60,000 |
| Li Yan | 60,000 | — | — | 60,000 |
| Xue Chaoshan | — | 338,835 | 44,463 | 383,298 |
| Sun Lihong | — | 246,760 | 44,463 | 291,223 |
| Xing Jun | — | 203,040 | 44,463 | 247,503 |
| | <u>620,000</u> | <u>7,321,735</u> | <u>355,705</u> | <u>8,297,440</u> |

(i) Resigned from director on 28 June 2012.

(ii) Resigned from CEO, appointed as Chairman of board of directors on 28 June 2012.

(iii) Appointed as CEO on 28 June 2012.

(iv) Appointed as supervisor on 27 June 2012.

(v) Resigned from supervisor on 27 June 2012.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (continued)

(4) Related party transactions (continued)

(i) Directors, supervisors and CEO's emoluments (continued)

The five individuals whose emoluments are the highest

The five individuals whose emoluments were the highest in the Group for the current year include 2 (2012: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2012: 3) individuals during the current year are as follows:

| | 2013 | 2012 |
|--|------------------------------|------------------|
| Salary | 6,148,440 | 4,787,660 |
| Social insurance and housing funds | 149,040 | 133,389 |
| | 6,297,480 | 4,921,049 |
| | Number of individuals | |
| | 2013 | 2012 |
| Emolument bands: | | |
| HKD 1,500,000 – 2,000,000 (approximately RMB1,200,000 – 1,600,000) | 1 | 2 |
| HKD 2,000,000 – 2,500,000 (approximately RMB1,600,000 – 2,000,000) | 1 | 0 |
| HKD 2,500,000 – 3,000,000 (approximately RMB2,000,000 – 2,400,000) | 0 | 1 |
| HKD 3,500,000 – 4,000,000 (approximately RMB2,800,000 – 3,200,000) | 1 | 0 |

(5) Receivables from and payables to related parties

Receivables from related parties:

| | 31 December 2013 | | 31 December 2012 | |
|---------------------------------|-------------------|----------------------------|-------------------|----------------------------|
| | Ending balance | Provision for bad debts | Ending balance | Provision for bad debts |
| Accounts receivable (Note 5(3)) | | | | |
| New Songjiang Manufacturing | 21,550,620 | — | — | — |
| Beijing Sales Company | 11,245,784 | (11,245,784) | 11,245,784 | (11,245,784) |
| Guangzhou General Agency | 10,559,690 | (10,559,690) | 18,859,690 | (18,859,690) |
| European Company | 8,979,371 | — | 10,475,314 | — |
| Pengcheng Company | 6,172,275 | — | — | — |
| Yangzhou Company | 5,726,964 | — | — | — |
| Xuzohu Company | 2,244,742 | — | — | — |
| Asahi Breweries | 1,856,920 | — | 1,703,799 | — |
| Suqian Company | 1,334,719 | — | — | — |
| Asahi Investment | 438,049 | — | 616,798 | — |
| | 70,109,134 | (21,805,474) | 42,901,385 | (30,105,474) |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (continued)

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

| | 31 December 2013 | | 31 December 2012 | |
|-----------------------------------|-------------------|-------------------------|-------------------------|-------------------------|
| | Ending balance | Provision for bad debts | Ending balance | Provision for bad debts |
| Other Receivable (Note 5(4)) | | | | |
| Suqian Company | 25,243,889 | — | — | — |
| New Songjiang Manufacturing | 20,508,389 | — | — | — |
| Yangzhou Company | 19,822,427 | — | — | — |
| Xuzhou Company | 5,492,488 | — | — | — |
| Suntory Jiangsu | 3,609,414 | — | — | — |
| Pengcheng Company | 2,801,363 | — | — | — |
| | <u>77,477,970</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Advances to suppliers (Note 5(5)) | | | | |
| Suntory Jiangsu | 18,440,338 | — | — | — |
| Xuzhou Company | 6,338,878 | — | — | — |
| | <u>24,779,216</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Other non-current assets | | | | |
| — Prepayments for Equipment | | | | |
| Equipment Manufacture | 2,385,602 | — | 9,662,030 | — |
| Payables to related parties: | | | | |
| | | | 31 December 2013 | 31 December 2012 |
| Accounts payable (Note 5(22)) | | | | |
| New Songjiang Manufacturing | | | 262,586,846 | — |
| Suntory Kunshan | | | 225,535,406 | — |
| Pengcheng Company | | | 78,976,202 | — |
| Yantai Asahi | | | 45,903,404 | 21,792,927 |
| Suntory Shanghai | | | 27,916,108 | — |
| Yangzhou Company | | | 16,341,453 | — |
| Suqian Company | | | 10,539,090 | — |
| | | | <u>667,798,509</u> | <u>21,792,927</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (continued)

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

| | 31 December 2013 | 31 December 2012 |
|--------------------------------------|---------------------|---------------------|
| Other payables (Note 5(27)) | | |
| Yantai Asahi | 31,618,667 | 20,128,779 |
| Suntory Shanghai | 29,900,231 | — |
| Zhaoshang Logistics | 29,860,209 | 49,704,038 |
| Suntory Kunshan | 22,899,387 | — |
| New songjiang manufacturing | 3,581,981 | — |
| Pengcheng company | 3,577,228 | — |
| Suqian company | 1,519,634 | — |
| Yangzhou company | 1,298,122 | — |
| Xuzhou company | 633,901 | — |
| Suntory Guangming | 116,492 | — |
| Suntory Company | 89,847 | — |
| Suntory Jiangsu | 34,270 | — |
| | <u>125,129,969</u> | <u>69,832,817</u> |
| Interest payable | | |
| Suntory Company | <u>217,904</u> | — |
| Advances from customers (Note 5(23)) | | |
| Liaoning Shenqing | <u>9,612,722</u> | <u>13,943,339</u> |
| Short-term borrowings (Note 5 (20)) | | |
| Suntory Company (i) | 89,286,660 | — |
| TB Group Company (ii) | — | 62,000,000 |
| | <u>89,286,660</u> | <u>62,000,000</u> |

(i) This represents short-borrowing entrusted to Shanghai Market Service and The Prince Sales by Suntory Company, the balance is RMB51,194,175 upon Consolidate date, while RMB89,286,660 as at 31 December 2013.

(ii) This represents the short-borrowing entrusted to Yangzhou Company by TB Group Company. As at 31 December 2013, Yangzhou Company has become the Company's associate, therefore the balance of the short-borrowing has not been included in the consolidated statements of the Group.

(6) Commitments in relation to related parties

Equipment procurement

| | 31 December 2013 | 31 December 2012 |
|-----------------------|---------------------|---------------------|
| Equipment Manufacture | — | 767,970 |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

| | 31 December 2013 | 31 December 2012 |
|------------------------------------|---------------------|---------------------|
| Buildings, machinery and equipment | <u>447,368,640</u> | <u>592,911,698</u> |

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

| | 31 December 2013 | 31 December 2012 |
|--|----------------------|----------------------|
| Buildings, machinery and equipment and intangible assets | <u>2,603,744,863</u> | <u>3,465,487,656</u> |

As at the balance sheet date, joint venture of the Group has no significant capital expenditures contracted for but not yet necessary to be recognised on the balance sheet, 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:

| | 31 December 2013 | 31 December 2012 |
|-----------------------|---------------------|---------------------|
| Within one year | 6,256,288 | 6,125,104 |
| Between 1 and 2 years | 2,520,000 | 4,780,555 |
| Between 2 and 3 years | 420,000 | 2,520,000 |
| Over 3 years | — | 420,000 |
| | <u>9,196,288</u> | <u>13,845,659</u> |

(3) Investment commitments

| | 31 December 2013 | 31 December 2012 |
|--|---------------------|---------------------|
| Acquire 50% equity of New Jiahe Brewery (Note 10(3)) | 300,000,000 | — |
| Purchase New Zhonglou Brewery's assets (Note 10(3)) | 20,000,000 | — |
| | <u>320,000,000</u> | <u>—</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

9 Commitments (continued)

(4) Fulfillment of commitments for the previous period

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

10 Events after the balance sheet date

(1) Significant events after the balance sheet date

| Item | Content | Effects to financial positions and operating results | Reason for affected amount not being reliably estimated |
|--|---|--|---|
| Repayment of payables (Note 5(22)(c)) (Note 5(27)(c)) | Repayment of significant payables over 1 year | Asset and liability decrease RMB25,145,487 respectively | Not applicable |
| Transfer of advance from customers to revenue (Note 5(23)(c)) | Transfer of advance from customers over 1 year to revenue | Liability decrease and total profit increase RMB1,716,296 respectively | Not applicable |

(2) Dividends distribution after the balance sheet date

| | Amount |
|-----------------------------------|-------------|
| Dividends proposed (a) | |
| — Dividends authorised to declare | 607,942,258 |

(a) In accordance with the resolution at the Board of Directors' meeting dated on 25 March 2014, the Board of Directors proposed a dividend in the amount of RMB607,942,258 to the shareholders, which is not recorded as liability in the financial statements for the current year (Note 5(36)).

(3) Investment after the balance sheet date

(a) Acquire 50% equity of New Jiahe Brewery

According to the Assets Restructuring and Equity Transaction Framework Agreement signed on 16 December 2013 between the Company and shareholders of New Jiahe Brewery Co., Ltd, including Shijiazhuang Jiahe Brewery Co., Ltd., Labour union committee of Jiahe Brewery Co., Ltd and United Investment Co., Ltd. Jiahe Brewery Co., Ltd will split out a new company (New Jiahe Brewery) to continue to engage in brewery business. The Company acquired 50% equity interest in New Jiahe Brewery by consideration of RMB300 million. The business registration procedures has been completed in February 2014.

(b) Purchase New Zhonglou Brewery's assets

According to the Assets Transfer Agreement signed between the Company and Xuanhua New Zhonglou Brewery Co., Ltd. (New Zhonglou Brewery) on 29 December 2013, the Company purchased the assets and brands related to sales business of New Zhonglou Brewery, with a consideration of RMB20 million. As of the reporting date of the financial statements, the Company has already paid RMB15 million. The transfer procedures of assets have been completed in January 2014.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

11 Leases

For the year ended 31 December 2013, leases payments under operating leases included in profit or loss for the current year amount to RMB110,453,130 (2012: RMB90,514,035).

12 Transaction with Suntory Company

(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, Sales Company and 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 held 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 of additional registered capital of Songjiang Company by transferring 86.5% equity interests of Suntory Shanghai and 93.2% equity interests of Suntory Kunshan and RMB175.49 million cash payment to obtain 50% of Songjiang Company’s increased registered capital.

Songjiang Company purchased 100% equity interests of Suntory Guangming by RMB1, 66.6% equity interests of Suntory Jiangsu by approximately RMB55.1 million, 10% equity interests of Suntory Shanghai by approximately RMB49.95 million, and 6.8% equity interests of Suntory Kunshan by approximately RMB54.32 million respectively. After the completion of the transactions, Songjiang Company was renamed as 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 50% contributed by each of the two shareholders. 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 Service 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 of the Company believes the establishment of Sales Company and Manufacturing Company should be treated as package deal transactions. The acquisition date and disposal date of the transactions is 28 April 2013, being the completion date confirmed as jointly signed by the Company and Suntory Company.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

12 Transaction with Suntory Company (continued)

(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 12(2)(ii) |
| <i>(i)</i> Cash flow paid for subsidiary disposal: | | |
| | | Amount |
| Cash and cash equivalent invested in Manufacturing business by the Company | | 91,093,122 |
| <i>(ii)</i> Disposal gain/(loss): | | |
| | | Amount |
| Fair value of the equity interest in Manufacturing Business invested by the Company <i>(a)</i> | | 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 | | (1,759,422) |
| Realization of 50% profit from internal fixed assets transaction | | 8,588,832 |
| Investment income due to disposal | | 219,356,731 |
| <i>(a)</i> 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. | | |
| <i>(iii)</i> Measurement of the remaining shares in the Manufacturing Company: | | |
| | | Amount |
| Fair value of the equity interest in Manufacturing Business invested by the Company <i>(a)</i> | | 899,355,156 |
| Fair value of the equity interest in Manufacturing Business invested by Suntory Company <i>(a)</i> | | 1,366,776,128 |
| Cash in Manufacturing Business invested by Suntory Company <i>(b)</i> | | 16,115,519 |
| Equity value of the Manufacturing Company | | 2,282,246,803 |
| Long-term equity investment in Manufacturing Company (50% of equity value mentioned above) | | 1,141,123,402 |
| <i>(a)</i> In accordance with the valuation report issued by Qingdao Tianhe Assets Appraisal Co., Ltd., the Company has utilised valuation techniques for measuring the fair value of equity interest in Manufacturing Business at the disposal date. The result of income approach is used to Manufacturing Company, Yangzhou Company, Pengcheng Company, Suntory Shanghai and Suntory Kunshan. The result of asset-based approach is used for Xuzhou Company, Suqian Company, Suntory Jiangsu and Suntory Guangming. | | |
| <i>(b)</i> Represents cash solely contributed by Suntory Company to the Manufacturing Company. As stated in note 12(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. | | |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

12 Transaction with Suntory Company (continued)

(3) Transactions with minority shareholders

As stated in note 12(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 while 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 | 214,032,593 |
| | <hr/> |
| Capital surplus due to disposal | 121,141,643 |

(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 | 170,541,992 | The difference between combination cost and the proportion of 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 to Manufacturing Company in cash by Suntory Company (a) | | (31,450,000) |
| | | <hr/> |
| Total combination cost | | (366,109,195) |
| Less: 50% fair value of identifiable net assets of Sales Business invested by Suntory Company | | 195,567,203 |
| | | <hr/> |
| Goodwill/(non-operating income) | | (170,541,992) |

(a) The Company and Suntory Company signed the supplemental agreement on 24 February 2014. In accordance with the supplemental agreement, Suntory will inject supplementary fund amounting to RMB62,900,000 to the Manufacturing Company as capital surplus, which will not affect the ratio of investment in Manufacturing Company from the Company and Suntory Company. The Company recognises 50% of the abovementioned amount as other non-current assets, which will convert to long-term investment to Manufacturing Company upon the completion of the cash injection by Suntory Company.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

12 Transaction with Suntory Company (continued)

(4) Business combinations involving enterprises not under common control (continued)

- (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:

| | Fair value at the date of acquisition | Carrying amount at the date of acquisition | Carrying amount as at 31 December 2012 |
|--|---|---|---|
| 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 inflow on acquisition of the subsidiary | <u>12,637,454</u> | | |

The Company has adopted valuation techniques for 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 assumptions applied are as follows:

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

Houses 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; and 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:

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 and the established marketing policies, regardless of the contribution made by the new customers to the marketing network during the future operations.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

12 Transaction with Suntory Company (continued)

(4) Business combinations involving enterprises not under common control (continued)

(iii) Revenue, loss and cashflow of Sales Business invested by Suntory Company from acquisition date to 31 December 2013:

| | |
|-------------------------------------|--------------|
| Revenue | 807,589,061 |
| Loss | (73,783,836) |
| Cash flow from operating activities | (37,194,689) |
| Net cash flow | (3,776,316) |

13 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 headquarter is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the currency risk. The Group may consider entering into forward exchange contracts to mitigate the foreign exchange risk. During 2013 and 2012, the Group did not enter into any forward exchange contracts.

As at 31 December 2013 and 2012, the carrying amounts in RMB equivalent to the Group's assets and liabilities denominated in foreign currencies are summarised as below:

| | 31 December 2013 | | |
|---|--------------------|--------------------------|--------------------|
| | HKD | Other foreign currencies | Total |
| Financial assets denominated in foreign currency — | | | |
| Cash at bank and on hand (Note 5(1)) | 54,142,465 | 96,165,089 | 150,307,554 |
| Accounts receivable (Note 5(3)(l)) | 30,766,170 | 31,495,678 | 62,261,848 |
| Other receivable (Note 5(4)(k)) | 1,777,057 | 185,599 | 1,962,656 |
| | <u>86,685,692</u> | <u>127,846,366</u> | <u>214,532,058</u> |
| Financial liabilities denominated in foreign currency — | | | |
| Short-term borrowings (Note 5(20)) | 11,793,450 | — | 11,793,450 |
| Other payables (Note 5(27)(d)) | 8,424,745 | 4,202,346 | 12,627,091 |
| Current portion of non-current liabilities (Note 5(28)) | 306,618,000 | 1,733,566 | 308,351,566 |
| Long-term borrowings (Note 5(29)) | — | 4,881,294 | 4,881,294 |
| | <u>326,836,195</u> | <u>10,817,206</u> | <u>337,653,401</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

13 Financial instrument and risk (continued)

(1) Market risk (continued)

(a) Foreign exchange risk (continued)

| | 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(20)) | 85,617,652 | — | 85,617,652 |
| Other payables (Note 5(27)(d)) | 218,006 | 5,204,203 | 5,422,209 |
| Current portion of non-current liabilities (Note 5(28)) | 81,090 | 1,705,191 | 1,786,281 |
| Long-term borrowings (Note 5(29)) | 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 31 December 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 RMB18,011,000 (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 31 December 2013, the Group's interest bearing debts were mainly RMB-denominated and HKD-denominated with floating rates, amounting to RMB306,618,000 (31 December 2012: RMB531,612,652), and RMB-denominated with fixed rates, amounting to RMB1,589,895,742 (31 December 2012: RMB1,471,316,153).

The Group's finance department at its headquarter 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.

In 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 RMB1,215,000 (2012: approximately RMB1,836,000).

(c) Price risk

The Group's price risk arises from fluctuation in price of the principal raw materials in beer production, while the rise in price of raw material will have adverse impact on the Group's operating results. The purchasing department of the Group keeps analysing 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.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

13 Financial instrument and risk (continued)

(2) Credit risk

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

The Group expects that there is no significant credit risk associated with cash at bank considering 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 management of the Group does not consider that there will be any significant loss resulted from the non-performance of these counterparties.

(3) Liquidity Risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarter monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

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

| | 31 December 2013 | | | | Total |
|--|----------------------|------------------|------------------|------------------|----------------------|
| | Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | |
| Financial assets — | | | | | |
| Cash at bank and on hand | 8,531,720,086 | — | — | — | 8,531,720,086 |
| Notes receivable | 84,760,000 | — | — | — | 84,760,000 |
| Accounts receivable | 354,377,376 | — | — | — | 354,377,376 |
| Interest receivables | 188,461,377 | — | — | — | 188,461,377 |
| Other receivables | 256,817,024 | — | — | — | 256,817,024 |
| | <u>9,416,135,863</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>9,416,135,863</u> |
| Financial liabilities — | | | | | |
| Short-term borrowings | 101,163,500 | — | — | — | 101,163,500 |
| Notes payable | 138,382,882 | — | — | — | 138,382,882 |
| Accounts payable | 2,707,070,770 | — | — | — | 2,707,070,770 |
| Interest payable | 1,202,929 | — | — | — | 1,202,929 |
| Dividends payable | 1,020,000 | — | — | — | 1,020,000 |
| Other payables | 4,231,981,495 | — | — | — | 4,231,981,495 |
| Current portion of non-current liabilities | 1,824,162,030 | — | — | — | 1,824,162,030 |
| Long-term borrowings | — | 1,784,107 | 1,975,387 | 1,121,800 | 4,881,294 |
| | <u>9,004,983,606</u> | <u>1,784,107</u> | <u>1,975,387</u> | <u>1,121,800</u> | <u>9,009,864,900</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

13 Financial instrument and risk (continued)

(3) Liquidity Risk (continued)

| | 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> |

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

| | 31 December 2013 | | 31 December 2012 | |
|------------------------------------|---------------------------|-----------------------------|--------------------|----------------------|
| | Bank borrowings | Debentures payable | Bank borrowings | Debentures payable |
| Wholly repayable within five years | 410,954,724 | 1,500,000,000 | 598,140,113 | 1,500,000,000 |
| Wholly repayable beyond five years | 3,358,246 | — | 3,749,423 | — |
| | <u>414,312,970</u> | <u>1,500,000,000</u> | <u>601,889,536</u> | <u>1,500,000,000</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

14 Capital management

The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2013, the group's strategy, which was unchanged from prior years is to maintain the cash balance for a certain standard to meet the Group's business development needs. Cash balance is calculated as cash and cash equivalents less total borrowings (including 'short-term borrowings, current portion of non-current liabilities, long-term borrowings and debentures payable' as shown in the consolidated balance sheet). The cash balance at 31 December 2013 and 2012 were as follows:

| | 31 December 2013 | 31 December 2012 |
|--|-------------------------------|-------------------------------|
| Cash and cash equivalents | 7,394,904,648 | 6,269,184,262 |
| <i>Less:</i> Short-term borrowings | (101,080,110) | (147,617,652) |
| Current portion of non-current liabilities | (1,797,167,198) | (2,786,281) |
| Long-term borrowings | (4,881,294) | (452,485,603) |
| Debentures payable | <u>—</u> | <u>(1,409,316,153)</u> |
| | <u>(1,903,128,602)</u> | <u>(2,012,205,689)</u> |
| Cash balance | <u>5,491,776,046</u> | <u>4,256,978,573</u> |

15 Fair value estimation

The level of fair value measurement is determined by the lowest level of inputs which has significant impact on fair value measurement, as a whole:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

(1) As at 31 December 2013, there are no persistent or non persistent financial instruments of the Group measured at fair value (31 December 2012: nil).

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

15 Fair value estimation (continued)

(2) Financial instruments not measured at fair value but disclosed at fair value

Financial assets and liabilities of the Group measured at amortised cost mainly represent receivables, short-term borrowings, payables, long-term borrowings, debentures payable and long-term payables.

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

| | 31 December 2013 | | 31 December 2012 | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial liabilities — the convertible bond with subscription warrants | <u>1,488,815,632</u> | <u>1,478,019,032</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, which belongs to level 3.

16 Financial assets and liabilities in foreign currencies

| | 31 December 2012 | Profit or loss arising from changes in fair value for the current year | Cumulative amount of changes in fair value recognised directly in equity | Provision for impairment | 31 December 2013 |
|--|--------------------|--|--|--------------------------|--------------------|
| Financial assets — | | | | | |
| Cash at bank and on hand (Note 5(1)) | 281,473,203 | — | — | — | 150,307,554 |
| Accounts receivable (Note 5(3)(l)) | 68,510,132 | — | — | — | 62,261,848 |
| Other receivables (Note 5(4)(k)) | 1,411,006 | — | — | — | 1,962,656 |
| Subtotal | <u>351,394,341</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>214,532,058</u> |
| Financial liabilities | | | | | |
| Short-term borrowings (Note 5(20)) | 85,617,652 | — | — | — | 11,793,450 |
| Other payables (Note 5(27)(d)) | 5,422,209 | — | — | — | 12,627,091 |
| Current portion of non-current liabilities (Note 5(28)) | 1,786,281 | — | — | — | 308,351,566 |
| Long-term borrowings (Note 5(29)) | 452,485,603 | — | — | — | 4,881,294 |
| Subtotal | <u>545,311,745</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>337,653,401</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

17 Notes to the Company's financial statements

(1) Accounts receivable

| | 31 December 2013 | 31 December 2012 |
|-------------------------------|---------------------|---------------------|
| Accounts receivable | 598,121,378 | 769,677,309 |
| Less: provision for bad debts | <u>(71,485,233)</u> | <u>(80,601,395)</u> |
| | <u>526,636,145</u> | <u>689,075,914</u> |

The majority of the Company's domestic sales are made with 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:

| | 31 December 2013 | 31 December 2012 |
|--------------------|---------------------|---------------------|
| Within 6 months | 515,442,948 | 677,617,981 |
| 6 months to 1 year | 5,894,268 | 5,764,278 |
| 1 to 2 years | 1,399,518 | 2,371,448 |
| 2 to 3 years | 118,036 | — |
| Over 3 years | <u>75,266,608</u> | <u>83,923,602</u> |
| | <u>598,121,378</u> | <u>769,677,309</u> |

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

| | 31 December 2013 | | | | 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 that the related provision for bad debts is provided on the individual basis | 21,805,474 | 3.64% | (21,805,474) | 100% | 30,105,474 | 3.91% | (30,105,474) | 100% |
| Subject to provision on the grouping basis | | | | | | | | |
| Group B | 459,157,977 | 76.77% | — | — | 659,820,172 | 85.73% | — | — |
| Group C | 117,157,927 | 19.59% | (49,679,759) | 42.40% | 79,751,663 | 10.36% | (50,495,921) | 63.32% |
| | <u>598,121,378</u> | <u>100%</u> | <u>(71,485,233)</u> | <u>11.95%</u> | <u>769,677,309</u> | <u>100%</u> | <u>(80,601,395)</u> | <u>10.47%</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(1) Accounts receivable (continued)

- (c) As at 31 December 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 | Provision for bad debts | Ratio | Reason |
|--------------------------|----------------|-------------------------|-------|--------------|
| Beijing Sales Company | 11,245,784 | (11,245,784) | 100% | Note 5(3)(c) |
| Guangzhou General Agency | 10,559,690 | (10,559,690) | 100% | Note 5(3)(c) |
| | 21,805,474 | (21,805,474) | 100% | |

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

| | 31 December 2013 | | | | 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 | 66,896,588 | 57.10% | — | — | 28,490,227 | 35.72% | — | — |
| 6 months to 1 year | 612,190 | 0.52% | (30,610) | 5% | 175,224 | 0.22% | (8,761) | 5% |
| 1 to 2 years | — | — | — | — | 1,198,104 | 1.50% | (599,052) | 50% |
| 2 to 3 years | 118,036 | 0.10% | (118,036) | 100% | — | — | — | — |
| Over 3 years | 49,531,113 | 42.28% | (49,531,113) | 100% | 49,888,108 | 62.56% | (49,888,108) | 100% |
| | 117,157,927 | 100% | (49,679,759) | 42.40% | 79,751,663 | 100% | (50,495,921) | 63.32% |

- (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 year are as follows (2012: nil).

| | Reason for reversal/ collection | Basis for determining the provision for bad debts | Cumulative amount of provision provided before reversal/ collection | Amount of reversal/ collection |
|--------------------------|---|---|---|--------------------------------|
| Guangzhou General Agency | Collected in a proportion in the current year | The management of the Company considers that the possibility of recovery is low | 18,859,690 | 8,300,000 |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(1) Accounts receivable (continued)

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

| | Nature | Amount | Reason | Arising from related party transactions or not |
|--|---------------|----------------|---------------------|--|
| Pingdu Supply and Marketing Trade Center, etc. | Sales of beer | <u>137,094</u> | Deregistration etc. | No |

(g) As at 31 December 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 31 December 2013, the five largest accounts receivable are analysed as follows:

| | Relationship with the Company | Amount | Ageing | % of total balance |
|-------------------------|-------------------------------|--------------------|-----------------|--------------------|
| Pingdu Sales Company | Subsidiary | 81,713,803 | Within 6 months | 13.66% |
| Dongnan Sales Company | Subsidiary | 57,973,059 | Within 6 months | 9.69% |
| Shibei Sales Company | Subsidiary | 54,850,273 | Within 6 months | 9.17% |
| Sifang Sales Company | Subsidiary | 33,820,083 | Within 6 months | 5.65% |
| Chengyang Sales Company | Subsidiary | <u>27,401,310</u> | Within 6 months | <u>4.58%</u> |
| | | <u>255,758,528</u> | | <u>42.75%</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(1) Accounts receivable (continued)

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

| | Relationship with the Company | 31 December 2013 | | | 31 December 2012 | | |
|-----------------------------|-------------------------------|--------------------|--------------------|-------------------------|--------------------|--------------------|-------------------------|
| | | Amount | % of total balance | Provision for bad debts | Amount | % of total balance | Provision for bad debts |
| Subsidiaries (Group B) | | 459,157,977 | 76.77% | — | 659,820,172 | 85.73% | — |
| Pingdu Sales Company | Subsidiary | 81,713,803 | 13.66% | — | 67,003,365 | 8.71% | — |
| Dongnan Sales Company | Subsidiary | 57,973,059 | 9.69% | — | 63,262,938 | 8.22% | — |
| Shibei Sales Company | Subsidiary | 54,850,273 | 9.17% | — | 205,701,558 | 26.73% | — |
| Sifang Sales Company | Subsidiary | 33,820,083 | 5.65% | — | 60,224,149 | 7.82% | — |
| Chengyang Sales Company | Subsidiary | 27,401,310 | 4.58% | — | — | — | — |
| Beifang Sales Company | Subsidiary | 26,361,615 | 4.41% | — | 20,264,663 | 2.63% | — |
| Immense Brewery Company | Subsidiary | 15,699,783 | 2.62% | — | 11,411,915 | 1.48% | — |
| New Shanghai Sales | Subsidiary | 12,417,220 | 2.08% | — | — | — | — |
| Sanshui Company | Subsidiary | 12,123,581 | 2.03% | — | 30,779,357 | 4.00% | — |
| Harbin Company | Subsidiary | 10,481,287 | 1.75% | — | 5,559,660 | 0.72% | — |
| Three Ring Company | Subsidiary | 9,098,313 | 1.52% | — | 5,778,688 | 0.75% | — |
| Nanning Company | Subsidiary | 8,863,904 | 1.48% | — | 17,222,624 | 2.24% | — |
| Jinan Company | Subsidiary | 7,206,315 | 1.20% | — | 4,359,490 | 0.57% | — |
| Chengdu Company | Subsidiary | 6,582,687 | 1.10% | — | — | — | — |
| Taiyuan Company | Subsidiary | 6,512,407 | 1.09% | — | 5,401,826 | 0.70% | — |
| Macau Company | Subsidiary | 6,262,390 | 1.05% | — | 4,049,978 | 0.53% | — |
| Tengzhou Company | Subsidiary | 5,420,216 | 0.91% | — | — | — | — |
| Shijiazhuang Company | Subsidiary | 5,413,069 | 0.91% | — | — | — | — |
| Hong Kong Company | Subsidiary | 4,769,601 | 0.80% | — | 25,998,305 | 3.38% | — |
| Xuecheng Company | Subsidiary | 4,307,787 | 0.72% | — | 5,572,070 | 0.72% | — |
| Zhangzhou Company | Subsidiary | 4,261,362 | 0.71% | — | — | — | — |
| Five Star Company | Subsidiary | 4,240,800 | 0.71% | — | 3,289,982 | 0.43% | — |
| Hansi Baoji | Subsidiary | 4,227,597 | 0.71% | — | — | — | — |
| Wuhu Company | Subsidiary | 3,968,602 | 0.66% | — | — | — | — |
| Guangrunlong Logistics | Subsidiary | 3,930,020 | 0.66% | — | 3,930,020 | 0.51% | — |
| Suizhou Company | Subsidiary | 3,345,491 | 0.56% | — | — | — | — |
| Xiamen Company | Subsidiary | 3,147,106 | 0.53% | — | — | — | — |
| Huanan Sales Company | Subsidiary | 3,052,626 | 0.51% | — | — | — | — |
| Other subsidiaries | Subsidiary | 31,705,670 | 5.30% | — | 120,009,584 | 15.59% | — |
| New Songjiang Manufacturing | Associate | 21,550,620 | 3.60% | — | — | — | — |
| Beijing Sales Company | Associate | 11,245,784 | 1.88% | (11,245,784) | 11,245,784 | 1.46% | (11,245,784) |
| Guangzhou General Agency | Associate | 10,559,690 | 1.77% | (10,559,690) | 18,859,690 | 2.45% | (18,859,690) |
| European Company | Associate | 8,979,371 | 1.50% | — | 10,475,314 | 1.36% | — |
| Pengcheng Company | Associate | 6,172,275 | 1.03% | — | — | — | — |
| Yangzhou Company | Associate | 5,726,964 | 0.96% | — | — | — | — |
| Xuzhou Company | Associate | 2,244,742 | 0.38% | — | — | — | — |
| Suqian Company | Associate | 1,334,719 | 0.22% | — | — | — | — |
| | | <u>526,972,142</u> | <u>88.11%</u> | <u>(21,805,474)</u> | <u>700,400,960</u> | <u>91.00%</u> | <u>(30,105,474)</u> |

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

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

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(2) Other receivables

| | 31 December 2013 | 31 December 2012 |
|--|---------------------|---------------------|
| Receivables from subsidiaries | 74,460,499 | 139,697,116 |
| Staff advance | 20,071,909 | 12,332,944 |
| Refund for prepayment of land use rights | 17,441,647 | 17,441,647 |
| Deposits | 17,102,705 | 10,865,599 |
| Brand use fee (Note 5(4)) | 12,639,838 | — |
| Others | 17,100,819 | 19,091,169 |
| | 158,817,417 | 199,428,475 |
| Less: provision for bad debts | (43,407,921) | (44,347,489) |
| | 115,409,496 | 155,080,986 |

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

| | 31 December 2013 | 31 December 2012 |
|--------------------|---------------------|---------------------|
| Within 6 months | 75,196,390 | 53,992,133 |
| 6 months to 1 year | 594,798 | 2,787,433 |
| 1 to 2 years | 469,432 | 2,065,530 |
| 2 to 3 years | 1,944,337 | 870,890 |
| Over 3 years | 80,612,460 | 139,712,489 |
| | 158,817,417 | 199,428,475 |

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

| | 31 December 2013 | | | | 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 that the related provision for bad debts is provided on the individual basis | 17,441,647 | 10.98% | (17,441,647) | 100% | 17,441,647 | 8.75% | (17,441,647) | 100% |
| Subject to provision by groups | | | | | | | | |
| Group A | 1,661,000 | 1.05% | — | — | 1,661,000 | 0.83% | — | — |
| Group B | 74,460,499 | 46.88% | — | — | 139,697,116 | 70.05% | — | — |
| Group C | 65,254,271 | 41.09% | (25,966,274) | 39.79% | 40,628,712 | 20.37% | (26,905,842) | 66.22% |
| | 158,817,417 | 100% | (43,407,921) | 27.33% | 199,428,475 | 100% | (44,347,489) | 22.24% |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(2) Other receivables (continued)

- (c) As at 31 December 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 | Provision for bad debts | Ratio | Reason |
|---|-------------------|----------------------------|-------|--------------|
| Refund for repayment of land use rights | 17,441,647 | (17,441,647) | 100% | Note 5(4)(c) |

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

| | 31 December 2013 | | | | 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 | 39,030,535 | 59.81% | — | — | 13,156,222 | 32.38% | — | — |
| 6 months to 1 year | 51,745 | 0.08% | (2,587) | 5% | 392,484 | 0.97% | (19,624) | 5% |
| 1 to 2 years | 416,609 | 0.64% | (208,305) | 50% | 387,577 | 0.95% | (193,789) | 50% |
| 2 to 3 years | 283,337 | 0.43% | (283,337) | 100% | 466,591 | 1.15% | (466,591) | 100% |
| Over 3 years | 25,472,045 | 39.04% | (25,472,045) | 100% | 26,225,838 | 64.55% | (26,225,838) | 100% |
| | <u>65,254,271</u> | <u>100%</u> | <u>(25,966,274)</u> | <u>39.79%</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 year (2012: fully collected deposit that the related provision for bad debts had been provided in full amount in previous years amounting to RMB13,000,000).

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

| Nature | Amount | Reason | Arising from related party transactions or not |
|---------------------------------|------------------|---|---|
| Deposits on packaging materials | 837,281 | Cessation of business, deregistration or bankruptcy | No |
| Other | 374,095 | Cessation of business, deregistration or bankruptcy | No |
| | <u>1,211,376</u> | | |

- (g) As at 31 December 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).

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(2) Other receivables (continued)

(h) As at 31 December 2013, the five largest other receivables are analysed as follows:

| | Relationship with the Company | Amount | Ageing | % of total balance |
|---|----------------------------------|-------------------|-----------------|-----------------------|
| Dongnan Sales Company | Subsidiary | 20,063,531 | Over 3 years | 12.63% |
| New Shanghai Sales Company | Subsidiary | 14,215,064 | Over 3 years | 8.95% |
| Tsingtao Xianghong Shangwu Company Limited ("Xianghong Shangwu") | Subsidiary | 9,893,314 | Within 6 months | 6.23% |
| Qingdao Bureau of Land and Resources of Economic Technical Development Area | Third party | 8,584,437 | Over 3 years | 5.41% |
| Wuhu Company | Subsidiary | 7,789,211 | Within 6 months | 4.90% |
| | | <u>60,545,557</u> | | <u>38.12%</u> |

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

| | Relationship with the Company | 31 December 2013 | | | 31 December 2012 | | |
|--------------------------------|----------------------------------|-------------------|-----------------------|----------------------------|--------------------|-----------------------|----------------------------|
| | | Amount | % of total balance | Provision for bad debts | Amount | % of total balance | Provision for bad debts |
| Subsidiaries (Group B) | | 74,460,499 | 46.88% | — | 139,697,116 | 70.05% | — |
| Dongnan Sales Company | Subsidiary | 20,063,531 | 12.63% | — | 23,636,335 | 11.85% | — |
| New Shanghai Sales Company | Subsidiary | 14,215,064 | 8.95% | — | 16,630,957 | 8.34% | — |
| XianghongShangwu | Subsidiary | 9,893,314 | 6.23% | — | 10,455,613 | 5.24% | — |
| Wuhu Company | Subsidiary | 7,789,211 | 4.90% | — | 3,883,720 | 1.95% | — |
| Suizhou Company | Subsidiary | 3,686,957 | 2.32% | — | 97,790 | 0.05% | — |
| Other subsidiaries | Subsidiary | 18,812,422 | 11.85% | — | 84,992,701 | 42.62% | — |
| Related parties | | 16,923,976 | 10.66% | — | — | — | — |
| New Songjiang Manufacturing | Associate | 7,009,836 | 4.41% | — | — | — | — |
| Xuzhou Company | Associate | 5,124,453 | 3.23% | — | — | — | — |
| Pengcheng Company | Associate | 2,396,363 | 1.51% | — | — | — | — |
| Yangzhou Company | Associate | 1,526,735 | 0.96% | — | — | — | — |
| Suqian Company | Associate | 866,589 | 0.55% | — | — | — | — |
| | | <u>91,384,475</u> | <u>57.54%</u> | <u>—</u> | <u>139,697,116</u> | <u>70.05%</u> | <u>—</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(3) Dividends receivable

| | 31 December 2013 | 31 December 2012 |
|-------------------|---------------------|---------------------|
| Xi'an Company | 237,000,000 | 20,000,000 |
| Pengcheng Company | — | 30,000,000 |
| | <u>237,000,000</u> | <u>50,000,000</u> |

(4) Long-term receivables

| | 31 December 2012 | | | 31 December 2013 |
|-------------------------------------|----------------------|---------------------------------|---------------------------------|----------------------|
| Entrusted loans to Subsidiaries (i) | <u>765,750,000</u> | | | <u>822,650,000</u> |
| | | Increase in the current year | Decrease in the current year | |
| Less: provisions for bad debts | <u>(195,960,000)</u> | <u>(22,500,000)</u> | — | <u>(218,460,000)</u> |
| | <u>569,790,000</u> | | | <u>604,190,000</u> |

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

(5) Long-term equity investments

| | 31 December 2013 | 31 December 2012 |
|--|----------------------|----------------------|
| Subsidiaries (a) | 7,800,496,508 | 8,026,445,552 |
| Associates (b) | 1,190,682,774 | 161,681,029 |
| Other long-term equity investments (c) | <u>6,485,263</u> | <u>6,485,263</u> |
| | <u>8,997,664,545</u> | 8,194,611,844 |
| Less: Provision for impairment of long-term equity investments (d) | <u>(832,283,490)</u> | <u>(877,283,490)</u> |
| | <u>8,165,381,055</u> | <u>7,317,328,354</u> |

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

Notes to Financial Statements

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(All amounts in RMB Yuan unless otherwise stated)

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

(5) Long-term equity investments (continued)

(a) Subsidiaries

| | Accounting treatment | Investment cost | 31 December 2012 | Current year movement | 31 December 2013 | Equity interest held | Voting rights held | Explanation of inconsistency of equity interest held and voting rights held | Provision for impairment | Impairment losses recognised in the current year | Cash dividends declared in the current year |
|---|----------------------|-----------------|------------------|-----------------------|------------------|----------------------|--------------------|---|--------------------------|--|---|
| 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 | — | — | 8,780,000 |
| 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 | — | — | 237,000,000 |
| 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 | — | — | — |
| Xingkaihu 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) Company Limited | Cost method | 18,089,491 | 18,089,491 | — | 18,089,491 | 96.90% | 96.90% | Not applicable | — | — | — |
| Hong Kong Company | Cost method | 41,728,681 | 41,728,681 | — | 41,728,681 | 100% | 100% | Not applicable | — | — | — |
| Xinan Sales Company | Cost method | 99,300,000 | 99,300,000 | — | 99,300,000 | 100% | 100% | Not applicable | (82,310,170) | — | — |
| Tsingtao Brewery Kai Fa Company Limited | Cost method | 1,320,000 | 1,320,000 | — | 1,320,000 | 100% | 100% | Not applicable | (1,320,000) | — | — |
| Taizhou Company | Cost method | 60,000,000 | 60,000,000 | — | 60,000,000 | 86.43% | 86.43% | Not applicable | — | — | — |
| Maanshan Company | Cost method | 80,000,000 | 80,000,000 | — | 80,000,000 | 94.12% | 94.12% | Not applicable | — | — | — |
| Xianghong Shangwu | Cost method | 5,760,000 | 5,760,000 | — | 5,760,000 | 100% | 100% | Not applicable | — | — | — |
| Dongnan Sales Company | Cost method | 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 | — | — | — |
| Huahui 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 | — | — | — |
| Weifang Company | Cost method | 73,620,001 | 73,620,001 | — | 73,620,001 | 100% | 100% | Not applicable | — | — | — |
| Pingyuan Company | Cost method | 21,730,001 | 21,730,001 | — | 21,730,001 | 100% | 100% | Not applicable | — | — | — |
| Construction Company | Cost method | 2,490,000 | 2,490,000 | — | 2,490,000 | 100% | 100% | Not applicable | — | — | — |
| Langfang Company | Cost method | 79,090,000 | 79,090,000 | — | 79,090,000 | 80.80% | 80.80% | Not applicable | — | — | — |
| Heze Company | Cost method | 124,590,000 | 124,590,000 | — | 124,590,000 | 93.08% | 93.08% | Not applicable | (51,301,600) | — | — |
| Tengzhou Company | Cost method | 48,310,000 | 48,310,000 | — | 48,310,000 | 76.65% | 76.65% | Not applicable | — | — | — |
| Tsingtao Brewery (Shanghai) Company Limited | Cost method | 1,570,000 | 1,570,000 | — | 1,570,000 | 5% | 5% | Not applicable | — | — | — |
| Wuhu Company | Cost method | 94,290,000 | 94,290,000 | — | 94,290,000 | 84.25% | 84.25% | Not applicable | — | — | — |
| Shanghai Sales Company | Cost method | 47,300,000 | 97,300,000 | — | 97,300,000 | 97.01% | 97.01% | Not applicable | (47,300,000) | — | — |
| Chengyang Sales Company | Cost method | 8,000,000 | 8,000,000 | — | 8,000,000 | 100% | 100% | Not applicable | — | — | 87,610,000 |
| Baotouqu 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 Company | Cost method | 10,000,000 | 10,000,000 | — | 10,000,000 | 100% | 100% | Not applicable | — | — | 103,190,000 |
| Jieyang 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 | — | — | — |
| Hainan Company | Cost method | 200,000,000 | 200,000,000 | — | 200,000,000 | 100% | 100% | Not applicable | — | — | — |
| Shibe Sales Company | Cost method | 8,000,000 | 8,000,000 | — | 8,000,000 | 100% | 100% | Not applicable | — | — | 159,990,000 |
| Jiujiang Company | Cost method | 180,000,000 | 180,000,000 | — | 180,000,000 | 90% | 90% | Not applicable | — | — | — |
| New Shanghai Sales (i) | 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 Company | Cost method | 5,000,000 | 5,000,000 | — | 5,000,000 | 100% | 100% | Not applicable | — | — | 50,040,000 |
| Luoyang Company | Cost method | 200,000,000 | 200,000,000 | — | 200,000,000 | 100% | 100% | Not applicable | — | — | — |
| Sales Company (i) | Cost method | 10,000,000 | — | 10,000,000 | 10,000,000 | 50% | 55.56% | (i) | — | — | — |
| Hongjiweiyi | Cost method | 10,000,000 | — | 10,000,000 | 10,000,000 | 100% | 100% | Not applicable | — | — | — |
| Luzhou Company | Cost method | 118,460,956 | — | 118,460,956 | 118,460,956 | 95% | 95% | Not applicable | — | — | — |
| | | | 8,026,445,552 | (225,949,044) | 7,800,496,508 | | | | (825,578,229) | — | 686,007,500 |

(i) The movement of long-term equity investments and explanation of inconsistency of equity interest held and voting rights held in Sales Company refers to Note 4.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(5) Long-term equity investments (continued)

(b) Associates

| | Accounting treatment | Investment cost | 31 December 2012 | Retain earning adjusted from cost method | | Share of Profits using the equity method | Share of other comprehensive income | Cash dividend declared | Other equity movement | 31 December 2013 | Equity interest held | Voting rights held | Explanation of inconsistency of equity interest held and voting rights held | Provision for impairment | Impairment losses recognised in the current year |
|---------------------------|----------------------|-----------------|------------------|--|-------------------------|--|-------------------------------------|------------------------|-----------------------|------------------|----------------------|--------------------|---|--------------------------|--|
| | | | | Increased investment | change to equity method | | | | | | | | | | |
| Manufacturing Company (i) | Equity method | 950,650,823 | — | 950,650,823 | 90,362,209 | 2,358,078 | — | — | (10,559,280) | 1,032,811,830 | 50% | 44.44% | (ii) | — | — |
| Yantai Asahi | Equity method | 120,024,598 | 133,007,877 | — | — | 12,325,161 | (197,717) | (10,070,000) | — | 135,065,321 | 39% | 39% | Not Applicable | — | — |
| Zhaoshang Logistics | Equity method | 6,000,000 | 23,935,600 | — | — | 4,024,818 | — | (10,097,160) | — | 17,863,258 | 30% | 30% | Not Applicable | — | — |
| Liaoning Shengqing | Equity method | 600,000 | 3,517,552 | — | — | 204,813 | — | — | — | 3,722,365 | 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 | 90,362,209 | 18,912,870 | (197,717) | (20,167,160) | (10,559,280) | 1,190,682,774 | | | (1,220,000) | — |

(i) As stated in Note 12(1), as for disposal of 50% equity interest of Manufacturing Company, the investment income of RMB463,690,823 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 RMB691,445,823 (as calculated below);
- 50% of the supplementary payment by Suntory Company, equivalent to RMB31,450,000, which was recognized as other non-current assets; and
- 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 RMB463,690,823.

| | |
|---|-------------|
| 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 | 8,057,759 |
| | 691,445,823 |

Regarding the remaining 50% equity interest of Manufacturing Company, the accounting treatment of the long-term equity investment changed from cost method to equity method and long-term equity investment is calculated by RMB96,474,607, of which the net profit RMB90,362,209 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 of the current year.

The net loss in the current year under equity method is RMB 3,754,319, of which RMB3,363,669 is calculated on the share of net profit realized by the Manufacturing Business invested by the Company at book value and by the Manufacturing Business invested by Suntory Company adjusted at fair value, RMB1,220,202 is investment loss from upstream transactions with the associate in purchase of goods, and RMB5,897,786 is investment loss from downstream transactions with the associate in transaction of fixed assets.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(5) Long-term equity investments (continued)

(b) Associates (continued)

- (ii) Summarised financial information of associates refer to Note 5(9)(b). As the Group has downstream transactions and upstream transactions with Manufacturing Company and Yantai Asahi, the long-term equity investments in the two companies held by the Group are different from that held by the Company. Details are as follows:

| | Manufacturing Company | | Yantai Asahi | |
|---|-----------------------|---------------------|---------------------|---------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| Total equity attributable to shareholders | 2,040,078,019 | — | 278,112,081 | 260,920,699 |
| Adjustment by the fair value of the identifiable net assets at acquisition date | (57,262,291) | — | 49,328,497 | 53,188,497 |
| Adjusted total equity attributable to shareholders | 1,982,815,728 | — | 327,440,578 | 314,109,196 |
| Interest in associates | 50% | — | 39% | 39% |
| Equity attributable to the shareholder | 991,407,864 | — | 127,701,825 | 122,502,586 |
| Goodwill included in long-term equity investments | 48,521,954 | — | 9,640,679 | 9,640,679 |
| Offset unrealised profits from internal transaction | (7,117,988) | — | (2,277,183) | — |
| Long-term equity investments | 1,032,811,830 | — | 135,065,321 | 132,143,265 |

(c) Other long-term equity investments

| | Accounting treatment | Investment cost | 31 December | Current year | 31 December | Provision for | Impairment | Cash dividends |
|---------------|----------------------|-----------------|-------------|--------------|-------------|---------------|---------------------------------------|------------------------------|
| | | | 2012 | movement | 2013 | impairment | losses recognised in the current year | declared in the current year |
| 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) | — | — |
| | | | 6,485,263 | — | 6,485,263 | (5,485,261) | — | — |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(5) Long-term equity investments (continued)

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

| | 31 December 2012 | Increase in the current year | Decrease in the current year | 31 December 2013 |
|------------------------------------|----------------------|---------------------------------|---------------------------------|----------------------|
| Subsidiaries (i) | (870,578,229) | — | 45,000,000 | (825,578,229) |
| Associates | (1,220,000) | — | — | (1,220,000) |
| Other long-term equity investments | (5,485,261) | — | — | (5,485,261) |
| | (877,283,490) | — | 45,000,000 | (832,283,490) |

- (i) The Company transferred its equity of Huaihai Sales Company to Sale Company in the current year and the provision for impairment of long-term equity investments has been decreased accordingly (Note 4(4)).

(6) Investment properties

| | 31 December 2012 | Increase in the current year | Decrease in the current year | 31 December 2013 |
|--------------------------|---------------------|---------------------------------|---------------------------------|---------------------|
| Cost | 34,519,737 | 1,031,960 | — | 35,551,697 |
| Buildings | 34,519,737 | 1,031,960 | — | 35,551,697 |
| Accumulated depreciation | (13,501,143) | (767,013) | — | (14,268,156) |
| Buildings | (13,501,143) | (767,013) | — | (14,268,156) |
| Carrying amount | 21,018,594 | — | — | 21,283,541 |
| Buildings | 21,018,594 | — | — | 21,283,541 |

In 2013, the Company changed the use of certain Buildings with carrying amount of RMB1,031,960 (cost RMB1,031,960) to lease out and therefore, such assets were transferred from fixed assets to investment properties at the date of change.

Depreciation of investment properties recognised in the current year was RMB767,013 (2012: RMB767,013).

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(7) Fixed assets

| | 31 December 2012 | Increase in the current year | Decrease in the current year | 31 December 2013 |
|--------------------------|---------------------|---------------------------------|---------------------------------|------------------------|
| Cost | 3,391,837,828 | 356,064,154 | (199,233,627) | 3,548,668,355 |
| Buildings | 819,641,016 | 158,083,505 | (44,637,591) | 933,086,930 |
| Machinery and equipment | 2,170,483,936 | 149,794,973 | (114,398,615) | 2,205,880,294 |
| Motor vehicles | 148,839,293 | 13,009,933 | (28,473,815) | 133,375,411 |
| Other equipment | 252,873,583 | 35,175,743 | (11,723,606) | 276,325,720 |
| Accumulated depreciation | (1,707,348,890) | (153,903,376) | 146,445,667 | (1,714,806,599) |
| Buildings | (294,970,788) | (21,527,536) | 15,725,567 | (300,772,757) |
| Machinery and equipment | (1,156,087,294) | (97,219,953) | 96,629,053 | (1,156,678,194) |
| Motor vehicles | (91,237,853) | (7,174,588) | 22,933,276 | (75,479,165) |
| Other equipment | (165,052,955) | (27,981,299) | 11,157,771 | (181,876,483) |
| Net book value | 1,684,488,938 | — | — | 1,833,861,756 |
| Buildings | 524,670,228 | — | — | 632,314,173 |
| Machinery and equipment | 1,014,396,642 | — | — | 1,049,202,100 |
| Motor vehicles | 57,601,440 | — | — | 57,896,246 |
| Other equipment | 87,820,628 | — | — | 94,449,237 |
| Provision for impairment | (59,293,915) | (6,559,528) | 15,447,370 | (50,406,073) |
| Buildings | (630,420) | (1,990,993) | — | (2,621,413) |
| Machinery and equipment | (45,196,077) | (4,541,240) | 10,456,834 | (39,280,483) |
| Motor vehicles | (13,467,418) | — | 4,990,536 | (8,476,882) |
| Other equipment | — | (27,295) | — | (27,295) |
| Carrying amount | 1,625,195,023 | — | — | 1,783,455,683 |
| Buildings | 524,039,808 | — | — | 629,692,760 |
| Machinery and equipment | 969,200,565 | — | — | 1,009,921,617 |
| Motor vehicles | 44,134,022 | — | — | 49,419,364 |
| Other equipment | 87,820,628 | — | — | 94,421,942 |

As at 31 December 2013, there are no fixed assets pledged as collateral for borrowings (31 December 2012: nil).

In 2013, depreciation charged to fixed assets amounts to RMB153,903,376 (2012: RMB136,418,635), of which RMB122,511,416, RMB4,295,853 and RMB27,096,107 (2012: RMB106,384,989, RMB3,835,192 and RMB26,198,454) 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 RMB293,501,896 (2012: RMB608,175,134).

As at 31 December 2013, the ownership certificates of the Company's certain buildings amounting to approximately RMB33,323,282 had not been obtained (31 December 2012: RMB35,638,000). Please see Note 5(11)(d) for details.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(8) Construction in progress

| | 31 December 2013 | | | 31 December 2012 | | |
|--|--------------------|--------------------------|--------------------|------------------|--------------------------|-----------------|
| | Ending balance | Provision for impairment | Carrying amount | Ending balance | Provision for impairment | Carrying amount |
| Relocation project of Malt Factory | 181,815,189 | — | 181,815,189 | 16,862,188 | — | 16,862,188 |
| Production Line Improvement of No. 1 Factory | 44,717,502 | — | 44,717,502 | 41,993,097 | — | 41,993,097 |
| Production Line Improvement of No. 2 Factory | 28,903,340 | (462,515) | 28,440,825 | 183,051,271 | (462,515) | 182,588,756 |
| Production Line Improvement of No. 3 Factory | 21,653,376 | — | 21,653,376 | 114,530 | — | 114,530 |
| Production Line Improvement of No. 4 Factory | 1,228,661 | — | 1,228,661 | 5,560,852 | — | 5,560,852 |
| Instruments Installation of Headquarter | 903,955 | — | 903,955 | 364,604 | — | 364,604 |
| Production Line Improvement of No. 5 Factory | 526,166 | — | 526,166 | 3,233,303 | — | 3,233,303 |
| | 279,748,189 | (462,515) | 279,285,674 | 251,179,845 | (462,515) | 250,717,330 |

(a) Movement in significant construction in progress

| Name | Budget | 31 December 2012 | Increase in the current year | Transfer to fixed assets | 31 December 2013 | Proportion of expenditures incurred to budgeted amount | Progress of construction | Source of funds |
|--|-------------|------------------|------------------------------|--------------------------|--------------------|--|--------------------------|------------------------------------|
| | | | | | | | | |
| Relocation project of Malt Factory | 373,220,000 | 16,862,188 | 164,953,001 | — | 181,815,189 | 60% | 58% | Funding from convertible bonds |
| Production Line Improvement of No. 1 Factory | 297,660,000 | 41,993,097 | 60,152,179 | (57,427,774) | 44,717,502 | 70% | 70% | Self-funding |
| Production Line Improvement of No. 2 Factory | 537,670,000 | 183,051,271 | 60,165,510 | (214,313,441) | 28,903,340 | 95% | 95% | Funding from the exercise of bonds |
| Production Line Improvement of No. 3 Factory | 327,059,660 | 114,530 | 21,538,846 | — | 21,653,376 | 9% | 8% | Self-funding |
| Production Line Improvement of No. 4 Factory | 14,910,000 | 5,560,852 | 9,351,249 | (13,683,440) | 1,228,661 | 100% | 98% | Self-funding |
| Instruments Installation of Headquarter | 10,773,648 | 364,604 | 1,442,085 | (902,734) | 903,955 | 65% | 65% | Self-funding |
| Production Line Improvement of No. 5 Factory | 8,430,820 | 3,233,303 | 4,467,370 | (7,174,507) | 526,166 | 91% | 91% | Self-funding |
| | | 251,179,845 | 322,070,240 | (293,501,896) | 279,748,189 | | | |

As at 31 December 2013, the amount of the borrowing production line improvement new factory project of Malt Factory to be capitalised is RMB20,370,497. The capitalisation rate of borrowing costs is 6.53%. Interest expenses capitalised from convertible bonds amount to RMB22,869,706, less interest income amount to RMB2,499,209, of which receiving from proceeds deposited in the bank (2012: the amount of the borrowing costs to be capitalised is RMB3,257,590. The capitalisation rate of borrowing costs is 6.53%. Interest expenses capitalised from convertible bonds amount to RMB3,811,618, less interest income amount to RMB554,028, of which receiving from proceeds deposited in the bank).

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(8) Construction in progress (continued)

(b) Provision for impairment

| | 31 December 2012 | Increase in the current year | Decrease in the current year | 31 December 2013 | Reason for provision |
|---------------------------------------|---------------------|---------------------------------|---------------------------------|---------------------|----------------------|
| End Seamer Installation Project | (462,515) | — | — | (462,515) | Project terminated |

(9) Intangible assets

| | 31 December 2012 | Increase in the current year | Decrease in the current year | 31 December 2013 |
|--------------------------|---------------------|---------------------------------|---------------------------------|---------------------|
| Original cost | 695,079,861 | 46,483,333 | (416,261) | 741,146,933 |
| Land use rights | 235,104,463 | 103,033 | (416,261) | 234,791,235 |
| Patents | 190,345,726 | — | — | 190,345,726 |
| Marketing network | 94,475,403 | — | — | 94,475,403 |
| others | 175,154,269 | 46,380,300 | — | 221,534,569 |
| Accumulated amortisation | (189,993,389) | (42,605,243) | — | (232,598,632) |
| Land use rights | (56,626,086) | (4,719,873) | — | (61,345,959) |
| Patents | (52,272,165) | (11,683,643) | — | (63,955,808) |
| Marketing network | (36,215,570) | (9,447,540) | — | (45,663,110) |
| others | (44,879,568) | (16,754,187) | — | (61,633,755) |
| Carrying amount | 505,086,472 | — | — | 508,548,301 |
| Land use rights | 178,478,377 | — | — | 173,445,276 |
| Patents | 138,073,561 | — | — | 126,389,918 |
| Marketing network | 58,259,833 | — | — | 48,812,293 |
| others | 130,274,701 | — | — | 159,900,814 |

In 2013, amortisation expenses of intangible assets amount to RMB42,605,243, which is recognised in profit or loss (2012: RMB38,644,758, recognised in profit or loss).

As at 31 December 2013, there are no land use rights pledged as collateral for bank borrowings (31 December 2012: nil).

Expenditures on research and development are set out as follows:

| | 31 December 2012 | Increase in the current year | Decrease in the current year | | 31 December 2013 |
|--|---------------------|---------------------------------|------------------------------|------------------------------------|---------------------|
| | | | Charged to losses | Recognised as intangible assets | |
| Beer production process improvement project | — | 20,104,429 | (20,104,429) | — | — |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(9) Intangible assets (continued)

In 2013, expenditures on research and development incurred amount to RMB20,104,429 (2012: RMB12,299,946) in total, which is recognised in losses.

The land usage right is located in the mainland of china, between 10 to 50 years.

(10) Provision for asset impairment

| | 31 December 2012 | Increase in the current year | Decrease in the current year | | 31 December 2013 |
|--|----------------------|---------------------------------|------------------------------|---------------------|-----------------------------|
| | | | Reversal | Write-off | |
| Provision for bad debts | 320,908,884 | 23,128,502 | (9,335,762) | (1,348,470) | 333,353,154 |
| Including: | | | | | |
| Provision for bad debts of accounts receivable | 80,601,395 | — | (8,979,068) | (137,094) | 71,485,233 |
| Provision for bad debts of other receivables | 44,347,489 | 628,502 | (356,694) | (1,211,376) | 43,407,921 |
| Provision for bad debts of long-term receivables | 195,960,000 | 22,500,000 | — | — | 218,460,000 |
| Provision for decline in value of inventories | 1,022,238 | — | — | — | 1,022,238 |
| Provision for impairment of long-term equity investments | 877,283,490 | — | — | (45,000,000) | 832,283,490 |
| Provision for impairment of fixed assets | 59,293,915 | 6,559,528 | — | (15,447,370) | 50,406,073 |
| Provision for impairment of construction in progress | 462,515 | — | — | — | 462,515 |
| | <u>1,258,971,042</u> | <u>29,688,030</u> | <u>(9,335,762)</u> | <u>(61,795,840)</u> | <u>1,217,527,470</u> |

(11) Accounts payable

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

| | 31 December 2013 | 31 December 2012 |
|---------------|-----------------------------|----------------------|
| Within 1 year | 1,776,565,648 | 1,645,572,262 |
| 1 to 2 years | 1,563,686 | 107,011 |
| 2 to 3 years | 25,031 | 9,631 |
| Over 3 years | 1,831,442 | 1,825,740 |
| | <u>1,779,985,807</u> | <u>1,647,514,644</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(12) Bank borrowings and debentures payable

Bank borrowings and debentures payable are repayable as follows:

| | 31 December 2013 | | 31 December 2012 | |
|------------------------------------|------------------|----------------------|------------------|--------------------|
| | Bank borrowings | Debentures payable | Bank borrowings | Debentures payable |
| Wholly repayable within five years | — | 1,500,000,000 | 170,000,000 | 1,500,000,000 |

(13) Revenue and cost of sales

| | 2013 | 2012 |
|-------------------------------|-------------------------|------------------|
| Revenue from main operation | 15,436,053,104 | 13,745,092,474 |
| Revenue from other operations | 1,284,086,006 | 1,180,771,655 |
| | 16,720,139,110 | 14,925,864,129 |
| | 2013 | 2012 |
| Cost of main operation | (11,236,157,489) | (9,750,498,827) |
| Cost of other operations | (1,213,735,882) | (1,163,047,020) |
| | (12,449,893,371) | (10,913,545,847) |

(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:

| | 2013 | | 2012 | |
|--------------|-----------------------------|-------------------------|-----------------------------|------------------------|
| | Revenue from main operation | Cost of main operation | Revenue from main operation | Cost of main operation |
| Sale of Beer | 15,436,053,104 | (11,236,157,489) | 13,745,092,474 | (9,750,498,827) |

Analysis by locations is summarised as follow:

| | 2013 | | 2012 | |
|-------------------------------------|-----------------------------|-------------------------|-----------------------------|------------------------|
| | Revenue from main operation | Cost of main operation | Revenue from main operation | Cost of main operation |
| Shandong Region | 13,527,947,684 | (9,540,652,892) | 11,758,034,083 | (8,011,688,142) |
| Hong Kong, Macau and other overseas | 301,616,146 | (264,030,703) | 269,019,375 | (214,539,790) |
| Other regions | 1,606,489,274 | (1,431,473,894) | 1,718,039,016 | (1,524,270,895) |
| | 15,436,053,104 | (11,236,157,489) | 13,745,092,474 | (9,750,498,827) |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(13) Revenue and cost of sales (continued)

(b) Revenue and cost of other operations

| | 2013 | | 2012 | |
|-------------------|-------------------------------|--------------------------|-------------------------------|--------------------------|
| | Revenue from other operations | Cost of other operations | Revenue from other operations | Cost of other operations |
| Sale of materials | 1,247,078,985 | (1,196,812,190) | 1,157,810,058 | (1,148,667,083) |
| Others | 37,007,021 | (16,923,692) | 22,961,597 | (14,379,937) |
| | 1,284,086,006 | (1,213,735,882) | 1,180,771,655 | (1,163,047,020) |

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

Revenue from the five largest customers of the company amounting to RMB2,747,686,885 (2012: RMB2,143,081,233) accounts for 16.43% (2012: 14.36%) of the total revenue of the Company. Details are analysed below:

| | Revenue of sales | Percentage of the total revenue of the Company (%) |
|------------|----------------------|--|
| Customer A | 1,055,810,056 | 6.31% |
| Customer B | 726,979,420 | 4.35% |
| Customer C | 514,385,786 | 3.08% |
| Customer D | 242,466,191 | 1.45% |
| Customer E | 208,045,432 | 1.24% |
| | 2,747,686,885 | 16.43% |

(14) Financial expenses-net

| | 2013 | 2012 |
|-----------------------------|-------------------|-------------------|
| Interest expenses | 76,007,373 | 93,312,612 |
| Including: Bank borrowings | 7,377,600 | 10,500,794 |
| Debentures payable | 68,629,773 | 82,811,818 |
| Less: Interest income | (71,900,112) | (60,522,054) |
| Exchange losses | 2,120,445 | 1,844,524 |
| Unrecognised finance charge | 2,570,044 | 2,508,375 |
| Others | 6,138,208 | 4,197,091 |
| | 14,935,958 | 41,340,548 |

As at 31 December 2013 and 2012, the Company's interest expenses by repayment term of bank borrowings and debentures payable are wholly repayable within five years.

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(15) Investment income

| | 2013 | 2012 |
|---|----------------------|--------------------|
| Income from long-term equity investment under cost method (a) | 686,007,500 | 398,879,421 |
| Income from long-term equity investment under equity method (b) | 18,912,870 | 14,692,242 |
| Income from disposal of long-term equity investment (c) | 462,690,825 | 325,926,953 |
| Income from entrusted loans | 43,245,998 | 56,304,217 |
| | <u>1,210,857,193</u> | <u>795,802,833</u> |

There is no restriction on recovery of investment income.

In 2013 and 2012, all the investment income of the Company is from unlisted investments.

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

The five largest investees are set out as follows:

| | 2013 | 2012 | Reason for current year fluctuation |
|-------------------------|--------------------|--------------------|--|
| Xi'an Company | 237,000,000 | 20,000,000 | Increase in distributed profit of the subsidiary |
| Shibei Sales Company | 159,990,000 | — | No profit distribution in prior year |
| Sifang Sales Company | 103,190,000 | — | No profit distribution in prior year |
| Chengyang Sales Company | 87,610,000 | 232,400,000 | Decrease in distributed profit of the subsidiary |
| Pingdu Sales Company | 50,040,000 | — | No profit distribution in prior year |
| | <u>637,830,000</u> | <u>252,400,000</u> | |

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

The investees are set out as follows:

| | 2013 | 2012 | Reason for current year fluctuation |
|-----------------------|-------------------|-------------------|-------------------------------------|
| Manufacturing Company | 2,358,078 | — | New associate |
| Yantai Asahi | 12,325,161 | 9,668,253 | Increase in profit of the investee |
| Zhaoshang Logistics | 4,024,818 | 4,870,369 | Decrease in profit of the investee |
| Liaoning Shenqing | 204,813 | 153,620 | Increase in profit of the investee |
| | <u>18,912,870</u> | <u>14,692,242</u> | |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(15) Investment income (continued)

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

- (i) As stated in Note (17)(5)(b), the investment income of RMB463,690,823 comes from the disposal of 50% equity of Manufacturing Company (the former Songjiang Company).
- (ii) The loss on equity transfer of RMB999,998 is resulted from that the Company transfers its 100% equity of New Shanghai Sales to Sale Company.

(16) Asset impairment losses

| | 2013 | 2012 |
|---|-------------------|---------------------|
| Impairment losses/(Recovery) on bad debts | 13,792,740 | (12,088,884) |
| Provision for impairment of fixed assets | 6,559,528 | — |
| | <u>20,352,268</u> | <u>(12,088,884)</u> |

(17) Income tax expenses

| | 2013 | 2012 |
|--|--------------------|--------------------|
| Current income tax calculated according to tax law and related regulations in mainland china | 243,333,103 | 195,696,473 |
| Deferred income tax | (123,891,656) | (41,628,576) |
| | <u>119,441,447</u> | <u>154,067,897</u> |

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

| | 2013 | 2012 |
|--|--------------------|--------------------|
| Total profit | 1,437,557,043 | 1,343,286,957 |
| Income tax expenses calculated at applicable tax rates | 359,389,261 | 335,821,739 |
| Income not subject to tax | (292,942,916) | (187,414,359) |
| Cost, expenses and losses not deductible | 12,082,482 | 8,682,738 |
| Tax impact for which no deferred income tax asset was recognised | 52,465,464 | 1,100,719 |
| Utilisation of previously unrecognised deferred tax assets | (11,552,844) | (4,122,940) |
| Income tax expenses | <u>119,441,447</u> | <u>154,067,897</u> |

Notes to Financial Statements

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

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

(18) Supplementary information to Company's cash flow statements

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

| | 2013 | 2012 |
|--|----------------------|----------------------|
| Net profit | 1,318,115,596 | 1,189,219,060 |
| <i>Add:</i> Provisions for asset impairment | 20,352,268 | (12,088,884) |
| Depreciation of fixed assets and investment assets | 154,670,389 | 137,185,648 |
| Amortisation of intangible assets | 42,605,243 | 38,644,758 |
| Amortisation of long-term prepaid expenses | 667,300 | 1,350,656 |
| Net losses on disposal of fixed assets | 37,967,414 | 1,076,483 |
| Financial expenses | 75,811,090 | 95,374,500 |
| Investment income | (1,210,857,193) | (795,802,833) |
| Increase in deferred tax assets | (123,891,656) | (41,628,576) |
| (Increase)/Decrease in inventories | (181,556,990) | 255,507,285 |
| Increase in operating receivables | (78,751,989) | (454,223,961) |
| Increase in operating payables | 960,288,059 | 655,057,900 |
| Net cash flows from operating activities | <u>1,015,419,531</u> | <u>1,069,672,036</u> |

(b) Net (decrease)/increase in cash

| | 2013 | 2012 |
|--|------------------------|------------------------|
| Cash at end of year | 3,035,286,188 | 3,059,464,569 |
| <i>Less:</i> cash at beginning of year | <u>(3,059,464,569)</u> | <u>(2,606,570,012)</u> |
| Net (decrease)/increase in cash | <u>(24,178,381)</u> | <u>452,894,557</u> |

18 Net current assets

| | As at 31 December | | | |
|----------------------------------|-------------------------|------------------------|------------------------|------------------------|
| | 2013 Group | 2012 Group | 2013 Company | 2012 Company |
| Current assets | 12,274,390,550 | 10,142,133,743 | 5,112,700,482 | 4,680,478,699 |
| <i>Less:</i> Current liabilities | <u>(11,113,753,508)</u> | <u>(7,336,024,163)</u> | <u>(5,781,409,762)</u> | <u>(3,807,011,223)</u> |
| Net current assets | <u>1,160,637,042</u> | <u>2,806,109,580</u> | <u>(668,709,280)</u> | <u>873,467,476</u> |

19 Total assets less current liabilities

| | As at 31 December | | | |
|---------------------------------------|-------------------------|------------------------|------------------------|------------------------|
| | 2013 Group | 2012 Group | 2013 Company | 2012 Company |
| Total assets | 27,364,866,537 | 23,661,105,585 | 16,940,283,937 | 15,289,111,313 |
| <i>Less:</i> Current liability | <u>(11,113,753,508)</u> | <u>(7,336,024,163)</u> | <u>(5,781,409,762)</u> | <u>(3,807,011,223)</u> |
| Total assets less current liabilities | <u>16,251,113,029</u> | <u>16,325,081,422</u> | <u>11,158,874,175</u> | <u>11,482,100,090</u> |

Supplementary Information

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

1 Summary of non-recurring profit or loss

| | 2013 | 2012 |
|---|--------------------|--------------------|
| Government grants recognised in profits | 374,818,301 | 360,278,759 |
| Losses on disposal of non-current assets | (101,645,049) | (26,272,320) |
| Reversal of bad debt provision for accounts receivables which provision is provided on the individual basis | 8,300,000 | 13,000,000 |
| Investment income from transaction with Suntory Company | 219,356,731 | — |
| Non-operating income from transaction with Suntory Company | 170,541,992 | — |
| Staff resettlement expense | (120,931,669) | — |
| Supplementary retirement benefits | (195,710,000) | — |
| Other non-operating income and expenses other than aforesaid items | (7,191,573) | 11,746,714 |
| | <u>347,538,733</u> | <u>358,753,153</u> |
| Impact of the income tax | (10,136,798) | (54,539,972) |
| Impact of the minority interests (after tax) | (19,901,994) | (15,397,337) |
| | <u>317,499,941</u> | <u>288,815,844</u> |

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

Under the requirements in Explanatory announcement No.1 on information disclosure by companies offering securities to the public – non-recurring profit or loss [2008] from CSRC, non-recurring profit or loss refer to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

2 Return on net assets and earnings per share

| | Weighted average return on net assets (%) | | Earnings per share | | | |
|---|---|--------|--------------------------|-------|----------------------------|-------|
| | | | Basic earnings per share | | Diluted earnings per share | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Net profit attributable to ordinary shareholders of the Company | 14.87% | 14.91% | 1.461 | 1.302 | 1.461 | 1.302 |
| Net profit attributable to ordinary shareholders of the Company after deducting on-recurring profit or loss | 12.48% | 12.46% | 1.226 | 1.088 | 1.226 | 1.088 |

Supplementary Information

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

3 Explanations of irregular fluctuations and related reasons on major items of the financial statements

Major items in financial statements with fluctuation of 30% or above, or representing 5% or above of the total assets of the Group as at 31 December 2013 or 10% or above of the total profit of the Group for the year ended 31 December 2013 are analysed as follows:

(a) Assets

| Assets | Note | 31 December 2013 | 31 December 2012 | Fluctuation amount and percentage | |
|-----------------------------------|------|---------------------|---------------------|--------------------------------------|-------|
| | | | | Amount | % |
| Cash at bank and on hand | (1) | 8,531,720,086 | 7,118,248,041 | 1,413,472,045 | 20% |
| Notes receivable | (2) | 84,760,000 | 61,800,000 | 22,960,000 | 37% |
| Accounts receivable | (3) | 152,292,736 | 82,685,056 | 69,607,680 | 84% |
| Advances to suppliers | (4) | 132,345,527 | 83,739,085 | 48,606,442 | 58% |
| Interest receivable | (5) | 188,461,377 | 63,996,403 | 124,464,974 | 194% |
| Other receivables | (6) | 183,395,467 | 87,291,890 | 96,103,577 | 110% |
| Other current assets | (7) | 466,863,422 | 284,314,434 | 182,548,988 | 64% |
| Long-term equity investments | (8) | 1,271,947,380 | 163,876,932 | 1,108,070,448 | 676% |
| Fixed assets pending for disposal | (9) | 5,368,759 | 9,917,059 | (4,548,300) | (46%) |
| Long-term prepaid expenses | (10) | 21,525,082 | 6,425,454 | 15,099,628 | 235% |
| Deferred tax assets | (11) | 700,162,187 | 485,349,168 | 214,813,019 | 44% |

- (1) Cash at bank and on hand at the year-end increased by 20%, mainly due to the increase in cash flows from operating activities.
- (2) Notes receivable at the year-end increased by 37%, mainly due to the increase on the settlement by bank acceptance notes.
- (3) Accounts receivable at the year-end increased by 84%, mainly due to the followings: the increase in accounts receivable of certain subsidiaries incurred from the increased sales volume, the opening balance brought from the newly consolidated entities in the transaction with Suntory Company this year.
- (4) Advances to suppliers at the year-end increased by 58%, mainly due to the increase in advances to suppliers for purchase of raw materials during the current year.
- (5) Interest receivable at the year-end increased by 194%, mainly due to the increase in accrued interest of Finance Company's bank deposits with interbank.
- (6) Other receivables at the year-end increased by 110%, mainly due to the increase in receivables on equipment sales, receivables on recycled bottles and deposits.
- (7) Other current assets at the year-end increased by 64%, mainly due to the increase in VAT and enterprise income tax prepaid.
- (8) Long-term equity investments at the year-end increased by 676%, mainly because Tsingtao Brewery Shanghai Songjiang Co., Ltd. and its subsidiaries, which were the subsidiaries before, have changed to be associates which 50% equity interests held by the Company in the current year.
- (9) Fixed assets pending for disposal at the year-end decreased by 46%, mainly because that some fixed assets were disposed in the current year.
- (10) Long-term prepaid expenses at the year-end increased by 235%, mainly due to the increase in the expenses with amortisation period more than one year in certain subsidiaries.
- (11) Deferred tax assets at the year-end increased by 44%, mainly due to increase in promotion expenses payable and employee benefits payable.

Supplementary Information

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

3 Explanations of irregular fluctuations and related reasons on major items of the financial statements (continued)

(b) Liabilities and shareholders' equity

| Liabilities and shareholders' equity | Note | 31 December 2013 | 31 December 2012 | Fluctuation amount and percentage | |
|--|------|---------------------|---------------------|--------------------------------------|---------|
| | | | | Amount | % |
| Short-term borrowings | (1) | 101,080,110 | 147,617,652 | (46,537,542) | (32%) |
| Notes payable | (2) | 138,382,882 | 81,883,234 | 56,499,648 | 69% |
| Accounts payable | (3) | 2,707,070,770 | 1,993,401,689 | 713,669,081 | 36% |
| Advances from customers | (4) | 980,497,616 | 656,414,452 | 324,083,164 | 49% |
| Other payables | (5) | 4,231,981,495 | 3,213,582,340 | 1,018,399,155 | 32% |
| Current portion of non-current liabilities | (6) | 1,797,167,198 | 2,786,281 | 1,794,380,917 | 64,401% |
| Long-term borrowings | (7) | 4,881,294 | 452,485,603 | (447,604,309) | (99%) |
| Debentures payable | (8) | — | 1,409,316,153 | (1,409,316,153) | (100%) |
| Payables for specific projects | (9) | 450,935,656 | 120,063,611 | 330,872,045 | 276% |
| Difference on translation of foreign currency financial statements | (10) | 25,798,505 | 19,025,550 | 6,772,955 | 36% |
| Minority interests | (11) | (147,088,008) | 315,477,896 | (462,565,904) | (147%) |

- (1) Short-term borrowings at the year-end decreased by 32%, mainly due to the repayment of the short-term borrowings in certain subsidiaries.
- (2) Notes payable at the year-end increased by 69%, mainly due to the increase on the settlement by bank acceptance notes.
- (3) Accounts payable at the year-end increased by 36%, mainly due to the increase in external purchase as a result of the transaction with Suntory Company and extended the credit period taking advantage of credibility.
- (4) Advances from customers at the year-end increased by 49%, mainly due to the increase in advances from customers for beer purchase.
- (5) Other payables at the year-end increased by 32%, mainly due to the increase in accrued promotion expenses and deposits as results of increased sales.
- (6) Current portion of non-current liabilities at the year-end increased by 64,401%, mainly due to the debentures payable and the long-term borrowing will be matured within one year and has been reclassified into current portion of non-current liabilities.
- (7) Long-term borrowings at the year-end decreased by 99%, mainly due to the long-term borrowings will be matured within one year and has been reclassified as current liabilities.
- (8) Debentures payable at the year-end decreased by 100%, mainly due to the debentures payable will be matured within one year and has been reclassified as current liabilities.
- (9) Payables for specific projects at the year-end increased by 276%, mainly because that certain subsidiaries received government grants due to relocation in the current year.
- (10) Difference on translation of foreign currency financial statements at the year-end increased by 36%, mainly due to the increase on translation of foreign currency financial statements as a result of exchange rate fluctuation.
- (11) Minority interests at the year-end decreased by 147%, mainly due to sharing the interest of Sales Company which was established by the Company and Suntory Company during the current year.

Supplementary Information

For the year ended 31 December 2013

(All amounts in RMB Yuan unless otherwise stated)

3 Explanations of irregular fluctuations and related reasons on major items of the financial statements (continued)

(c) Profit or loss items

| Profit or loss items | Note | 2013 | 2012 | Fluctuation amount and percentage | |
|-------------------------------------|------|-------------------------|------------------|-----------------------------------|--------|
| | | | | Amount | % |
| Revenue | (1) | 28,290,978,428 | 25,781,543,977 | 2,509,434,451 | 10% |
| Cost of sales | (2) | (17,007,893,969) | (15,433,869,536) | (1,574,024,433) | 10% |
| Selling and distribution expenses | (3) | (5,610,693,817) | (4,930,865,618) | (679,828,199) | 14% |
| General and administrative expenses | (4) | (1,572,544,494) | (1,269,421,699) | (303,122,795) | 24% |
| Financial expenses — net | (5) | 251,391,313 | 178,141,002 | 73,250,311 | 41% |
| Asset impairment losses | (6) | (1,744,922) | (1,004,586) | (740,336) | 74% |
| Investment income | (7) | 229,225,467 | 14,962,001 | 214,263,466 | 1,432% |
| Non-operating income | (8) | 563,993,284 | 394,830,713 | 169,162,571 | 43% |
| Non-operating expense | (9) | (248,401,282) | (49,077,560) | (199,323,722) | 406% |
| Minority interests | (10) | 1,551,696 | 85,898,845 | (84,347,149) | (98%) |

- (1) In 2013, revenue increased by 10% from the last year, mainly due to the expansion of market and optimisation of product structure, higher proportion of core brands and the increase in sales of principal products.
- (2) In 2013, cost of sales increased by 10% from the last year, mainly due to the increase in sales volume and cost of labor for the current year.
- (3) In 2013, selling and distribution expenses increased by 14% from the last year, mainly due to the increase of sales and expansion of market, which lead to higher growth in the expenses including promotion expenses, employee benefit expenses and transportation expenses.
- (4) In 2013, general administrative expenses increased by 24% from the last year, mainly due to the increase in operational expenses and employee benefit expenses.
- (5) In 2013, net financial expenses decreased by 41% from the last year, mainly due to the increase in interest income.
- (6) In 2013, asset impairment losses increased by 74% from the last year, mainly due to the increase of impairment losses on fixed assets in certain subsidiaries.
- (7) In 2013, invest income increased by 1,432% from the last year, mainly because of the gain from disposal of Tsingtao Brewery Shanghai Songjiang Company (renamed Suntory Tsingtao Brewery (Shanghai) Co., Ltd) in the transaction with Suntory Company, which is based on the difference between fair value and book value of this subsidiary.
- (8) In 2013, non-operating income increased by 43% from the last year, mainly due to the negative goodwill incurred from the transaction with Suntory Company.
- (9) In 2013, non-operating expense increased by 406% from the last year, mainly due to the increase in staff settlement expenses and the losses on disposal of non-current assets of certain subsidiaries in the current year.
- (10) In 2013, minority interests decreased by 98% from the last year, mainly due to the decrease in net profit of certain subsidiaries which have minority shareholders.

釋義 Definitions

本報告中，除非文義另有所指，下列詞語具有下述含義：

In this Report, the following expressions have the following respective meanings set adjacent below, unless the context requires otherwise:

| | | | | | |
|-------------|---|----------------------|--|-------|--|
| 公司、本公司、青島啤酒 | 指 | 青島啤酒股份有限公司 | Company, the Company, Tsingtao Brewery | Means | Tsingtao Brewery Company Limited |
| 本集團 | 指 | 本公司及其附屬公司 | the Group | Means | the Company and its subsidiaries |
| 董事會 | 指 | 本公司董事會 | the Board | Means | the board of directors of the Company |
| 青啤集團 | 指 | 青島啤酒集團有限公司 | Tsingtao Group | Means | Tsingtao Brewery Group Company Limited |
| 青島市國資委 | 指 | 青島市人民政府國有資產監督管理委員會 | SASACQ | Means | State-owned Assets Supervision & Administration Commission of the People's Government of Qingdao |
| 煙臺朝日 | 指 | 煙臺啤酒青島朝日有限公司 | Yantai Asahi | Means | Yantai Beer Tsingtao-Asahi Co., Ltd. |
| 青啤深圳 | 指 | 深圳青島啤酒朝日有限公司 | Tsingtao Shenzhen | Means | Shenzhen Tsingtao Brewery Asahi Co., Ltd |
| 朝日集團 | 指 | 朝日集團控股株式會社 | Asahi Group | Means | Asahi Group Holdings Ltd. |
| 朝日啤酒 | 指 | 朝日啤酒株式會社 | Asahi Beer | Means | Asahi Breweries, Ltd. |
| 朝日中國投資 | 指 | 朝日啤酒(中國)投資有限公司 | Asahi China Investment | Means | Asahi Beer (China) Investment Co., Ltd. |
| 松江公司 | 指 | 青島啤酒上海松江有限公司 | Songjiang Company | Means | Tsingtao Brewery Shanghai Songjiang Company Limited |
| 上交所 | 指 | 上海證券交易所 | SSE | Means | Shanghai Stock Exchange |
| 香港聯交所 | 指 | 香港聯合交易所有限公司 | Stock Exchange | Means | The Stock Exchange of Shanghai Limited |
| 普華永道中天 | 指 | 普華永道中天會計師事務所(特殊普通合夥) | PwC Zhong Tian | Means | PricewaterhouseCoopers Zhong Tian LLP |
| 審計委員會 | 指 | 本公司第七屆董事會審計與內控委員會 | Audit Committee | Means | Audit & Internal Control Committee under the 7th Board of the Company |
| 戰略委員會 | 指 | 本公司第七屆董事會戰略與投資委員會 | Strategy Committee | Means | Strategy & Investment Committee under the 7th Board of the Company |
| 報告期 | 指 | 本公司截至2013年12月31日止年度 | Reporting Period | Means | The year ended 31 December 2013 |
| 《標準守則》 | 指 | 《上市發行人董事進行證券交易的標準守則》 | Model Code | Means | Model Code for Securities Transactions by Directors of Listed Issuers |
| 《上市規則》 | 指 | 《香港聯合交易所有限公司證券上市規則》 | Listing Rules | Means | Rules Governing the Listing of Securities on The Stock of Exchange of Hong Kong Limited |
| 三得利公司 | 指 | 三得利(中國)投資有限公司 | Suntory Company | Means | Suntory (China) Holding Co., Ltd. |
| 事業公司 | 指 | 三得利青島啤酒(上海)有限公司 | Business Company | Means | Suntory Tsingtao Brewery (Shanghai) Co., Ltd. |

釋義 Definitions

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| 銷售公司 | 指 | 青島啤酒三得利(上海)銷售有限公司 | Sales Company | Means | Tsingtao Brewery Suntory (Shanghai) Sales Co., Ltd |
| 青啤財務公司 | 指 | 青島啤酒財務有限責任公司 | Tsingtao Finance Company | Means | Tsingtao Brewery Finance L.L.C. |
| 新松江製造 | 指 | 青島啤酒松江製造有限公司 | New Songjiang Manufacturing | Means | Tsingtao Brewery Songjiang Manufacturing Company Limited |
| 徐州公司 | 指 | 青島啤酒(徐州)有限公司 | Xuzhou Company | Means | Tsingtao Brewery (Xuzhou) Company Limited |
| 彭城公司 | 指 | 青島啤酒(徐州)彭城有限公司 | Pengcheng Company | Means | Tsingtao Brewery (Xuzhou) Pengcheng Company Limited |
| 宿遷公司 | 指 | 青島啤酒(宿遷)有限公司 | Suqian Company | Means | Tsingtao Brewery (Suqian) Company Limited |
| 揚州公司 | 指 | 青島啤酒(揚州)有限公司 | Yangzhou Company | Means | Tsingtao Brewery (Yangzhou) Company Limited |
| 青啤香港 | 指 | 青島啤酒香港貿易有限公司 | Tsingtao HK | Means | Tsingtao Brewery Hong Kong Trade Company Limited |
| 嘉禾啤酒 | 指 | 河北嘉禾啤酒有限公司 | Jiahe Brewery | Means | Hebei Jiahe Brewery Co., Ltd. |
| 新鐘樓啤酒 | 指 | 宣化新鐘樓啤酒有限公司 | Xinzhonglou Brewery | Means | Xuanhua Xinzhonglou Brewery Co., Ltd. |
| 台兒莊公司 | 指 | 青島啤酒(台兒莊)麥芽有限公司 | Taierzhuang Company | Means | Tsingtao Brewery (Taierzhuang) Malt Company Limited |
| 西南營銷 | 指 | 成都青島啤酒西南營銷有限公司 | South-West Sales | Means | Chengdu Tsingtao Brewery South-West Sales Company Limited |
| 漢斯寶雞 | 指 | 青島啤酒漢斯寶雞有限公司 | Hans Baoji | Means | Tsingtao Brewery Hans Baoji Company Limited |

公司資料 Company Information

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| 1. 中文名稱：青島啤酒股份有限公司 | 1. English Name: Tsingtao Brewery Company Limited |
| 2. 法定代表人：孫明波 | 2. Legal Representative: SUN Ming Bo |
| 3. 聯席公司秘書：張學舉、張瑞祥 聯繫地址：山東省青島市香港中路 五四廣場 青啤大廈 1105室 股權管理總部 郵政編碼：266071 電話：86-532-85713831 傳真：86-532-85713240 | 3. Joint Board 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 |
| 4. 註冊地址：山東省青島市登州路56號 辦公地址：山東省青島市 香港中路五四廣場青啤大廈 郵政編碼：266071 公司網址：www.tsingtao.com.cn 電子信箱：info@tsingtao.com.cn | 4. 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 E-mail: info@tsingtao.com.cn |
| 5. 公司股票上市交易所： A股：上海證券交易所 股票簡稱：青島啤酒 代碼：600600 H股：香港聯合交易所 股票簡稱：青島啤酒 代碼：00168 | 5. 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 |
| 6. 未上市股票託管機構： 中國證券登記結算有限責任公司上海分公司 | 6. Custodian of unlisted shares: China Securities Depository and Clearing Corporation Limited, Shanghai Branch |
| 7. 會計師事務所：普華永道中天會計師事務所(特殊 普通合夥)，地址為上海市黃浦區湖濱路202號企 業天地2號樓普華永道中心11樓 | 7. Auditor: PricewaterhouseCoopers Zhong Tian LLP at 11/F PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai |
| 8. 法律顧問： (1) 胡關李羅律師行，地址為香港中環康樂廣場 1號怡和大廈26樓 (2) 北京市海問律師事務所，地址為北京市朝陽 區東三環中路5號財富金融中心20層 | 8. Legal advisers: (1) Woo Kwan Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong (2) Haiwen & Partners at 20th Floor, Fortune Finance Center, No. 5 Dong San Huan Road Central, Chaoyang District, Beijing |



青島啤酒

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青島啤酒股份有限公司
TSINGTAO BREWERY CO., LTD.

