



青島啤酒股份有限公司 TSINGTAO BREWERY CO., LTD.

(Stock Code 股份代號 : 168)

2014 INTERIM REPORT 中期報告



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TSINGTAO BREWERY COMPANY LIMITED
CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 30 JUNE 2014 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

	Note 5 (unless otherwise stated)	As at			
		30 June 2014 Consolidated	31 December 2013 Consolidated	30 June 2014 Company	31 December 2013 Company
ASSETS					
Current assets					
Cash at bank and on hand	(1)	9,958,476,164	8,531,720,086	2,661,253,342	3,063,967,823
Notes receivable	(2)	62,177,320	84,760,000	24,300,000	68,200,000
Accounts receivable	(3), 15(1)	395,616,767	152,292,736	754,307,619	526,636,145
Advances to suppliers	(5)	149,506,400	132,345,527	100,580,642	79,532,488
Interest receivable	(6)	182,220,892	188,461,377	26,307,955	32,741,538
Dividends receivable		—	—	—	237,000,000
Other receivables	(4), 15(2)	265,612,454	183,395,467	130,210,730	115,409,496
Inventories	(7)	2,109,431,104	2,534,551,935	583,341,599	707,615,541
Other current assets	(8)	273,838,843	466,863,422	186,077,548	281,597,451
Total current assets		13,396,879,944	12,274,390,550	4,466,379,435	5,112,700,482
Non-current assets					
Available-for-sale financial assets	(9)	1,008,642	1,308,642	700,000	1,000,000
Long-term receivables	15(3)	—	—	623,490,000	604,190,000
Long-term equity investments	10, 15(4)	1,515,726,046	1,270,638,738	8,399,483,355	8,164,381,055
Investment properties	(11)	7,557,716	7,924,988	20,722,358	21,283,541
Fixed assets	(12)	8,901,588,467	8,740,310,277	1,873,710,264	1,783,455,683
Construction in progress	(13)	614,665,747	506,624,256	419,834,626	279,285,674
Fixed assets pending for disposal	(14)	6,426,993	5,368,759	4,359,823	3,024,172
Intangible assets	(15)	2,689,947,125	2,533,027,393	599,721,295	508,548,301
Goodwill	(16)	1,079,925,496	1,079,925,496	—	—
Long-term prepaid expenses	(17)	30,102,720	21,525,082	5,803,508	3,012,849
Deferred tax assets	(18)	818,683,886	700,162,187	502,337,144	390,521,123
Other non-current assets	(20)	196,928,232	223,660,169	74,712,429	68,881,057
Total non-current assets		15,862,561,070	15,090,475,987	12,524,874,802	11,827,583,455
TOTAL ASSETS		29,259,441,014	27,364,866,537	16,991,254,237	16,940,283,937

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

AS AT 30 JUNE 2014 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

	Note 5 (unless otherwise stated)	As at			
		30 June 2014 Consolidated	31 December 2013 Consolidated	30 June 2014 Company	31 December 2013 Company
LIABILITIES AND EQUITY					
Current liabilities					
Short-term borrowings	(21)	317,977,343	101,080,110	—	—
Notes payable	(22)	118,853,130	138,382,882	95,900,000	58,100,000
Accounts payable	(23)	3,542,550,693	2,707,070,770	2,803,564,182	1,779,985,807
Advances from customers	(24)	615,870,034	980,497,616	282,440,206	553,021,261
Employee benefits payable	(25)	886,471,895	823,317,140	284,683,590	286,811,192
Taxes payable	(26)	752,112,127	332,033,368	91,856,676	47,557,688
Interest payable		840,520	1,202,929	62,619	62,619
Dividends payable	(27)	616,542,258	1,020,000	607,942,258	—
Other payables	(28)	5,334,040,174	4,231,981,495	2,085,207,849	1,567,055,563
Current portion of non-current liabilities	(29)	1,736,302	1,797,167,198	—	1,488,815,632
Total current liabilities		12,186,994,476	11,113,753,508	6,251,657,380	5,781,409,762
Non-current liabilities					
Long-term borrowings	(30)	4,687,983	4,881,294	—	—
Payables for specific projects	(31)	475,898,001	450,935,656	86,394,143	87,270,918
Deferred income	(32)	1,316,537,412	1,260,778,419	51,347,418	57,579,176
Deferred tax liabilities	(18)	163,097,158	173,745,333	—	—
Other non-current liabilities	(33)	458,896,169	487,301,292	233,155,168	224,108,125
Total non-current liabilities		2,419,116,723	2,377,641,994	370,896,729	368,958,219
Total liabilities		14,606,111,199	13,491,395,502	6,622,554,109	6,150,367,981
Equity					
Share capital	(34)	1,350,982,795	1,350,982,795	1,350,982,795	1,350,982,795
Capital surplus	(35)	4,075,633,686	4,075,633,686	4,302,307,813	4,302,307,813
Other comprehensive income	(48)	27,423,537	28,958,454	3,765,464	3,765,464
Surplus reserve	(36)	1,059,469,127	1,059,469,127	1,059,469,127	1,059,469,127
Undistributed profits	(37)	8,302,233,871	7,505,514,981	3,652,174,929	4,073,390,757
Total equity attributable to shareholders of the Company		14,815,743,016	14,020,559,043	10,368,700,128	10,789,915,956
Minority interests	4(4)	(162,413,201)	(147,088,008)	—	—
Total equity		14,653,329,815	13,873,471,035	10,368,700,128	10,789,915,956
TOTAL LIABILITIES AND EQUITY		29,259,441,014	27,364,866,537	16,991,254,237	16,940,283,937

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

Legal representative:
SUN Mingbo

Principal in charge of accounting
(Chief Financial Officer): YU Zhuming

Head of accounting department:
HOU Qiuyan

TSINGTAO BREWERY COMPANY LIMITED

CONSOLIDATED AND COMPANY INCOME STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 5 (unless otherwise stated)	Six months ended 30 June			
		2014 Consolidated	2013 Consolidated	2014 Company	2013 Company
Revenue	(38), 15(5)	16,958,068,052	14,971,338,262	9,995,622,772	8,941,202,637
Less: Cost of sales	(38), (40), 15(5)	(10,145,048,255)	(8,753,434,812)	(7,604,520,016)	(6,688,698,970)
Taxes and surcharges	(39)	(1,272,218,033)	(1,209,910,466)	(287,266,710)	(275,671,381)
Selling and distribution expenses	(40)	(3,470,956,501)	(3,094,353,638)	(1,887,165,586)	(1,562,986,039)
General and administrative expenses	(40)	(600,348,563)	(602,813,851)	(165,517,796)	(163,985,667)
Financial expenses - net	(41)	173,922,651	95,693,515	5,827,141	(12,582,353)
Asset impairment losses	(43)	1,030,824	6,415,244	897,130	7,839,107
Add: Investment income	(42), 15(6)	34,787,119	232,470,189	128,333,601	560,391,406
Including: Share of profit of associates and joint ventures	(42), 15(6)	35,087,117	21,430,790	32,719,905	29,661,673
Operating profit		1,679,237,294	1,645,404,443	186,210,536	805,508,740
Add: Non-operating income	(44)	222,411,726	299,947,243	15,959,827	5,167,073
Including: Gain on disposal of non-current assets	(44)	1,370,513	1,184,799	731,414	175,788
Less: Non-operating expenses	(45)	(21,421,591)	(182,940,159)	(1,103,877)	(13,356,457)
Including: Losses on disposal of non-current assets	(45)	(15,646,360)	(45,311,744)	(689,876)	(5,168,201)
Total profit		1,880,227,429	1,762,411,527	201,066,486	797,319,356
Less: Income tax expenses	(46)	(442,470,623)	(325,021,815)	(14,340,056)	(56,219,887)
Net profit		1,437,756,806	1,437,389,712	186,726,430	741,099,469
Attributable to shareholders of the Company		1,404,661,148	1,394,881,161	186,726,430	741,099,469
Minority interests		33,095,658	42,508,551	Not Applicable	Not Applicable
Earnings per share					
Basic earnings per share	(47)	1.040	1.032	Not Applicable	Not Applicable
Diluted earnings per share	(47)	1.040	1.032	Not Applicable	Not Applicable
Other comprehensive income, net of tax	(48)	(1,534,917)	3,940,499	—	—
Items that may be reclassified subsequently to profit or loss when specific conditions are met					
Currency translation differences		(1,576,530)	3,940,499	—	—
Share of other comprehensive income of investments accounted for using the equity method that may be reclassified subsequently to profit or loss when specific conditions are met		41,613	—	—	—
Total comprehensive income		1,436,221,889	1,441,330,211	186,726,430	741,099,469
Attributable to shareholders of the Company		1,403,126,231	1,398,821,660	186,726,430	741,099,469
Minority interests		33,095,658	42,508,551	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 Financial Officer): **YU Zhuming**

Head of accounting department:
HOU Qiuyan

TSINGTAO BREWERY COMPANY LIMITED

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 5 (unless otherwise stated)	Six months ended 30 June			
		2014 Consolidated	2013 Consolidated	2014 Company	2013 Company
Cash flows from operating activities					
Cash received from sales of goods or rendering of services		18,225,602,179	16,171,354,853	10,731,917,785	9,666,934,557
Refund of taxes and surcharges		9,546,219	4,228,954	3,943,251	4,107,230
Cash received relating to other operating activities	(49)(a)	756,899,080	679,933,985	161,726,390	94,141,028
Sub-total of cash inflows		18,992,047,478	16,855,517,792	10,897,587,426	9,765,182,815
Cash paid for goods and services					
Cash paid to and on behalf of employees		(1,805,254,922)	(1,545,813,386)	(626,962,200)	(508,869,695)
Payments of taxes and surcharges		(2,677,059,367)	(2,629,723,268)	(693,349,928)	(781,437,390)
Cash paid relating to other operating activities	(49)(b)	(2,000,986,831)	(1,642,745,750)	(1,073,742,778)	(881,661,607)
Sub-total of cash outflows		(15,123,413,157)	(13,031,547,439)	(9,554,370,669)	(8,601,663,245)
Net cash flows from operating activities	(50)(a), 15(7)(a)	3,868,634,321	3,823,970,353	1,343,216,757	1,163,519,570
Cash flows from investing activities					
Cash received from disposal of investments		2	—	328,300,002	142,700,002
Cash received from returns on investments		15,097,173	5,095,984	318,374,506	66,732,164
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		4,937,172	2,023,639	3,527,375	832,830
Net cash received from disposal of subsidiaries		—	—	44,840,481	—
Cash received relating to other investing activities	(49)(c)	456,557,308	371,112,870	1,315,000	1,276,025
Sub-total of cash inflows		476,591,655	378,232,493	696,357,364	211,541,021
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,013,942,260)	(953,158,185)	(396,662,046)	(222,756,286)
Cash paid to acquire investments		(233,961,411)	—	(532,069,400)	(477,860,000)
Cash paid relating to other investing activities	(49)(d)	(103,961,235)	(508,646,836)	(2,425,835)	(2,358,000)
Sub-total of cash outflows		(1,351,864,906)	(1,461,805,021)	(931,157,281)	(702,974,286)
Net cash flows from investing activities		(875,273,251)	(1,083,572,528)	(234,799,917)	(491,433,265)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 5 (unless otherwise stated)	Six months ended 30 June			
		2014 Consolidated	2013 Consolidated	2014 Company	2013 Company
Cash flows from financing activities					
Cash received from capital contributions		—	10,000,000	—	—
Including: Cash received from capital contributions by minority shareholders of subsidiaries		—	10,000,000	—	—
Cash received from borrowings		<u>275,232,588</u>	<u>128,787,151</u>	<u>—</u>	<u>—</u>
Sub-total of cash inflows		<u>275,232,588</u>	<u>138,787,151</u>	<u>—</u>	<u>—</u>
Cash repayments of borrowings		<u>(1,868,039,780)</u>	<u>(266,550,401)</u>	<u>(1,500,000,000)</u>	<u>(50,000,000)</u>
Cash payments for interest expenses and distribution of dividends or profits		<u>(58,606,055)</u>	<u>(71,093,596)</u>	<u>(12,000,000)</u>	<u>(16,236,600)</u>
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		<u>(40,840,851)</u>	<u>(50,042,959)</u>	<u>—</u>	<u>—</u>
Cash payments relating to other financing activities	(49)(e)	<u>(291,791,653)</u>	<u>(6,751)</u>	<u>(291,000,000)</u>	<u>—</u>
Sub-total of cash outflows		<u>(2,218,437,488)</u>	<u>(337,650,748)</u>	<u>(1,803,000,000)</u>	<u>(66,236,600)</u>
Net cash flows from financing activities		<u>(1,943,204,900)</u>	<u>(198,863,597)</u>	<u>(1,803,000,000)</u>	<u>(66,236,600)</u>
Effect of foreign exchange rate changes on cash and cash equivalent		<u>2,121,198</u>	<u>(1,112,760)</u>	<u>671,690</u>	<u>(331,591)</u>
Net increase in cash and cash equivalents	(50)(b), 15(7)(b)	<u>1,052,277,368</u>	<u>2,540,421,468</u>	<u>(693,911,470)</u>	<u>605,518,114</u>
Add: Cash and cash equivalents at beginning of period		<u>7,394,904,648</u>	<u>6,269,184,262</u>	<u>3,035,286,188</u>	<u>3,059,464,569</u>
Cash and cash equivalents at end of year	(50)(c)	<u><u>8,447,182,016</u></u>	<u><u>8,809,605,730</u></u>	<u><u>2,341,374,718</u></u>	<u><u>3,664,982,683</u></u>

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

Legal representative:
SUN Mingbo

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

Head of accounting department:
HOU Qiuyan

TSINGTAO BREWERY COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 5 (unless otherwise stated)	Attributable to shareholders of the Company						Total equity
		Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Undistributed profits	Minority interests	
Balance at 1 January 2013		<u>1,350,982,795</u>	<u>3,962,174,072</u>	<u>22,791,014</u>	<u>927,657,567</u>	<u>6,204,347,562</u>	<u>315,477,896</u>	<u>12,783,430,906</u>
Movements for the six months ended								
30 June 2013								
Comprehensive income		—	124,216,612	3,940,499	—	854,488,043	(419,845,281)	562,799,873
Net profit		—	—	3,940,499	—	1,394,881,161	42,508,551	1,441,330,211
Other comprehensive income	(48)	—	—	—	—	1,394,881,161	42,508,551	1,437,389,712
Capital contribution and withdrawal		—	—	3,940,499	—	—	—	3,940,499
by owners		—	124,216,612	—	—	—	(413,412,440)	(289,195,828)
Others	(35)	—	124,216,612	—	—	—	(413,412,440)	(289,195,828)
Profit distribution	(37)	—	—	—	—	(540,393,118)	(48,941,392)	(589,334,510)
Profit distribution to owners		—	—	—	—	(540,393,118)	(48,941,392)	(589,334,510)
Balance at 30 June 2013		<u>1,350,982,795</u>	<u>4,086,390,684</u>	<u>26,731,513</u>	<u>927,657,567</u>	<u>7,058,835,605</u>	<u>(104,367,385)</u>	<u>13,346,230,779</u>
Balance at 1 January 2014		<u>1,350,982,795</u>	<u>4,075,633,686</u>	<u>28,958,454</u>	<u>1,059,469,127</u>	<u>7,505,514,981</u>	<u>(147,088,008)</u>	<u>13,873,471,035</u>
Movements for the six months ended								
30 June 2014								
Comprehensive income		—	—	(1,534,917)	—	796,718,890	(15,325,193)	779,858,780
Net profit		—	—	(1,534,917)	—	1,404,661,148	33,095,658	1,436,221,889
Other comprehensive income	(48)	—	—	—	—	1,404,661,148	33,095,658	1,437,756,806
Profit distribution	(37)	—	—	—	—	(607,942,258)	(48,420,851)	(656,363,109)
Profit distribution to owners		—	—	—	—	(607,942,258)	(48,420,851)	(656,363,109)
Balance at 30 June 2014		<u>1,350,982,795</u>	<u>4,075,633,686</u>	<u>27,423,537</u>	<u>1,059,469,127</u>	<u>8,302,233,871</u>	<u>(162,413,201)</u>	<u>14,653,329,815</u>

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

Legal representative:
SUN Mingbo

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

Head of accounting department:
HOU Qiuyan

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 5 (unless otherwise stated)	Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Undistributed profits	Total shareholders' equity
Balance at 1 January 2013		1,350,982,795	4,311,423,853	3,765,464	927,657,567	3,337,117,630	9,930,947,309
Movement for the six months ended 30 June 2013		—	—	—	—	291,068,561	291,068,561
Comprehensive income		—	—	—	—	741,099,469	741,099,469
Net profit		—	—	—	—	741,099,469	741,099,469
Profit distribution	(37)	—	—	—	—	(540,393,118)	(540,393,118)
Profit distribution to owners		—	—	—	—	(540,393,118)	(540,393,118)
Others		—	—	—	—	90,362,210	90,362,210
Balance at 30 June 2013		<u>1,350,982,795</u>	<u>4,311,423,853</u>	<u>3,765,464</u>	<u>927,657,567</u>	<u>3,628,186,191</u>	<u>10,222,015,870</u>
Balance at 1 January 2014		1,350,982,795	4,302,307,813	3,765,464	1,059,469,127	4,073,390,757	10,789,915,956
Movement for the six months ended 30 June 2014		—	—	—	—	(421,215,828)	(421,215,828)
Comprehensive income		—	—	—	—	186,726,430	186,726,430
Net profit		—	—	—	—	186,726,430	186,726,430
Profit distribution	(37)	—	—	—	—	(607,942,258)	(607,942,258)
Profit distribution to owners		—	—	—	—	(607,942,258)	(607,942,258)
Balance at 30 June 2014		<u>1,350,982,795</u>	<u>4,302,307,813</u>	<u>3,765,464</u>	<u>1,059,469,127</u>	<u>3,652,174,929</u>	<u>10,368,700,128</u>

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

Legal representative:
SUN Mingbo

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

Head of accounting department:
HOU Qiuyan

TSINGTAO BREWERY COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(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 of the PRC, with a total share capital of RMB482,400,000 as establishment.

The Company’s H shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 15 July 1993, and it’s A shares have been listed on the Shanghai Stock Exchange since 27 August 1993. The total share capital upon issue amounted to RMB900,000,000. Subsequently, the Company increased its total share capital to RMB1,308,219,178 after issue of new RMB ordinary shares, issue of corporate convertible bonds and conversion of such bonds into H shares.

Approved by the Circular [2008] No. 445 issued by the China Securities Regulatory Commission, the Company issued convertible bonds with detachable warrants subscription rights on 2 April 2008 at a total 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 to 1,350,982,795.

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

These financial statements have been approved for issue by the Company’s Board of Directors on 28 August 2014.

These financial statements are not audited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Basis of preparation

The financial statements were prepared in accordance with the Basic Standard, specific standards of the Accounting Standards for Business Enterprises, the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and 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 issued and amended some standards and application guidance of CAS in 2014.

For the year ended 31 December 2013, the Group have early adopted these new and amended standards including CAS No.39 – Fair value measurement, CAS No.40 – Joint arrangements, revised CAS No.9 – Employee benefits, CAS No.30 – Financial statement presentation and CAS No.33 – Consolidated financial statements in preparation of the financial statements.

For the six months ended 30 June 2014, the Group have early adopted these standards including CAS No.41 – Disclosure of interests in other entities, revised CAS No.2 – Long-term equity investments and the financial statements format of the application guidance for CAS No.30 – Financial statement presentation in preparation of the financial statements. Management of the Company has assessed that these developments have no significant effect on the consolidated financial statements of the Group, except for the effect of applying the revised CAS No.2 – Long-term equity investments and the financial statements format of the application guidance for CAS No.30 – Financial statement presentation.

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

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

The financial statements of the Company for the six months ended 30 June 2014 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 30 June 2014 and their financial performance, cash flows and other information for the period then ended.

(3) Accounting period

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

(4) Recording currency

The recording currency of the Company and the subsidiaries incorporated and operated in mainland China is Renminbi (RMB), while the recording 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 transferred and net assets acquired by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets acquired from the combination and the carrying amount of the consideration transferred 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.

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

(6) Preparation of consolidated financial statements

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

Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that 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.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The items which can't be attributable to the shareholders of the company in subsidiary's equity, net profit or loss, and total comprehensive income of the period, are separately presented in the equity item, in net profit item and total comprehensive income item of the consolidated financial statement 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.

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

(9) Financial instruments

(a) Financial assets

(i) Classification of financial assets

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

Financial assets at fair value through profit or loss

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

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. The equity investments which 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. 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.

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

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Recognition and measurement (Cont'd)

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

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

(iii) Impairment of financial assets

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

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

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 below 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.

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

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(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.

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

(10) Receivables

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

(a) Receivables with amounts that are individually significant and subject to separate assessment for provision for bad debts

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

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

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

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

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

Basis for grouping is as follows:

Group A	Receivables of government etc.
Group B	Amounts due from subsidiaries
Group C	All 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%

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

(10) Receivables (Cont'd)

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

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

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

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

(11) Inventories

(a) Classification

Inventories 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.

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.

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.

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

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

(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. The investor's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, shall be recognised in the investor's equity as capital surplus, and the carrying amount of the long-term equity investment shall be adjusted accordingly. 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, in addition of the assets transaction between the Group and its investees which the assets invested or sold constitute business. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated. Accounting treatment of the assets transaction between the Group and its investees which the assets invested or sold constitute business is set out below:

For the business sold from the investees to the Group, gain or loss related to the transaction shall be fully recognized in the Group with reference to the requirements of "Business Combination" as stated in Note (2)(5).

For the business investing from the Group to the investees which increase the long-term investment of the Group but can't control over the investees, the initial cost of the increased long-term investment is measured at the fair value of the business, and the difference between the initial investment cost and book value of the business is treated as profit or loss of the current period in full. For the business sold from the investees to the Group, the difference between the consideration obtained and book value of the business is treated as profit or loss of the current period in full.

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

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

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

Control is the power 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 the strategic financial and operating 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)). Impairment loss 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)).

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

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

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

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

(b) Depreciation methods of fixed assets

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

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

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

The estimated useful lives, the estimated residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at least at each year-end.

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

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

A lease that in substance transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge (Note 2 (26)(b)).

Fixed assets held under a finance lease are depreciated on a basis consistent with the depreciation policy 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.

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

(14) Fixed assets (Cont'd)

(e) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from 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 revalued amounts as approved by the state-owned assets administration department.

(a) Land use rights

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

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

(17) Intangible assets (Cont'd)

(b) Trademarks

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

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

(c) Sales networks

Sales networks include the sales network acquired from Yantai Brewery Tsingtao Asahi Co., Ltd. ("Yantai Asahi") and Hebei Jiahe Beer Co., Ltd. ("Hebei Jiahe Company"), 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;

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

(17) Intangible assets (Cont'd)

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

- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

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

(h) *Impairment of intangible assets*

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

(18) Long-term prepaid expenses

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

(19) Impairment of long-term assets

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

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

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

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

(20) Employee benefits

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

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

(21) Dividends distribution

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

(22) Convertible bonds with detachable warrants subscription rights

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

(24) Government Grants

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

A government grant is recognised when the conditions attached to it can be complied with and the government grant can be received. For a government grant in the form of transfer of monetary assets, the grant is measured at the amount received or receivable. For a government grant in the form of transfer of non-monetary assets, it is measured at fair value; if the fair value is not reliably determinable, the grant is measured at nominal amount.

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

(24) Government Grants (Cont'd)

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.

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

(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 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.

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

(29) Changes in significant accounting policies

Details and reasons for the changes	Procedures for approval	Affected items and amount
As stated in Note 2(1), the Group early adopted the revised CAS No. 2 – Long-term equity investments, issued by the Ministry of Finance in 2014, in preparation of the financial statements of the Group for the six months ended 30 June 2014, comparative figures have been revised accordingly.	The changes in accounting policies have been approved by the Board of the Company.	Increase available-for-sale financial assets of the Group by RMB1,008,642 and RMB1,308,642 as at 30 June 2014 and 31 December 2013 respectively; decrease long-term equity investments of the Group by RMB1,008,642 and RMB1,308,642 as at 30 June 2014 and 31 December 2013 respectively.
As stated in Note 2(1), the Group early adopted the financial statements format of the application guidance for CAS No. 30 – Financial statement presentation, issued by the Ministry of Finance in 2014, in preparation of the financial statements of the Group for the six months ended 30 June 2014, comparative figures have been revised accordingly.	The changes in accounting policies have been approved by the Board of the Company.	Increase deferred income of the Group by RMB1,316,537,412 and RMB1,260,778,419 as at 30 June 2014 and 31 December 2013 respectively; decrease other non-current liabilities of the Group by RMB1,316,537,412 and RMB1,260,778,419 as at 30 June 2014 and 31 December 2013 respectively.
		Increase other comprehensive income of the Group by RMB27,423,537 and RMB28,958,454 as at 30 June 2014 and 31 December 2013 respectively; decrease capital surplus of the Group by RMB3,201,562 and RMB3,159,949 as at 30 June 2014 and 31 December 2013 respectively; decrease the difference on translation of foreign currency financial statements of the Group by RMB24,221,975 and RMB25,798,505 as at 30 June 2014 and 31 December 2013 respectively.

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

(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(16)).

(ii) Accounting estimates on impairment of fixed assets

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

(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 30 June 2014, deferred tax assets of RMB818,683,886 has been recognised in the Group's balance sheet. As stated in Note 5(18), the Group had unrecognised deferred tax assets aggregated to approximately RMB 437,393,000 as at 30 June 2014, 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.

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

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

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

(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 obligation 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	Sales Price of Beer	Consumption Tax per Unit	Not Applicable
	More than or equal to RMB3,000 per ton	RMB250 per ton	
	Less than RMB3,000 per ton	RMB220 per ton	
City maintenance and construction tax	Amount of VAT, business tax and consumption tax paid		5% to 7%
Education surcharge	Amount of VAT, business tax and consumption tax paid		3%

3. TAXATION (CONT'D)

(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 period 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 period. Macau profits supplemental tax is imposed on the estimated taxable profit for the period at a progressive rate scale ranging from 3% to 12%.

(4) VAT

According to “the People’s Republic of China Value-added Tax Temporary Regulations” (“VAT Regulations”), the Group is subject to output VAT calculated at 17% of the domestic sales value of tangible goods. In addition, it is subject to a refund of 15% on its export sales of products based on an “exempt, credit, refund” policy enacted. The Group also pays input VAT on its purchases of 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.

3. TAXATION (CONT'D)

(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") ⁽ⁱⁱ⁾	Indirectly	Nanjing, the PRC	Jiangsu, the PRC	Wholesale and retail sale	RMB1,000	Domestic trading of beer	Company limited	Ma Jiji	72457556-3

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

(1) Information of subsidiaries (Cont'd)

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

	Type	Place of registration	Place of main operation	Nature of business and principal activities	Registered capital '000	Business scope	Nature	Legal representative	Code of organisation
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
Tsingtao Brewery (Xuzhou) Huaihai Sales Co., Ltd. ("Huaihai Sales Company") (ii)	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	Shanxi, 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

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

(1) Information of subsidiaries (Cont'd)

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

	Type	Place of registration	Place of main operation	Nature of business and principal activities	Registered capital '000	Business scope	Nature	Legal representative	Code of organisation
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
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
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	RMB 29,410	Manufacture and domestic trading of beer	Company limited	Zhang Anwen	71977863-0
Tsingtao Brewery(Zhangjiakou) Co., Ltd. ("Zhangjiakou Company")/2)	Directly	Zhangjiakou, the PRC	Zhangjiakou, the PRC	Manufacturing	RMB200,000	Research and Development of brewery	Company limited	Liu Yingdi	09825993-3

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

(1) Information of subsidiaries (Cont'd)

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

	Type	Place of registration	Place of main operation	Nature of business and principal activities	Registered capital '000	Business scope	Nature	Legal representative	Code of organisation
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 Huaijiang	72261954-2
Qingdao Guangrunlong Logistics Co., Ltd. ("Guangrunlong Logistics")	Directly	Qingdao, the PRC	Shandong, the PRC	Logistics	RMB6,180	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	Fujian, 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 Huaijiang	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	Dong Jianjun	55607563-0

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

(1) Information of subsidiaries (Cont'd)

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

Type	Place of registration	Place of main operation	Nature of business and principal activities	Registered capital '000	Business scope	Nature	Legal representative	Code of organisation	
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	Dong Jianjun	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
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 Shibei Sales Co., Ltd. ("Shibei 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")(ii)	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

(1) Information of subsidiaries (Cont'd)

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

	Ending balance of actual contribution	Ending balance of other items which forms substantially part of the net investment in the subsidiary (i)	Share holding (%)	Voting rights (%)	Consolidated or not	Minority interests	Amount of loss attributed to the minority shareholders
Hong Kong Company	41,728,681	—	100%	100%	Yes	—	—
Hanzhong Company	46,093,340	—	66%	66%	Yes	15,462,702	—
Zhangjiakou Company (2)	3,000,000	—	100%	100%	Yes	—	—
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	—	100%	100%	Yes	—	—
Yulin Company	54,442,237	—	100%	100%	Yes	—	—
Chengyang Sales Company	8,000,000	—	100%	100%	Yes	—	—
Chenzhou Sales Company	50,000	—	100%	100%	Yes	—	—
Machinery and Equipment Company	2,000,000	—	100%	100%	Yes	—	—
Shijiazhuang Company	321,010,000	—	100%	100%	Yes	—	—
Taiyuan Company	200,000,000	—	100%	100%	Yes	—	—
Finance Company	500,000,000	—	100%	100%	Yes	—	—
Sifang Sales Company	10,000,000	—	100%	100%	Yes	—	—
Jieyang Company	150,000,000	—	75%	75%	Yes	61,559,851	—
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	20,720,098	—
Pingdu Sales Company	5,000,000	—	100%	100%	Yes	—	—
New Shanghai Sale (ii)	1,000,000	84,300,000	50%	55.56%	Yes	—	—
Xuzhou Enterprise Management	10,000,000	—	100%	100%	Yes	—	—
Luoyang Company	200,000,000	—	100%	100%	Yes	—	—
Sales Company (ii)	10,000,000	23,000,000	50%	55.56%	Yes	(543,305,348)	57,171,683
Hongjiweiye	10,000,000	—	100%	100%	Yes	—	—
Total	<u>5,971,695,822</u>	<u>525,650,000</u>				<u>(439,532,494)</u>	<u>57,171,683</u>

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

(ii) The rights of Minority interests refer to Note 4(4)(i).

As at 30 June 2014, 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.

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

(1) Information of subsidiaries (Cont'd)

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

	Type	Place of registration	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	61920976-5
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	6002535-9
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 Zuijiang	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

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

(1) Information of subsidiaries (Cont'd)

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

	Type	Place of registration	Place of main operation	Nature of business and principal activities	Registered capital '000	Business scope	Nature	Legal representative	Code of organisation
Tsingtao Brewery (Zhangzhou) Co., Ltd. ("Zhangzhou Company")	Indirectly	Zhangzhou, the PRC	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
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")	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 (ii)	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 (ii)	Indirectly	LianYungang, the PRC	Jiangsu, the PRC	Wholesale and retail sale	RMB1,000	Wholesale and Pre-packaged food	Company limited	Ma Jiji	05189831-6

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

(1) Information of subsidiaries (Cont'd)

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

	Ending balance of actual contribution	Ending balance of other items which forms substantially a part of the net investment in the subsidiary (i)	Equity interest (%)	Voting rights (%)	Consolidated or not	Minority interests	Amount of loss attributed to the minority shareholders
Sanshui Company	58,789,877	—	75%	75%	Yes	30,104,052	—
Chenzhou Company	71,921,877	—	100%	100%	Yes	—	—
Shenzhen Asahi	126,746,680	—	51%	51%	Yes	200,071,830	—
Nanning Company	270,495,918	—	75%	75%	Yes	52,235,745	—
Three Ring Company	73,846,179	70,000,000	54%	54%	Yes	(473,327)	—
Five Star Company	75,917,538	96,000,000	62.64%	62.64%	Yes	(14,361,653)	—
Weinan Company	50,693,709	—	100%	100%	Yes	—	—
Gansu Nongken Company	64,292,092	40,000,000	55.06%	55.06%	Yes	(50,075,547)	—
Wuwei Company	35,710,000	23,000,000	54.91%	99.72%	Yes	156,293	—
Rongcheng Company	65,103,434	—	70%	70%	Yes	2,894,907	—
Suizhou Company	9,000,000	—	90%	90%	Yes	(2,063,346)	—
Fuzhou Company	68,094,738	—	100%	100%	Yes	—	—
Zhangzhou Company	69,367,401	—	90%	90%	Yes	11,924,151	—
Construction Company	2,490,000	—	100%	100%	Yes	—	—
Penglai Company	30,000,000	67,300,000	80%	80%	Yes	(13,760,936)	586,663
Cultural Communication Company	5,290,000	—	100%	100%	Yes	—	—
Beverage Company	44,000,001	20,000,000	100%	100%	Yes	—	—
Baotuan 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	41,552,478	—
Macau Company	97,365	—	60%	100%	Yes	11,526,042	—
Shanghai Market Service (ii)	1	—	50%	55.56%	Yes	—	—
The Prince Sales (ii)	2	—	50%	55.56%	Yes	—	—
Total	3,356,883,509	316,300,000				269,730,689	586,663

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

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

As at 30 June 2014, 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.

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

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

	Net assets on 30 June 2014	Net losses for the current period
Zhangjiakou Company	2,844,988	155,012

(i) Zhangjiakou is the wholly owned subsidiary established by the Company on 25 April 2014. Net losses for the current period are from the establishment date on 25 April 2014 to 30 June 2014.

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

	Net assets at the disposal date	Net losses for the current period
Chengdu Tsingtao Brewery Xinan Sales Company Limited ("Xinan Sales Company")	37,837,330	46,757

In accordance with the resolution at the Fourteenth Meeting of the Seventh Board of Directors on 30 October 2013, the Company decided to deregister Xinan Sales Company, a subsidiary of the Company. It was not included in the consolidation scope for the deregistration procedures have been completed on 28 March 2014 (the disposal date).

(4) Subsidiaries with significant minority interests

	As at 30 June 2014 Minority interests (unaudited)	Six months ended 30 June 2014 Minority interests (unaudited)	Total proposed dividend in the year ended 30 June 2014 attributable to the minority shareholders of subsidiaries (unaudited)
Shenzhen Asahi Sales Company (i)	200,071,830 (543,305,348)	28,069,728 (57,171,683)	(42,140,000) —
	<u>(343,233,518)</u>	<u>(29,101,955)</u>	<u>(42,140,000)</u>

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

(4) Subsidiaries with significant minority interests (Cont'd)

Major financial information in this year

	As at 30 June 2014 (Unaudited)				
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Shareholders' equity
Shenzhen Asahi Sales Company	118,567,086	618,166,458	(321,149,622)	(6,329,982)	409,253,940
	<u>385,889,508</u>	<u>141,148,312</u>	<u>(1,596,987,394)</u>	<u>(16,661,122)</u>	<u>(1,086,610,696)</u>
	<u>504,456,594</u>	<u>759,314,770</u>	<u>(1,918,137,016)</u>	<u>(22,991,104)</u>	<u>(677,356,756)</u>

	As at 31 December 2013				
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Shareholders' equity
Shenzhen Asahi Sales Company	153,181,692	620,888,488	(329,622,868)	(6,677,083)	437,770,229
	<u>196,127,652</u>	<u>86,320,969</u>	<u>(1,237,169,195)</u>	<u>(17,546,757)</u>	<u>(972,267,331)</u>
	<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>

	Six months ended 30 June 2014 (Unaudited)				
	Revenue	Total profit/(loss)	Net profit/(loss)	Other comprehensive income	Total comprehensive income/(loss)
Shenzhen Asahi Sales Company	594,497,371	76,774,044	57,483,711	—	57,483,711
	<u>1,769,926,063</u>	<u>(115,228,866)</u>	<u>(114,343,366)</u>	<u>—</u>	<u>(114,343,366)</u>
	<u>2,364,423,434</u>	<u>(38,454,822)</u>	<u>(56,859,655)</u>	<u>—</u>	<u>(56,859,655)</u>

	Six months ended 30 June 2013 (Unaudited)				
	Revenue	Total profit/(loss)	Net profit/(loss)	Other comprehensive income	Total comprehensive income/(loss)
Shenzhen Asahi Sales Company	629,765,263	66,982,200	50,119,072	—	50,119,072
	<u>713,024,415</u>	<u>(442,084,532)</u>	<u>(441,729,019)</u>	<u>—</u>	<u>(441,729,019)</u>
	<u>1,342,969,678</u>	<u>(375,102,332)</u>	<u>(391,609,947)</u>	<u>—</u>	<u>(391,609,947)</u>

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

(4) Subsidiaries with significant minority interests (Cont'd)

Major financial information in this year (Cont'd)

	Six months ended 30 June 2014 (Unaudited)					
	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Effect of foreign exchange rate changes on cash	Cash at beginning of period	Cash at end of year
Shenzhen Asahi Sales Company	87,135,477	(17,007,801)	(69,803,694)	48,385	2,497,043	2,869,410
	<u>157,342,809</u>	<u>(59,198,029)</u>	<u>64,134,287</u>	<u>—</u>	<u>33,455,421</u>	<u>195,734,488</u>
	<u>244,478,286</u>	<u>(76,205,830)</u>	<u>(5,669,407)</u>	<u>48,385</u>	<u>35,952,464</u>	<u>198,603,898</u>
	Six months ended 30 June 2013 (Unaudited)					
	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Effect of foreign exchange rate changes on cash	Cash at beginning of period	Cash at end of year
Shenzhen Asahi Sales Company	140,898,583	(22,098,481)	(99,732,140)	(12,601)	707,979	19,763,340
	<u>(27,661,328)</u>	<u>(3,761,134)</u>	<u>37,134,030</u>	<u>—</u>	<u>94,268,695</u>	<u>99,980,263</u>
	<u>113,237,255</u>	<u>(25,859,615)</u>	<u>(62,598,110)</u>	<u>(12,601)</u>	<u>94,976,674</u>	<u>119,743,603</u>

Financial information above doesn't include the elimination statement figures amount among the Group.

- (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 cash flows for the six months ended 30 June 2013 are from the establishment date 28 April 2013 to 30 June 2013.

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

	Assets and liabilities	
	30 June 2014	31 December 2013
Hong Kong Company	HKD1=RMB 0.7983	HKD1 = RMB 0.7862
Macau Company	MOP1=RMB 0.7784	MOP1 = RMB 0.7588

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

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	30 June 2014 (Unaudited)			31 December 2013		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
Cash on hand						
RMB	—	—	420,926	—	—	469,735
HKD	25,886	0.7938	20,548	11,341	0.7862	8,916
MOP	8,040	0.7784	6,258	822	0.7588	624
			<u>447,732</u>			<u>479,275</u>
Bank deposits						
RMB	—	—	701,194,808	—	—	569,702,701
USD	3,579,733	6.1528	22,025,381	7,671,969	6.0969	46,775,228
HKD	44,342,825	0.7938	35,199,334	68,854,679	0.7862	54,133,549
EUR	3,033,655	8.3946	25,466,320	606,570	8.4189	5,106,652
MOP	22,894,707	0.7784	17,821,240	17,016,443	0.7588	12,912,077
			<u>801,707,083</u>			<u>688,630,207</u>
Interbank deposits (i)						
RMB	—	—	7,612,843,529	—	—	6,674,424,658
USD	5,230,736	6.1528	32,183,672	5,145,321	6.0969	31,370,508
			<u>7,645,027,201</u>			<u>6,705,795,166</u>
Deposits in central bank (ii)						
RMB	—	—	1,180,530,000	—	—	1,092,900,000
Other cash balances (iii)						
RMB	—	—	330,764,148	—	—	43,915,438
			<u>9,958,476,164</u>			<u>8,531,720,086</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 30 June 2014, the statutory deposit reserve ratio of Finance Company is 14.5% (31 December 2013: 15%).
- (iii) As at 30 June 2014, other cash balances of RMB291,000,000 (31 December 2013: nil) are loan margin (Note 5(21)); other cash balances of RMB6,644,214 (31 December 2013: RMB11,698,305) are pledged as collateral for issuance of bank acceptance (Note 5(22)); other cash balances of RMB31,354,934 (31 December 2013: RMB31,297,133) represent housing maintenance fund deposited in the bank; other cash balances of RMB1,765,000 (31 December 2013: RMB920,000) represent other deposits.

Cash and cash equivalent presented in cash flow statements

	30 June 2014 (Unaudited)	31 December 2013
Cash at bank and on hand	9,958,476,164	8,531,720,086
Less: Deposits in central bank under restrictions	(1,180,530,000)	(1,092,900,000)
Other deposits under restrictions	(330,764,148)	(43,915,438)
	<u>8,447,182,016</u>	<u>7,394,904,648</u>

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

(2) Notes receivable

	30 June 2014 (Unaudited)	31 December 2013
Bank acceptance notes	<u>62,177,320</u>	<u>84,760,000</u>

As at 30 June 2014, the five largest notes receivable that are not mature but have been endorsed to other parties and other analysis are as follows:

Issued Company	Issuance date	Maturity date	Amount (Unaudited)
Client A	15/04/2014	15/10/2014	34,800,000
Client B	26/01/2014	26/07/2014	26,000,000
Client A	06/03/2014	06/09/2014	23,400,000
Client A	12/01/2014	12/07/2014	20,000,000
Client C	04/06/2014	04/12/2014	12,800,000
Others below RMB10,000,000			<u>484,948,361</u>
			<u>601,948,361</u>

As at 30 June 2014, there are no pledged notes receivables or discounted trade acceptance notes that were not mature (31 December 2013: nil).

(3) Accounts receivable

	30 June 2014 (Unaudited)	31 December 2013
Accounts receivable	597,789,733	354,377,376
Less: provision for bad debts	<u>(202,172,966)</u>	<u>(202,084,640)</u>
	<u>395,616,767</u>	<u>152,292,736</u>

The majority of the Group'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:

	30 June 2014 (Unaudited)	31 December 2013
Within 6 months	393,702,166	150,525,869
6 months to 1 year	1,920,053	1,859,860
1 to 2 years	181,101	—
2 to 3 years	164,284	565,506
Over 3 years	<u>201,822,129</u>	<u>201,426,141</u>
	<u>597,789,733</u>	<u>354,377,376</u>

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

(3) Accounts receivable (Cont'd)

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

	30 June 2014 (Unaudited)				31 December 2013			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total				% of total			
	Amount	balance	Amount	Ratio	Amount	balance	Amount	Ratio
Individually significant and that the related provision for bad debts is provided on the individual basis	36,801,710	6.16%	(36,801,710)	100%	36,801,710	10.38%	(36,801,710)	100%
Subject to provision on the grouping basis								
Group C	560,988,023	93.84%	(165,371,256)	29.48%	317,575,666	89.62%	(165,282,930)	52.05%
	<u>597,789,733</u>	<u>100%</u>	<u>(202,172,966)</u>	<u>33.82%</u>	<u>354,377,376</u>	<u>100%</u>	<u>(202,084,640)</u>	<u>57.03%</u>

(c) As at 30 June 2014, accounts receivable with amounts that are individually significant and the related provision for bad debts is provided on the individual basis are analysed as follows:

	Ending balance (unaudited)	Provision for bad debts (unaudited)	Ratio	Reason
Gansu Nongken Brewery 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.

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

(3) Accounts receivable (Cont'd)

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

	30 June 2014 (unaudited)				31 December 2013			
	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	393,702,166	70.18%	—	—	150,525,869	47.40%	—	—
6 months to 1 year	1,920,053	0.34%	(96,002)	5%	1,859,860	0.58%	(92,993)	5%
1 to 2 years	181,101	0.03%	(90,551)	50%	—	—	—	—
2 to 3 years	164,284	0.03%	(164,284)	100%	565,506	0.18%	(565,506)	100%
Over 3 years	165,020,419	29.42%	(165,020,419)	100%	164,624,431	51.84%	(164,624,431)	100%
	<u>560,988,023</u>	<u>100%</u>	<u>(165,371,256)</u>	<u>29.48%</u>	<u>317,575,666</u>	<u>100%</u>	<u>(165,282,930)</u>	<u>52.05%</u>

- (e) There are no accounts receivable that related provision for bad debts had been provided in full amount or in large proportion in previous years but are collected or reversed in full amount or in large proportion in the current period (six months ended 30 June 2013: collected or reversed RMB7,400,000).

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

Nature	Amount (unaudited)	Reason	Arising from
			related party transactions or not
Lijing Hotel etc.	6,592	No collection evidenced	No

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

	30 June 2014 (unaudited)		31 December 2013	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Asahi Breweries, Ltd. ("Asahi Breweries")	<u>1,806,141</u>	<u>—</u>	<u>1,856,920</u>	<u>—</u>

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

(3) Accounts receivable (Cont'd)

(h) As at 30 June 2014, the five largest accounts receivable are analysed as follows:

	Relationship with the Group	Amount (unaudited)	Ageing	% of total balance
Client A	Third party	16,775,923	Within 6 months	2.81%
Nongken Brewery Company (i)	Third party	14,996,236	Over 3 years	2.51%
Beijing Sales Company (i)	Associate	11,245,784	Over 3 years	1.88%
Tsingtao Brewery Import & Export S.A.R.L ("European Company")	Associate	11,114,562	Within 6 months	1.86%
Guangzhou General Agency (i)	Associate	10,559,690	Over 3 years	1.77%
		<u>64,692,195</u>		<u>10.83%</u>

(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	30 June 2014 (unaudited)			31 December 2013		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Beijing Sales Company	Associate	11,245,784	1.88%	(11,245,784)	11,245,784	3.17%	(11,245,784)
European Company	Associate	11,114,562	1.86%	—	8,979,371	2.53%	—
Guangzhou General Agency	Associate	10,559,690	1.77%	(10,559,690)	10,559,690	2.98%	(10,559,690)
Shanghai Songjiang Manufacturing Co., Ltd ("New Songjiang Manufacturing")	Associate	2,450,000	0.41%	—	21,550,620	6.08%	—
Asahi Breweries	Shareholder of the Company	1,806,141	0.30%	—	1,856,920	0.52%	—
Asahi Beer (China) Investment Co., Ltd. ("Asahi Investment")	Subsidiary of Shareholder of the Company	573,880	0.10%	—	438,049	0.12%	—
Tsingtao Brewery (Yangzhou) Co., Ltd. ("Yangzhou Company")	Associate	16,500	0.01%	—	5,726,964	1.62%	—
Yantai Asahi	Associate	7,000	0.01%	—	—	—	—
Tsingtao Brewery (Xuzhou) Pengcheng Co., Ltd. ("Pengcheng Company")	Associate	—	—	—	6,172,275	1.74%	—
Tsingtao Brewery (Xuzhou) Co., Ltd. ("Xuzhou Company")	Associate	—	—	—	2,244,742	0.63%	—
Tsingtao Brewery (Suqian) Co., Ltd. ("Suqian Company")	Associate	—	—	—	1,334,719	0.38%	—
		<u>37,773,557</u>	<u>6.34%</u>	<u>(21,805,474)</u>	<u>70,109,134</u>	<u>19.77%</u>	<u>(21,805,474)</u>

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

(3) Accounts receivable (Cont'd)

- (j) As at 30 June 2014, there is no accounts receivable derecognised due to the transfer of financial assets (31 December 2013: nil).
- (k) As at 30 June 2014, there is no accounts receivable pledged as a guarantee to secure bank borrowings (31 December 2013: nil).
- (l) Accounts receivable dominated in foreign currency are as follows:

	30 June 2014 (unaudited)			31 December 2013		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
HKD	50,479,278	0.7938	40,070,451	39,132,753	0.7862	30,766,170
USD	4,483,469	6.1528	27,585,888	2,681,241	6.0969	16,347,258
EUR	1,324,013	8.3946	11,114,560	1,066,573	8.4189	8,979,371
MOP	8,987,491	0.7784	6,995,863	6,418,047	0.7588	4,870,014
CAD	213,985	5.7686	1,234,394	226,870	5.7259	1,299,035
			<u>87,001,156</u>			<u>62,261,848</u>

(4) Other receivables

	30 June 2014 (unaudited)	31 December 2013
Short-term entrust loans (i)	52,492,011	—
Receivables on construction and equipment (ii)	46,204,517	44,698,215
Staff advance	35,117,116	27,967,711
Deposits	30,100,294	33,574,454
Refund for prepayment of land use rights	17,441,647	17,441,647
Payment on behalf for recycled bottles	16,320,911	24,942,168
Brand use fee (iii)	10,462,703	12,639,838
VAT refund	3,706,699	6,190,446
Others	123,448,314	89,362,545
	<u>335,294,212</u>	<u>256,817,024</u>
Less: provision for bad debts	<u>(69,681,758)</u>	<u>(73,421,557)</u>
	<u>265,612,454</u>	<u>183,395,467</u>

- (i) It represents entrust to Suntory (China) Investment Company Limited (“Suntory Company”) by Shanghai Market Service through bank (Note 7(5)).
- (ii) It represents the construction receivable of Machinery and Equipment Company, a subsidiary of the Company, from the Company’s associates New Songjiang Manufacturing, Xuzhou Company, Pengcheng Company, Suqian Company and Yangzhou Company (Note 7(5)).
- (iii) It represents the Company’s brand use fee receivable from New Songjiang Manufacturing, Xuzhou Company, Pengcheng Company, Suqian Company, Yangzhou Company and China Jiangsu Suntory Food Co., Ltd. (“Suntory Jiangsu”) according to the Brand Advertising Services Contract signed by the Company and these associate companies (Note 7(5)).

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

(4) Other receivables (Cont'd)

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

	30 June 2014 (unaudited)	31 December 2013
Within 6 months	259,850,038	174,597,753
6 months to 1 year	3,464,644	3,801,297
1 to 2 years	1,438,658	4,430,663
2 to 3 years	4,595,847	5,126,417
Over 3 years	65,945,025	68,860,894
	<u>335,294,212</u>	<u>256,817,024</u>

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

	30 June 2014 (unaudited)				31 December 2013			
	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	5.20%	(17,441,647)	100%	17,441,647	6.79%	(17,441,647)	100%
Subject to provision on the grouping basis								
Group A	5,367,699	1.60%	—	—	7,851,446	3.06%	—	—
Group C	312,484,866	93.20%	(52,240,111)	16.72%	231,523,931	90.15%	(55,979,910)	24.18%
	<u>335,294,212</u>	<u>100%</u>	<u>(69,681,758)</u>	<u>20.78%</u>	<u>256,817,024</u>	<u>100%</u>	<u>(73,421,557)</u>	<u>28.59%</u>

(c) As at 30 June 2014, 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	<u>17,441,647</u>	<u>(17,441,647)</u>	100%	(i)

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

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

(4) Other receivables (Cont'd)

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

	30 June 2014 (unaudited)				31 December 2013			
	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	257,956,847	82.55%	—	—	172,510,464	74.51%	—	—
6 months to 1 year	1,651,136	0.53%	(82,557)	5%	2,153,679	0.93%	(107,684)	5%
1 to 2 years	1,438,658	0.46%	(719,329)	50%	1,975,124	0.85%	(987,562)	50%
2 to 3 years	2,934,847	0.94%	(2,934,847)	100%	3,465,417	1.50%	(3,465,417)	100%
Over 3 years	48,503,378	15.52%	(48,503,378)	100%	51,419,247	22.21%	(51,419,247)	100%
	<u>312,484,866</u>	<u>100%</u>	<u>(52,240,111)</u>	<u>16.72%</u>	<u>231,523,931</u>	<u>100%</u>	<u>(55,979,910)</u>	<u>24.18%</u>

- (e) There are no other receivables that the related provision for bad debts had been provided in full amount or in large proportion in previous years but are collected or reversed in full amount or in large proportion in the current period (six months ended 30 June 2013: nil).

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

Nature	Amount (unaudited)	Reason	Arising from
			related party transactions or not
Advance for hops	2,659,769	Have been recognised hard to collect.	No
Other	<u>116,188</u>	Have been recognised hard to collect.	No
	<u>2,775,957</u>		

- (g) As at 30 June 2014, there is no other receivable from shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2013: nil).

- (h) As at 30 June 2014, the five largest other receivables are analysed as follows:

	Relationship with the Group	Amount (unaudited)	Ageing	% of total balance
	Minority shareholder of			
Suntory Company	the Subsidiary	52,492,011	Within 6 months	15.66%
Siqian Company	Associate	25,196,349	Within 6 months	7.51%
Yangzhou Company	Associate	19,218,254	Within 6 months	5.73%
Suntory Jiangsu	Associate	13,444,122	Within 6 months	4.01%
New Songjiang Manufacturing	Associate	<u>9,565,384</u>	Within 6 months	<u>2.85%</u>
		<u>119,916,120</u>		<u>35.76%</u>

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

(4) Other receivables (Cont'd)

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

	Relationship with the Group	30 June 2014 (unaudited)			31 December 2013		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
	Minority shareholder of the						
Suntory Company	Subsidiary	52,492,011	15.66%	—	—	—	—
Suqian Company	Associate	25,196,349	7.51%	—	25,243,889	9.83%	—
Yangzhou Company	Associate	19,218,254	5.73%	—	19,822,427	7.72%	—
Suntory Jiangsu	Associate	13,444,122	4.01%	—	3,609,414	1.41%	—
New Songjiang							
Manufacturing	Associate	9,565,384	2.85%	—	20,508,389	7.99%	—
Pengcheng Company	Associate	1,931,943	0.58%	—	2,801,363	1.09%	—
Xuzhou Company	Associate	1,491,793	0.44%	—	5,492,488	2.14%	—
Suntory Tsingtao Brewery (Shanghai) Co., Ltd. ("Manufacturing Company")	Associate	299,975	0.09%	—	—	—	—
Yantai Asahi	Associate	77,929	0.02%	—	—	—	—
		<u>123,717,760</u>	<u>36.89%</u>	<u>—</u>	<u>77,477,970</u>	<u>30.18%</u>	<u>—</u>

- (j) As at 30 June 2014, there is no other receivable derecognised due to transfer of financial assets (31 December 2013: nil).

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

	30 June 2014 (unaudited)			31 December 2013		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
HKD	1,944,538	0.7938	1,543,574	2,260,311	0.7862	1,777,057
MOP	317,002	0.7784	246,754	244,595	0.7588	185,599
			<u>1,790,328</u>			<u>1,962,656</u>

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

(5) Advances to suppliers

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

	30 June 2014 (unaudited)		31 December 2013	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	146,228,039	97.81%	130,167,919	98.35%
1 to 2 years	3,217,009	2.15%	248,289	0.19%
2 to 3 years	6,822	0.01%	1,929,319	1.46%
Over 3 years	54,530	0.03%	—	—
	<u>149,506,400</u>	<u>100%</u>	<u>132,345,527</u>	<u>100%</u>

As at 30 June 2014, advances to suppliers over 1 year with carrying amount of RMB3,278,361 (31 December 2013: RMB2,177,608) are mainly advances paid for materials, which are not fully settled due to production plan.

(b) As at 30 June 2014, the five largest advances to suppliers are analysed as follows:

	Relationship with the Group	Amount (unaudited)	% of total balance	Recognition date	Reason for unsettled
Supplier A	Third party	44,899,204	30.03%	2014	Services not received
Supplier B	Third party	22,697,550	15.18%	2014	Services not received
Supplier C	Third party	10,325,560	6.91%	2014	Goods not received
Supplier D	Third party	9,092,167	6.08%	2014	Goods not received
Supplier E	Third party	7,643,511	5.11%	2014	Goods not received
		<u>94,657,922</u>	<u>63.31%</u>		

(c) As at 30 June 2014, there are no advances to shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2013: nil).

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

	30 June 2014 (unaudited)	31 December 2013
Suntory Jiangsu	1,446,791	18,440,338
Pengcheng Company	924,412	—
Xuzhou Company	—	6,338,878
	<u>2,371,203</u>	<u>24,779,216</u>

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

(5) Advances to suppliers (Cont'd)

(e) As at 30 June 2014, advances to suppliers dominated in foreign currency are as follows:

	30 June 2014 (unaudited)			31 December 2013		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
MOP	—	0.7784	—	376,889	0.7588	285,983

(6) Interests Receivable

	31 December 2013	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2014 (unaudited)
Interests Receivable	188,461,377	211,977,314	(218,217,799)	182,220,892

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

As at 30 June 2014, there is no interest receivable overdue (31 December 2013: nil.).

(7) Inventories

(a) Classification of inventories is as follow:

	30 June 2014 (unaudited)			31 December 2013		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	652,080,222	(3,340,544)	648,739,678	627,732,569	(3,572,307)	624,160,262
Packaging materials	733,974,739	(11,096,270)	722,878,469	909,403,798	(11,130,052)	898,273,746
Low-value consumption goods	71,473,661	—	71,473,661	51,071,803	—	51,071,803
Material on consignment for further processing	25,051,021	—	25,051,021	4,174,110	—	4,174,110
Work in progress	359,611,473	—	359,611,473	385,960,322	—	385,960,322
Finished goods	281,676,802	—	281,676,802	570,911,692	—	570,911,692
	<u>2,123,867,918</u>	<u>(14,436,814)</u>	<u>2,109,431,104</u>	<u>2,549,254,294</u>	<u>(14,702,359)</u>	<u>2,534,551,935</u>

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

(7) Inventories (Cont'd)

(b) Movement of inventories is as follows:

	31 December 2013	Increase in the current period	Decrease in the current period	30 June 2014 (unaudited)
Raw materials	627,732,569	2,366,076,871	(2,341,729,218)	652,080,222
Packaging materials	909,403,798	4,094,682,550	(4,270,111,609)	733,974,739
Low-value consumption goods	51,071,803	436,610,284	(416,208,426)	71,473,661
Material on consignment for further processing	4,174,110	77,948,520	(57,071,609)	25,051,021
Work in progress	385,960,322	2,603,279,907	(2,629,628,756)	359,611,473
Finished goods	570,911,692	9,882,288,141	(10,171,523,031)	281,676,802
	<u>2,549,254,294</u>	<u>19,460,886,273</u>	<u>(19,886,272,649)</u>	<u>2,123,867,918</u>

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

	31 December 2013	Increase in the current period	Decrease in the current period		30 June 2014 (unaudited)
			Reversal	Write-off	
Raw materials	(3,572,307)	—	128,118	103,645	(3,340,544)
Packaging materials	(11,130,052)	—	33,782	—	(11,096,270)
	<u>(14,702,359)</u>	<u>—</u>	<u>161,900</u>	<u>103,645</u>	<u>(14,436,814)</u>

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

	Basis for provision	Reason for reversal	% of total balance
Raw materials	Amount of carrying amount over net realisable value	Increase in net realisable value	0.02%
Packaging materials	Amount of carrying amount over net realisable value	Increase in net realisable value	0.01%

(8) Other current assets

	30 June 2014 (unaudited)	31 December 2013
Input VAT	183,648,687	320,426,790
Prepaid enterprise income tax	88,259,142	142,498,623
Others	1,931,014	3,938,009
	<u>273,838,843</u>	<u>466,863,422</u>

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

(9) Available-for-sale financial assets

	31 December 2013 (audited)	Reclassified from long-term equity investments for the changes in accounting policy	31 December 2013 (representation)	Decrease in the current period (unaudited)	30 June 2014 (unaudited)
Guangxi Beihai Real Estate Co., Ltd.	—	3,610,000	3,610,000	—	3,610,000
Qingdao Yingxiao Club	—	3,985,261	3,985,261	—	3,985,261
Others	—	2,521,560	2,521,560	(455,000)	2,066,560
	—	10,116,821	10,116,821	(455,000)	9,661,821

Provision for impairment of Available-for-sale financial assets

	31 December 2013 (audited)	Reclassified from long-term equity investments for the changes in accounting policy	31 December 2013 (representation)	Decrease in the current period (unaudited)	30 June 2014 (unaudited)
Guangxi Beihai Real Estate Co., Ltd.	—	(3,610,000)	(3,610,000)	—	(3,610,000)
Qingdao Yingxiao Club	—	(3,985,261)	(3,985,261)	—	(3,985,261)
Others	—	(1,212,918)	(1,212,918)	155,000	(1,057,918)
	—	(8,808,179)	(8,808,179)	155,000	(8,653,179)

Carrying amount of Available-for-sale financial assets

	31 December 2013 (audited)	Reclassified from long-term equity investments for the changes in accounting policy	31 December 2013 (representation)	Decrease in the current period (unaudited)	30 June 2014 (unaudited)
Guangxi Beihai Real Estate Co., Ltd.	—	—	—	—	—
Qingdao Yingxiao Club	—	—	—	—	—
Others	—	1,308,642	1,308,642	(300,000)	1,008,642
	—	1,308,642	1,308,642	(300,000)	1,008,642

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

(9) Available-for-sale financial assets (Cont'd)

As at 30 June 2014 and 31 December 2013, the available-for-sale financial assets are measured at cost for they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

(10) Long-term equity investments

	30 June 2014 (unaudited)	31 December 2013
Joint Ventures – without quoted market price (a)	226,986,970	—
Associates (b)	1,289,959,076	1,271,858,738
	1,516,946,046	1,271,858,738
Less: Provision for impairment of long-term equity investments (c)	(1,220,000)	(1,220,000)
	1,515,726,046	1,270,638,738

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

(a) Joint Ventures

Long-term equity investments in joint ventures

	Accounting Method	Investment cost	31 December 2013	Current period movement				30 June 2014 (unaudited)	Equity interest held	voting rights held	Provision for impairment	Impairment provided in the current year
				Increase in investment	Share of net loss	Cash dividend declared	Other changes in equity					
Tsingtao Brewery Equipment Manufacture Company Limited ("Equipment Manufacture")	Equity Method	577,406	—	—	—	—	—	50%	50%	—	—	
Hebei Jiabei Company	Equity Method	231,469,400	—	231,469,400	(4,482,430)	—	—	50%	50%	—	—	
			—	231,469,400	(4,482,430)	—	—			—	—	

- (i) Registered and mainly operated in China, Equipment Manufacture is one of the main suppliers of Construction Company, the Company's subsidiary. Both the percentage of equity interests and voting right held by the Group are 50%, so the Group owns jointly control over Equipment Manufacture and reflects it as a joint controlled entity.

Equipment Manufacture has been loss-making with negative net assets, while the Group does not have any obligation for its additional losses. Accordingly, in the recognition of the Group's share of its net loss, the carrying value of the long-term equity investment is only reduced to zero. The unrecognised investment loss for the period amounted to RMB451,373 (six months ended 30 June 2013: unrecognised investment loss RMB122,052). As at 30 June 2014, the cumulative unrecognised investment losses amounted to RMB1,334,603 (31 December 2013: RMB 883,230).

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

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

(a) Joint Ventures (Cont'd)

- (ii) According to the Assets Restructuring and Equity Transaction Framework Agreement signed between the Company and shareholders of Jiahe Brewery Co., Ltd ("Jiahe Brewery"), which were Shijiazhuang Jiahe Brewery Co., Ltd, trade union committee of Jiahe Brewery Co., Ltd ("Trade Union Committee Jiahe Brewery") and Union Investment Co., Ltd, Jiahe Brewery splits a new company (Hebei Jiahe Company) to inherit brewery business. The Company acquired 50% equity interest in Hebei Jiahe Company by RMB231,469,400 and marketing networks of Jiahe Brewery with the method of business combination by RMB68,530,600. The equity transaction procedures have been completed in Feb 2014. The Company has been paid the transfer price RMB250,000,000 on 28 February 2014, and the remaining RMB50,000,000 will be paid after the land and property registration procedures.

Registered and mainly operated in China, Hebei Jiahe Company is one of the main suppliers in Hebei region, having important strategic influence on product supply maintenance of the Group. Both the percentage of equity interests and voting right held by the Group are 50%, so the Group owns jointly control over Hebei Jiahe Company and reflects it as a joint controlled entity.

Set out below are the summarized financial information for joint ventures:

	Equipment Manufacture		Hebei Jiahe Company	
	30 June 2014 (unaudited)	31 December 2013	30 June 2014 (unaudited)	31 December 2013
Cash at bank and on hand	855,009	1,053,041	16,248,197	Not Applicable
Other current assets	9,350,533	13,644,149	44,656,070	Not Applicable
Total current assets	10,205,542	14,697,190	60,904,267	Not Applicable
Total non-current assets	1,498,322	1,602,584	92,289,712	Not Applicable
Accounts payable	(5,386,297)	(13,100,180)	(43,603,070)	Not Applicable
Other Financial liabilities	—	—	(15,786,522)	Not Applicable
Other liabilities	(8,986,772)	(4,966,054)	(12,791,387)	Not Applicable
Total current liabilities	(14,373,069)	(18,066,234)	(72,180,979)	Not Applicable
Net assets	(2,669,205)	(1,766,460)	81,013,000	Not Applicable
Total equity attributable to shareholders	(2,669,205)	(1,766,460)	81,013,000	Not Applicable
Adjusted fair value of the identifiable net assets when obtained	—	—	144,462,478	Not Applicable
Adjusted total equity attributable to shareholders	(2,669,205)	(1,766,460)	225,475,478	Not Applicable
Interest in joint ventures	50%	50%	50%	Not Applicable
Equity attributable to the Group	(1,334,603)	(883,230)	112,737,739	Not Applicable
Goodwill included in long-term equity investments	—	—	114,249,231	Not Applicable
Unrecognised investment loss	1,334,603	883,230	—	Not Applicable
Long-term equity investments	—	—	226,986,970	Not Applicable

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

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

(a) Joint Ventures (Cont'd)

	Equipment Manufacture		Hebei Jiahe Company (i)	
	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)	The period ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Revenue	16,509,200	13,760,342	115,608,809	Not Applicable
Total (loss)/profit	(902,745)	325,472	(5,400,398)	Not Applicable
Income tax credit	—	(81,368)	—	Not Applicable
Net (loss)/profit attributable to shareholders	(902,745)	244,104	(5,400,398)	Not Applicable
Others comprehensive income	—	—	—	Not Applicable
Total comprehensive income attributable to shareholders	(902,745)	244,104	(5,400,398)	Not Applicable

(i) Hebei Jiahe Company is the new joint ventures of the Company. The revenue and net loss for the current period are from acquisition date on 26 February 2014 to 30 June 2014.

(b) Associates

Accounting Method	Investment cost	31 December 2013	Increase in investment (unaudited)	Share of net profit/ (loss) (unaudited)	Share of other comprehensive income (unaudited)	Cash dividend declared (unaudited)	Other equity movement (unaudited)	30 June 2014 (unaudited)	Equity interest held	Voting rights held	Provision for impairment (unaudited)	Impairment provided in the current year (unaudited)
Manufacturing Company (i) Equity Method	1,141,123,402	1,110,117,556	—	17,276,028	—	—	—	1,127,393,584	50%	44.44%	—	—
Yantai Asahi (ii) Equity Method	120,024,598	137,342,504	—	11,794,582	—	(15,097,173)	—	134,039,913	39%	39%	—	—
Qingdao Zhaoshang Logistics Company Limited ("Zhaoshang Logistics") (iii) Equity Method	6,000,000	17,863,258	—	3,072,659	—	—	—	20,935,897	30%	30%	—	—
Liaoning Shengqing Tsingtao Brewery Company Limited ("Liaoning Shengqing") (iv) Equity Method	600,000	3,722,365	—	(100,023)	—	—	—	3,622,342	30%	30%	—	—
European Company (v) Equity Method	584,166	1,593,055	—	1,112,672	41,613	—	—	2,747,340	40%	40%	—	—
Others Equity Method	1,220,000	1,220,000	—	—	—	—	—	1,220,000	Not Applicable	Not Applicable	(1,220,000)	—
		1,271,858,758	—	33,155,898	41,613	(15,097,173)	—	1,280,959,076			(1,220,000)	—

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

(b) Associates (Cont'd)

- (i) Registered and mainly operated 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.

The share of net profit using the equity method is RMB 17,276,028, including investment income RMB 21,010,461 were based on the adjusted net profit based on fair value, RMB 3,734,433 were unrealised profit in fixed assets concurrent transaction in current period.

- (ii) Registered and mainly operated 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) Registered and mainly operated 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) Registered and mainly operated 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) Registered and mainly operated 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.

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

(b) Associates (Cont'd)

Major financial information of associates is as follows:

	Manufacturing Company		Yantai Asahi		Zhaoshang Logistics		Liaoning Shengqing		European Company	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(unaudited)		(unaudited)		(unaudited)		(unaudited)		(unaudited)	
Cash at bank and on hand	176,505,517	135,379,102	88,160,836	46,463,778	1,012,924	1,607,886	7,339,956	12,547,221	6,226,485	3,833,012
Other current assets	1,318,324,203	1,132,633,841	183,695,592	168,793,678	147,522,542	110,892,502	53,753,660	61,176,187	13,579,902	15,604,561
Total current assets	1,494,829,720	1,268,012,943	271,856,428	215,257,456	148,535,466	112,500,388	61,093,816	73,723,408	19,806,387	19,437,573
Total non-current assets	2,502,134,837	2,484,229,460	171,594,980	175,386,556	4,606,432	5,184,536	4,488,366	4,499,639	204,228	214,233
Accounts payable	(449,624,793)	(272,751,508)	(60,052,829)	(51,101,548)	(73,548,286)	(48,338,464)	(7,060)	(7,060)	(12,016,265)	(8,846,420)
Other financial liabilities	(779,347,608)	(835,847,935)	(85,724,698)	(51,258,477)	(2,306,553)	(4,903,052)	(45,995,740)	(43,195,852)	(824,257)	(747,595)
Other current liabilities	(181,052,844)	(147,528,121)	(26,099,985)	(10,171,906)	(7,502,296)	(4,810,774)	(7,584,910)	(22,612,251)	(301,744)	(429,682)
Total current liabilities	(1,410,025,245)	(1,256,127,564)	(171,877,512)	(112,531,931)	(83,357,135)	(58,052,290)	(53,507,710)	(65,815,163)	(13,142,266)	(10,023,697)
Total non-current liabilities	(476,598,043)	(431,836,009)	—	—	(88,440)	(88,440)	—	—	—	(5,645,471)
Net assets	2,110,341,269	2,064,278,830	271,573,896	278,112,081	69,786,323	59,544,194	12,074,472	12,407,884	6,868,349	3,982,638
Total equity attributable to shareholders	2,085,185,703	2,040,078,019	271,573,896	278,112,081	69,786,323	59,544,194	12,074,472	12,407,884	6,868,349	3,982,638
Adjusted fair value of the identifiable net assets when obtained	111,785,719	114,872,481	47,398,498	49,328,497	—	—	—	—	—	—
Adjusted total equity attributable to shareholders	2,196,971,422	2,154,950,500	318,972,394	327,440,578	69,786,323	59,544,194	12,074,472	12,407,884	6,868,349	3,982,638
Interest in associates	50%	50%	39%	39%	30%	30%	30%	30%	40%	40%
Equity attributable to the Group	1,098,485,711	1,077,475,250	124,399,234	127,701,825	20,935,897	17,863,258	3,622,342	3,722,365	2,747,340	1,593,055
Goodwill included in long-term equity investments	38,540,092	38,540,092	9,640,679	9,640,679	—	—	—	—	—	—
Offset unrealised internal transaction profits	(9,632,219)	(5,897,786)	—	—	—	—	—	—	—	—
Long-term equity investments	1,127,393,584	1,110,117,556	134,029,913	137,342,504	20,935,897	17,863,258	3,622,342	3,722,365	2,747,340	1,593,055

	Manufacturing Company		Yantai Asahi		Zhaoshang Logistics		Liaoning Shengqing		European Company	
	Six months ended 30 June	Six months ended 30 June	Six months ended 30 June	Six months ended 30 June	Six months ended 30 June	Six months ended 30 June	Six months ended 30 June	Six months ended 30 June	Six months ended 30 June	Six months ended 30 June
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(unaudited)		(unaudited)		(unaudited)		(unaudited)		(unaudited)	
Revenue	1,450,857,480	1,090,928,081	407,199,168	299,934,387	153,124,575	99,816,841	104,951,808	148,624,144	51,414,722	36,185,772
Total profit	66,685,381	102,580,362	43,139,094	16,975,864	13,591,027	8,872,168	(333,412)	211,611	2,781,679	1,073,373
Income tax expenses	(20,622,942)	(9,358,748)	(10,966,578)	(4,244,293)	(3,348,898)	(2,198,616)	—	(34,179)	—	—
Minority interests	(954,755)	(2,883,869)	—	—	—	—	—	—	—	—
Net profit/(loss) attributable to shareholders	45,107,684	90,337,745	32,172,516	12,731,571	10,242,129	6,673,552	(333,412)	177,432	2,781,679	1,073,373
Other comprehensive income	—	—	—	—	—	—	—	—	104,032	—
Total comprehensive income attributable to shareholders	45,107,684	90,337,745	32,172,516	12,731,571	10,242,129	6,673,552	(333,412)	177,432	2,885,711	1,073,373

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

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

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

	31 December 2013	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2014 (unaudited)
Associates-Others	<u>(1,220,000)</u>	<u>—</u>	<u>—</u>	<u>(1,220,000)</u>

(11) Investment properties

	31 December 2013	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2014 (unaudited)
Cost	19,603,981	—	(167,410)	19,436,571
Buildings	19,603,981	—	(167,410)	19,436,571
Accumulated depreciation	(11,432,833)	(199,862)	—	(11,632,695)
Buildings	(11,432,833)	(199,862)	—	(11,632,695)
Net book value	8,171,148	—	—	7,803,876
Buildings	8,171,148	—	—	7,803,876
Provision for impairment	(246,160)	—	—	(246,160)
Buildings	(246,160)	—	—	(246,160)
Carrying amount	7,924,988	—	—	7,557,716
Buildings	7,924,988	—	—	7,557,716

For the six months ended 30 June 2014, the Group changed the use of certain Buildings with a carrying amount of RMB167,410 (cost of RMB1,031,960) to owner-occupied properties and therefore, such assets were transferred from investment properties to fixed assets at the date of change in use.

For the six months ended 30 June 2014, depreciation of investment properties recognised in the current period is RMB199,862(Six months ended 30 June 2013: RMB183,600).

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

(12) Fixed assets

	31 December 2013	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2014 (unaudited)
Cost	16,019,540,437	543,415,291	(112,346,575)	16,450,609,153
Buildings	5,369,387,764	127,237,816	(10,165,385)	5,486,460,195
Machinery and equipment	9,658,650,486	345,966,093	(70,369,376)	9,934,247,203
Motor vehicles	361,507,635	28,457,946	(24,367,100)	365,598,481
Other equipment	629,994,552	41,753,436	(7,444,714)	664,303,274
		Increase in the current period (unaudited)	Decrease in the current period (unaudited)	
Accumulated depreciation	(6,651,507,208)	(357,049,488)	80,766,826	(6,927,789,870)
Buildings	(1,341,994,423)	(67,384,564)	2,580,288	(1,406,798,699)
Machinery and equipment	(4,724,872,198)	(235,183,250)	51,551,284	(4,908,504,164)
Motor vehicles	(205,717,239)	(15,022,182)	20,475,273	(200,264,148)
Other equipment	(378,923,348)	(39,459,492)	6,159,981	(412,222,859)
Net book value	9,368,033,229	—	—	9,522,819,283
Buildings	4,027,393,341	—	—	4,079,661,496
Machinery and equipment	4,933,778,288	—	—	5,025,743,039
Motor vehicles	155,790,396	—	—	165,334,333
Other equipment	251,071,204	—	—	252,080,415
		Increase in the current period (unaudited)	Decrease in the current period (unaudited)	
Provision for impairment	(627,722,952)	—	6,492,136	(621,230,816)
Buildings	(87,100,842)	—	28,172	(87,072,670)
Machinery and equipment	(529,371,546)	—	5,890,533	(523,481,013)
Motor vehicles	(10,864,776)	—	565,539	(10,299,237)
Other equipment	(385,788)	—	7,892	(377,896)
Carrying amount	8,740,310,277	—	—	8,901,588,467
Buildings	3,940,292,499	—	—	3,992,588,826
Machinery and equipment	4,404,406,742	—	—	4,502,262,026
Motor vehicles	144,925,620	—	—	155,035,096
Other equipment	250,685,416	—	—	251,702,519

As at 30 June 2014, there is no fixed assets pledged as collateral for borrowings (31 December 2013: nil).

For the six months ended 30 June 2014, depreciation charged to fixed assets amounts to RMB357,049,488 (Six months ended 30 June 2013: RMB368,694,160), of which RMB313,777,668, RMB6,393,160 and RMB36,878,660 (Six months ended 30 June 2013: RMB327,359,891, RMB5,057,506 and RMB36,276,763) has been charged in cost of sales, selling and distribution expenses and general and administrative expenses, respectively.

For the six months ended 30 June 2014, the costs of fixed assets transferred from construction in progress amount to RMB497,785,967 (Six months ended 30 June 2013: RMB479,462,532).

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

(12) Fixed assets (Cont'd)

(a) Temporarily idle fixed assets

As at 30 June 2014, the buildings and the machinery and equipment with carrying amount of 13,846,727 (cost of RMB55,620,851) are temporarily idle for the reason of products update (31 December 2013: carrying amount of RMB9,832,690 (cost of RMB54,809,962)), which are analysed as follows:

	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery and equipment	55,052,941	(36,505,725)	(4,996,391)	13,550,825
Buildings	567,910	(272,008)	—	295,902
	<u>55,620,851</u>	<u>(36,777,733)</u>	<u>(4,996,391)</u>	<u>13,846,727</u>

(b) Fixed assets held under finance leases

As at 30 June 2014, there is no fixed asset held under finance leases (31 December 2013: 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 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	30 June 2014 (unaudited)		31 December 2013	
	Cost	Carrying amount	Cost	Carrying amount
In the application process	760,159,000	588,062,000	819,611,000	658,153,000
Unable to obtain	148,073,000	74,464,000	148,073,000	76,221,000
	<u>908,232,000</u>	<u>662,526,000</u>	<u>967,684,000</u>	<u>734,374,000</u>

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

(12) Fixed assets (Cont'd)

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

	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 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

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

(13) Construction in progress

	30 June 2014 (unaudited)			31 December 2013		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Relocation Project of Malt Factory	256,127,489	—	256,127,489	181,815,189	—	181,815,189
Relocation Project of Gansu Nongken Company	92,473,289	—	92,473,289	31,365,944	—	31,365,944
Production Line Improvement of No. 3 Factory	78,839,263	—	78,839,263	21,653,376	—	21,653,376
Production Line Improvement of No. 1 Factory	49,971,587	—	49,971,587	44,717,502	—	44,717,502
Production Line Improvement of No. 2 Factory	27,729,766	—	27,729,766	26,757,777	(462,515)	26,295,262
Relocation Project of Heze Company	13,153,168	—	13,153,168	130,232,175	—	130,232,175
Relocation Project of Hansi Baoji Company	9,656,144	—	9,656,144	404,114	—	404,114
Production Line Improvement of Five stars Company	9,533,680	—	9,533,680	—	—	—
Production Line Improvement of Xinkaihu Company	8,500,002	—	8,500,002	221,361	—	221,361
Production Line Improvement of Immense Brewery Company	8,446,537	—	8,446,537	8,446,537	—	8,446,537
Relocation Project of Weinan Company	7,107,816	—	7,107,816	977,602	—	977,602
Production Line Improvement of Jiujiang Company	6,536,533	—	6,536,533	2,136,834	—	2,136,834
Production Line Improvement of Huangshi Company	3,783,954	—	3,783,954	408,547	—	408,547
Production Line Improvement of No. 4 Factory	3,413,075	—	3,413,075	1,228,661	—	1,228,661
Production Line Improvement of Shenzhen Asahi Company	3,390,403	—	3,390,403	3,186,508	—	3,186,508
Production Line Improvement of Three Ring Company	3,037,769	—	3,037,769	67,522	—	67,522
New office building project of shanghai sales company	2,657,376	—	2,657,376	1,657,376	—	1,657,376
Production Line Improvement of Chenzhou Company	2,340,913	—	2,340,913	1,391,356	—	1,391,356
Production Line Improvement of Luoyang Company	2,160,000	—	2,160,000	—	—	—
Production Line Improvement of Yingcheng Company	2,110,136	—	2,110,136	—	—	—
Production Line Improvement of Maanshan Company	2,029,103	—	2,029,103	1,892,471	—	1,892,471
Production Line Improvement of Luzhou Company	1,833,427	—	1,833,427	175,046	—	175,046
Production Line Improvement of Yulin Company	1,756,549	—	1,756,549	—	—	—
Production Line Improvement of Pingyuan Company	1,665,320	—	1,665,320	158,744	—	158,744
Production Line Improvement of Xiamen Company	1,532,222	—	1,532,222	652,427	—	652,427
Relocation Project of Sanshui Company	1,427,364	—	1,427,364	3,718,738	—	3,718,738
Production Line Improvement of Changsha Company	1,369,114	—	1,369,114	2,345,900	—	2,345,900
Production Line Improvement of Taiyuan Company	1,350,443	—	1,350,443	5,654,481	—	5,654,481
Other projects	10,733,305	—	10,733,305	35,820,583	—	35,820,583
	<u>614,665,747</u>	<u>—</u>	<u>614,665,747</u>	<u>507,086,771</u>	<u>(462,515)</u>	<u>506,624,256</u>

(13) Construction in progress (Cont'd)

(a) Movement in significant construction in progress

Name	Budget	31 December 2013	Increase in current period (unaudited)	Transfer to fixed assets (unaudited)	Disposal of construction in progress	30 June 2014 (unaudited)	Proportion of expenditures incurred to budgeted amount	Progress of construction	Source of funds
Relocation Project of Malt Factory	373,220,000	181,815,189	74,312,300	—	—	256,127,489	77%	75%	Funding from convertible bonds
Relocation Project of Gansu Nongken Company	296,200,000	31,365,944	61,107,345	—	—	92,473,289	37%	35%	Self-funding
Production Line Improvement of No. 3	327,059,660	21,653,376	199,200,521	(142,014,634)	—	78,839,263	68%	65%	Self-funding
Production Line Improvement of No. 1 Factory	297,660,000	44,717,502	15,177,919	(9,923,834)	—	49,971,587	75%	75%	Self-funding
Production Line Improvement of No. 2 Factory	537,670,000	26,757,777	6,031,680	(4,597,176)	(462,515)	27,729,766	96%	96%	Self-funding
Relocation Project of Heze Company	291,640,000	130,232,175	31,634,916	(148,713,923)	—	13,153,168	71%	71%	Self-funding
Relocation Project of Hansi Baoji Company	350,000,000	404,114	9,608,144	(356,114)	—	9,656,144	3%	3%	Self-funding
Production Line Improvement of Five Stars Company	28,178,592	—	14,099,717	(4,566,037)	—	9,533,680	95%	95%	Self-funding
Production Line Improvement of Xingkaihu Company	9,850,000	221,361	8,535,076	(256,435)	—	8,500,002	89%	89%	Self-funding
Production Line Improvement of Immense Brewery Company	9,700,000	8,446,537	—	—	—	8,446,537	87%	87%	Self-funding
Relocation Project of Weinan Company	308,330,000	977,602	6,130,214	—	—	7,107,816	2%	2%	Self-funding
New Factory Project of Jiujiang Company	299,540,000	2,136,834	7,992,791	(3,593,092)	—	6,536,533	98%	98%	Self-funding
Production Line Improvement of Huangshi Company	7,481,723	408,547	6,407,185	(3,031,778)	—	3,783,954	92%	90%	Self-funding
Production Line Improvement of No. 4 Factory	5,717,021	1,228,661	4,473,260	(2,288,846)	—	3,413,075	100%	99%	Self-funding
Production Line Improvement of Shenzhen Asahi Company	20,565,321	3,186,508	14,770,362	(14,566,467)	—	3,390,403	99%	99%	Self-funding
Production Line Improvement of Three Ring Company	8,344,600	67,522	5,497,924	(2,527,677)	—	3,037,769	67%	63%	Self-funding
New office building project of Shanghai Sales Company	140,000,000	1,657,376	1,000,000	—	—	2,657,376	2%	2%	Self-funding
Production Line Improvement of Chenzhou Company	4,865,368	1,391,356	1,426,557	(477,000)	—	2,340,913	73%	73%	Self-funding
Production Line Improvement of Luoyang Company	4,186,863	—	2,746,863	(586,863)	—	2,160,000	66%	63%	Self-funding
Production Line Improvement of Yingcheng Company	2,847,380	—	2,486,636	(376,500)	—	2,110,136	87%	87%	Self-funding
Production Line Improvement of Maanshan Company	7,861,987	1,892,471	3,740,870	(3,604,238)	—	2,029,103	72%	70%	Self-funding
Production Line Improvement of Luzhou Company	12,090,000	175,046	8,800,184	(7,141,803)	—	1,833,427	73%	73%	Self-funding
Production Line Improvement of Yulin Company	4,466,000	—	2,593,469	(836,920)	—	1,756,549	77%	77%	Self-funding
Production Line Improvement of Pingyuan Company	4,611,190	158,744	2,421,986	(915,410)	—	1,665,320	56%	56%	Self-funding

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

(13) Construction in progress (Cont'd)

(a) Movement in significant construction in progress

Name	Budget	31 December 2013	Increase in current period (unaudited)	Transfer to fixed assets (unaudited)	Disposal of construction in progress	30 June 2014 (unaudited)	Proportion of expenditures incurred to budgeted amount	Progress of construction	Source of funds
Production Line Expansion of Xiamen Company	186,670,000	652,427	6,207,130	(5,327,335)	—	1,532,222	60%	60%	Self-funding
Relocation Project of Sanshui Company	20,650,000	3,718,738	1,839,168	(4,130,542)	—	1,427,364	38%	38%	Self-funding
Production Line Improvement Changsha Company	3,880,000	2,345,900	873,214	(1,850,000)	—	1,369,114	87%	87%	Self-funding
Production Line Improvement of Taiyuan Company	12,522,739	5,654,481	6,392,979	(10,697,017)	—	1,350,443	95%	95%	Self-funding
Other projects		35,820,583	100,319,048	(125,406,326)	—	10,733,305			
		<u>507,086,771</u>	<u>605,827,458</u>	<u>(497,785,967)</u>	<u>(462,515)</u>	<u>614,665,747</u>			

As at 30 June 2014, the amount of the borrowing costs of production line improvement of Malt Factory to be capitalised is RMB3,215,124. The capitalisation rate of borrowing costs is 6.53%. Interest charges capitalised from convertible bonds amount to RMB3,492,122 less interest income amount to RMB276,998 (six months ended 30 June 2013: the amount of the borrowing costs to be capitalised is RMB10,044,808. The capitalisation rate of borrowing costs is 6.53%. Interest charges capitalised from convertible bonds amount to RMB11,434,853, less interest income amount to RMB1,390,045).

(b) Provision for impairment

	31 December 2013	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2014 (unaudited)	Reason for disposal
Tin Seamer Installation Project		<u>(462,515)</u>	<u>—</u>	<u>462,515</u>	Project terminated and disposed in current period

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

(14) Fixed assets pending for disposal

	30 June 2014 (unaudited)	31 December 2013	Reason for transfer to assets pending for disposal
Machinery and equipment	<u>6,426,993</u>	<u>5,368,759</u>	Old machinery and equipment for disposal

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

(15) Intangible assets

	31 December 2013	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2014 (unaudited)
Original cost	3,300,808,280	257,478,315	(7,797,659)	3,550,488,936
Land use rights	1,800,063,245	162,855,880	(7,698,503)	1,955,220,622
Patents	377,622,586	6,886,341	—	384,508,927
Proprietary	18,629,100	—	—	18,629,100
Marketing network(a)	837,704,038	75,042,967	—	912,747,005
others	266,789,311	12,693,127	(99,156)	279,383,282
		Increase in the current period (unaudited)	Decrease in the current period (unaudited)	
Accumulated amortisation	(767,780,887)	(94,135,278)	1,374,354	(860,541,811)
Land use rights	(280,201,267)	(21,012,101)	1,291,038	(299,922,330)
Patents	(132,846,788)	(15,345,996)	—	(148,192,784)
Proprietary	(18,629,100)	—	—	(18,629,100)
Marketing network	(252,639,615)	(46,203,956)	—	(298,843,571)
others	(83,464,117)	(11,573,225)	83,316	(94,954,026)
Net book value	2,533,027,393	—	—	2,689,947,125
Land use rights	1,519,861,978	—	—	1,655,298,292
Patents	244,775,798	—	—	236,316,143
Proprietary	—	—	—	—
Marketing network	585,064,423	—	—	613,903,434
others	183,325,194	—	—	184,429,256

For the six months ended 30 June 2014, amortisation of intangible assets amount to RMB94,135,278, which is recognised in profit or loss for the current period (Six months ended 30 June 2013: RMB81,534,091).

As at 30 June 2014, there are no intangible assets pledged as collateral for bank borrowings (31 December 2013: nil).

As at 30 June 2014, the relevant legal procedures for certificates application of the Group's land use rights with carrying value of approximately RMB54,148,000 (31 December 2013: RMB61,644,000) are still in process. According to the legal adviser's opinion, the directors of the Company are of the view that, there is no substantial legal restriction for the acquisition of the certificates, which does not have significant impact on the Group's operation and no provision for impairment of intangible assets is considered necessary. In addition, as at 30 June 2014, 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 RMB32,936,000 as at 30 June 2014 (31 December 2013: RMB33,618,000). The Company's directors consider that there is no significant adverse impact on the operations of the Group.

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

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

(15) Intangible assets (Cont'd)

- (a) The increase in marketing network is mainly due to the Company acquired marketing network amount RMB68,530,600 of Jiahe Brewery by business combination in the current period. In accordance with the valuation report issued by external assets appraiser, 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 of Jiahe Brewery and the established marketing policies, regardless of the contribution made by the new customers to the marketing network during the future operations.

(16) Goodwill

	31 December 2013	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2014 (unaudited)
Goodwill —				
Immense Brewery Company	958,868,617	—	—	958,868,617
Huanan Region — Nanning Company	130,895,740	—	—	130,895,740
Huabei Region — Three Ring Company/Beifang Sales Company	24,642,782	—	—	24,642,782
Dongnan Region — Fuzhou Company/Xiamen Company/Zhangzhou Company/Dongnan Sales Company	114,031,330	—	—	114,031,330
Others	48,897,766	—	—	48,897,766
	<u>1,277,336,235</u>	—	—	<u>1,277,336,235</u>
<i>Less: provision for impairment (a) —</i>				
Immense Brewery Company	—	—	—	—
Huanan Region — Nanning Company	(130,895,740)	—	—	(130,895,740)
Huabei Region — Three Ring Company/Beifang Sales Company	(24,642,782)	—	—	(24,642,782)
Dongnan Region — Fuzhou Company/Xiamen Company/Zhangzhou Company/Dongnan Sales Company	—	—	—	—
Others	(41,872,217)	—	—	(41,872,217)
	<u>(197,410,739)</u>	—	—	<u>(197,410,739)</u>
	<u><u>1,079,925,496</u></u>	<u>—</u>	<u>—</u>	<u><u>1,079,925,496</u></u>

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

(16) Goodwill (Cont'd)

(a) Impairment

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

	30 June 2014 (unaudited)	31 December 2013
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.

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.

(17) Long-term prepaid expenses

	31 December 2013	Increase in the current period (unaudited)	Amortisation in the current period (unaudited)	30 June 2014 (unaudited)
Decoration and renovation expenses	9,118,128	5,374,867	(2,465,265)	12,027,730
Gardening expenses	5,013,897	4,230,501	(1,968,259)	7,276,139
Rental charges	3,948,570	756,245	(470,953)	4,233,862
The hardening expenses	—	3,599,117	(325,011)	3,274,106
Occupancy expenses	1,760,000	—	(80,000)	1,680,000
Others	1,684,487	542,316	(615,920)	1,610,883
	<u>21,525,082</u>	<u>14,503,046</u>	<u>(5,925,408)</u>	<u>30,102,720</u>

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

(18) Deferred tax assets and deferred tax liabilities

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

	30 June 2014 (unaudited)		31 December 2013	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Accruals expenses	794,675,478	3,178,701,912	653,105,600	2,612,422,400
Elimination of intra-group unrealised profit	10,993,528	43,974,112	38,289,772	153,159,088
Deferred government grants	7,202,583	28,810,332	7,754,741	31,018,964
Provision for assets impairment	5,812,297	23,249,188	6,058,166	24,232,664
	<u>818,683,886</u>	<u>3,274,735,544</u>	<u>705,208,279</u>	<u>2,820,833,116</u>
Including:			30 June 2014 (unaudited)	31 December 2013
Amount of reversal within 1 year (Including 1 year)			747,329,278	619,839,767
Amount of reversal beyond 1 year			71,354,608	85,368,512

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

	30 June 2014 (unaudited)		31 December 2013	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Business combinations involving entities not under common control	160,531,892	648,734,368	172,763,072	691,052,288
The difference between carrying amount and tax base resulted from government grants charged in current profit and loss	2,565,266	3,654,264	982,261	3,929,044
The difference between carrying amount and tax base of convertible bonds	—	—	5,046,092	20,184,368
	<u>163,097,158</u>	<u>652,388,632</u>	<u>178,791,425</u>	<u>715,165,700</u>
Including:			30 June 2014 (unaudited)	31 December 2013
Amount of reversal within 1 year (Including 1 year)			24,602,527	29,619,934
Amount of reversal beyond 1 year			138,494,631	149,171,491

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

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

	30 June 2014 (unaudited)	31 December 2013
Deductible temporary differences	378,066,412	399,534,590
Deductible losses	<u>1,371,503,881</u>	<u>1,428,171,645</u>
	<u>1,749,570,293</u>	<u>1,827,706,235</u>

Given the loss-making position of certain subsidiaries, whether it is probable that sufficient future taxable incomes will be available against which such deductible losses can be utilised is highly uncertain. Therefore, the Group has not recognised deferred tax assets of approximately RMB342,876,000 (31 December 2013: RMB357,043,000) arising from the accumulated losses that can set off against taxable incomes under tax laws in the five-year period from 2015 to 2019. 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 RMB94,517,000 (31 December 2013: RMB99,884,000) 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:

	30 June 2014 (unaudited)	31 December 2013
2014	—	89,081,607
2015	172,375,486	193,003,753
2016	306,567,627	360,081,218
2017	375,807,382	406,656,485
2018	377,903,747	379,348,582
2019	<u>138,849,639</u>	<u>—</u>
	<u>1,371,503,881</u>	<u>1,428,171,645</u>

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

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

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

	30 June 2014 (unaudited)	31 December 2013
Deferred tax assets	—	5,046,092
Deferred tax liabilities	—	5,046,092

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

	<u>30 June 2014 (unaudited)</u>		<u>31 December 2013</u>	
	<u>Net amounts</u>	<u>Deductible/ taxable temporary differences after offsetting</u>	<u>Net amounts</u>	<u>Deductible/ taxable temporary differences after offsetting</u>
Deferred tax assets	818,683,886	3,274,735,544	700,162,187	2,800,648,748
Deferred tax liabilities	163,097,158	652,388,632	173,745,333	694,981,332

(19) Provision for asset impairment

	31 December 2013	Increase in the current period (unaudited)	<u>Decrease in the current period</u>		30 June 2014 (unaudited)
			Reversal (unaudited)	Write-off (unaudited)	
Provision for bad debts	275,506,197	1,006,298	(1,875,222)	(2,782,549)	271,854,724
Including:					
Provision for bad debts of accounts receivable	202,084,640	94,918	—	(6,592)	202,172,966
Provision for bad debts of other receivables	73,421,557	911,380	(1,875,222)	(2,775,957)	69,681,758
Provision for decline in value of inventories	14,702,359	—	(161,900)	(103,645)	14,436,814
Provision for impairment of available-for-sale financial assets	8,808,179	—	—	(155,000)	8,653,179
Provision for impairment of long- term equity investments	1,220,000	—	—	—	1,220,000
Provision for impairment of fixed assets	627,722,952	—	—	(6,492,136)	621,230,816
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>1,126,079,101</u>	<u>1,006,298</u>	<u>(2,037,122)</u>	<u>(9,995,845)</u>	<u>1,115,052,432</u>

(20) Other non-current assets

	30 June 2014 (unaudited)	31 December 2013
Prepayments for construction and equipment	165,478,232	192,210,169
Others (i)	31,450,000	31,450,000
	<u>196,928,232</u>	<u>223,660,169</u>

- (i) The Company and Suntory Company signed the supplemental agreement on 24 February, 2014. In accordance with the agreement, Suntory will further inject supplementary capital amounting to RMB62,900,000 to the Manufacturing Company as capital surplus. Such further injection will not affect the Company and Suntory Company's share of investment in Manufacturing Company. The Company recognised 50% of the above-mentioned further capital injection as other non-current assets, which will convert to equity investment to Manufacturing Company after completion of the capital injection by Suntory Company.

As at 30 June 2014, there are no other non-current assets from shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2013: nil).

(21) Short-term borrowings*Classification of short-term borrowings*

	Currency	30 June 2014 (unaudited)	31 December 2013
Unsecured	HKD	19,550,063	11,793,450
Guaranteed (i)	HKD	268,304,400	—
Entrusted (ii)	RMB	30,122,880	89,286,660
		<u>317,977,343</u>	<u>101,080,110</u>

- (i) Represents the borrowings of RMB268,304,400 (Original foreign currency: HKD338,000,000) to Hong Kong company, a subsidiary, provided by the Bank of Communications Ltd Hong Kong branch, which is guaranteed by the Bank of Communications Ltd Tsingtao branch through establishing the guaranteed letter, and the Company provide RMB291,000,000 as the counter guarantee (Note 5(1)).
- (ii) As at 30 June 2014, it represents borrowings entrusted to The Prince Sales by Suntory Company through banks, amounting to 30,122,880 (31 December 2013, it represents borrowings entrusted to Shanghai Market Service and The Prince Sales by Suntory Company through banks, amounting to RMB45,847,700 and RMB43,438,960) (Note 7(5)).

As at 30 June 2014, the weighted average interest rate of short-term borrowings is 2.86% annually (six months ended 30 June 2013: 4.39%).

As at 30 June 2014, there are no short-term borrowings that are due but have not been paid (31 December 2013: nil).

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

(22) Notes payable

	30 June 2014 (unaudited)	31 December 2013
Trade acceptance notes	60,858,767	68,100,000
Bank acceptance notes	57,994,363	70,282,882
	<u>118,853,130</u>	<u>138,382,882</u>

Other cash balances of RMB6,644,214 (31 December 2013: RMB11,698,305) are pledged as collateral for insurance of bank acceptance notes (Note 5(1)).

As at 30 June 2014, there are no notes payable guaranteed by companies outside the Group (31 December 2013: nil).

As at 30 June 2014, all notes payable are due within six months.

(23) Accounts payable

	30 June 2014 (unaudited)	31 December 2013
Payable for materials purchase	2,592,302,501	1,991,026,108
Payable for beer purchase from related parties	900,320,846	667,798,509
Payable for goods for promotion	47,872,062	46,552,932
Others	2,055,284	1,693,221
	<u>3,542,550,693</u>	<u>2,707,070,770</u>

(a) As at 30 June 2014, there are no accounts payables to shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2013: nil).

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

(23) Accounts payable (Cont'd)

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

	30 June 2014 (unaudited)	31 December 2013
Suntory Brewery (Kunshan) Company Limited ("Suntory Kunshan")	291,090,260	225,535,406
New Songjiang Manufacturing	250,431,278	262,586,846
Yantai Asahi	87,688,915	45,903,404
Suntory Brewery (Shanghai) Company Limited ("Suntory Shanghai")	83,106,257	27,916,108
Pengcheng Company	82,393,959	78,976,202
Xuzhou Company	35,010,144	—
Yangzhou Company	25,567,747	16,341,453
Suqian Company	20,740,826	10,539,090
Jiangsu Suntory Food Co., Ltd.	19,987,282	—
Suntory Brewery (Guangming) Company Limited ("Suntory Guangming")	4,304,178	—
	<u>900,320,846</u>	<u>667,798,509</u>

(c) As at 30 June 2014, accounts payable over 1 year with carrying amount of RMB37,849,217 (31 December 2013: RMB36,139,990) are mainly payables for materials purchase, for which final settlement has not yet been completed.

(d) As at 30 June 2014, there are no accounts payable dominated in foreign currency (31 December 2013: nil).

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

	30 June 2014 (unaudited)	31 December 2013
Within 1 year	3,504,701,476	2,670,930,780
1 to 2 years	14,349,286	14,474,250
2 to 3 years	5,460,354	3,017,998
Over 3 years	18,039,577	18,647,742
	<u>3,542,550,693</u>	<u>2,707,070,770</u>

(24) Advances from customers

	30 June 2014 (unaudited)	31 December 2013
Advances on sales of beer	<u>615,870,034</u>	<u>980,497,616</u>

(a) As at 30 June 2014, there are no advances from shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2013: nil).

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

(24) Advances from customers (Cont'd)

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

	30 June 2014 (unaudited)	31 December 2013
Liaoning Shenqing	<u><u>1,417,171</u></u>	<u><u>9,612,722</u></u>

(c) As at 30 June 2014, advances from customers over 1 year with carrying amount of approximately RMB11,608,190 (31 December 2013: RMB12,307,032) are mainly purchase deposits received from customers in advance. The amount has not been settled as the Group still maintains cooperative relationship with these customers.

(d) As at 30 June 2014, there are no advances from customers denominated in foreign currency (31 December 2013: nil).

(25) Employee benefits payable

	31 December 2013	Increase in current period (unaudited)	Decrease in current period (unaudited)	30 June 2014 (unaudited)
Salaries, bonuses, allowances and subsidies	486,120,139	1,304,051,486	(1,296,106,475)	494,065,150
Employee welfare	611,878	79,453,477	(77,160,098)	2,905,257
Social insurances	46,083,878	279,616,951	(271,593,018)	54,107,811
Including: Medical insurance	17,636,579	77,854,667	(76,486,938)	19,004,308
Pension insurance	20,585,049	171,444,626	(166,267,444)	25,762,231
Unemployment insurance	4,754,876	13,172,633	(12,572,866)	5,354,643
Other insurances	3,107,374	17,145,025	(16,265,770)	3,986,629
Housing funds	20,903,305	94,133,250	(92,266,137)	22,770,418
Labour union fund and employee education fund	167,941,145	64,890,532	(36,285,787)	196,545,890
Early retirement benefits	87,826,795	63,974,771	(50,067,022)	101,734,544
Defined benefit plan obligation (current portion) (Note 5(33)(a))	<u>13,830,000</u>	<u>7,327,053</u>	<u>(6,814,228)</u>	<u>14,342,825</u>
	<u><u>823,317,140</u></u>	<u><u>1,893,447,520</u></u>	<u><u>(1,830,292,765)</u></u>	<u><u>886,471,895</u></u>

As at 30 June 2014, 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.

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

(26) Taxes payable

	30 June 2014 (unaudited)	31 December 2013
Enterprise income tax	248,765,937	151,982,579
Consumption tax	224,622,957	90,390,319
VAT	179,975,518	34,612,879
City maintenance and construction tax	32,309,490	7,676,252
Education surcharge	24,657,392	7,599,861
Business tax	7,317,544	9,506,613
Others	34,463,289	30,264,865
	<u>752,112,127</u>	<u>332,033,368</u>

(27) Dividends payable

	30 June 2014 (unaudited)	31 December 2013
Payable to ordinary shareholders' dividend of RMB	313,161,128	—
Payable to foreign shareholders' dividend of overseas listed	294,781,130	—
Payable to Nippon Steel & Sumikin Bussan Corporation (i)	8,600,000	—
Payable to Shanxi Dreaming Chemical Co., Ltd.	—	1,020,000
	<u>616,542,258</u>	<u>1,020,000</u>

(i) Represents the outstanding cash dividends of 2013 by the Shenzhen Asahi, the subsidiary of the Company.

(28) Other payables

	30 June 2014 (unaudited)	31 December 2013
Accruals for marketing expenses	2,478,932,836	2,013,204,630
Guarantee deposits	975,210,596	779,318,274
Payables to vendors of construction, machinery and equipment	607,428,721	742,278,549
Accruals for transportation expenses	329,732,829	110,468,153
Accruals for advertising expenses	263,484,266	76,107,166
Payables borrowings to related parties	156,352,252	41,729,438
Accruals for labour expenses	76,314,899	49,250,941
Payables to investment (i)	50,000,000	—
Accruals for general and administrative expenses	36,398,757	56,490,573
Others	360,185,018	363,133,771
	<u>5,334,040,174</u>	<u>4,231,981,495</u>

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

(28) Other payables (Cont'd)

- (i) Represents the partial equity transfer payable of the Company (Note 5(10)(a)(ii)).
- (a) As at 30 June 2014, there are no accounts payable to shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2013: nil).
- (b) Other payables to related parties are analysed as follows (Note 7 (5)):

	30 June 2014 (unaudited)	31 December 2013
Yantai Asahi	54,995,756	31,618,667
New Songjiang Manufacturing	33,881,630	3,581,981
Pengcheng Company	33,077,214	3,577,228
Suntory Shanghai	29,682,045	29,900,231
Suntory Kunshan	22,694,123	22,899,387
Suqian Company	18,082,368	1,519,634
Zhaoshang Logistics	11,418,017	29,860,209
Yangzhou company	6,331,860	1,298,122
Xuzhou company	3,584,659	633,901
Suntory Guangming Manufacturing Company	100,758	—
Suntory Company	—	89,847
Suntory Jiangsu	—	34,270
	<u>214,289,019</u>	<u>125,129,969</u>

- (c) As at 30 June 2014, other payables over 1 year with carrying amount of RMB674,468,233 (31 December 2013: RMB412,487,432) are mainly liabilities incurred on acquisition of subsidiaries, payables to vendors of construction, machinery and equipment and guarantee deposits.
- (d) Other payables denominated in foreign currency are as follows:

	30 June 2014 (unaudited)			31 December 2013		
	Amount in foreign currency	Exchange rate	Amount in RMB	Amount in foreign currency	Exchange rate	Amount in RMB
HKD	11,656,273	0.7938	9,252,750	10,715,778	0.7862	8,424,745
USD	712,258	6.1528	4,382,381	661,364	6.0969	4,032,270
MOP	271,016	0.7784	210,959	224,138	0.7588	170,076
			<u>13,846,090</u>			<u>12,627,091</u>

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

(29) Current portion of non-current liabilities

	30 June 2014 (unaudited)	31 December 2013
Current portion of long-term borrowings (a)	1,736,302	308,351,566
Current portion of debentures payable (b)	<u>—</u>	<u>1,488,815,632</u>
	<u>1,736,302</u>	<u>1,797,167,198</u>

(a) Current portion of long-term borrowings

	30 June 2014 (unaudited)	31 December 2013
Guaranteed	<u>1,736,302</u>	<u>308,351,566</u>

As at 30 June 2014, there are no overdue borrowings (31 December 2013: nil). Guarantee details please refer to Note 5(30).

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

	Starting date	Ending date	Currency	Interest rate (%)	30 June 2014 (unaudited)		31 December 2013	
					Amount in foreign currency	Amount in RMB	Amount in foreign currency	Amount in RMB
Import and Export Bank of China	1996.10.01	2015.04.01	DKK	—	394,012	448,031	394,114	441,566
Import and Export Bank of China	1996.12.31	2014.12.31	EUR	—	153,465	1,288,271	153,465	1,292,000
China Development Bank, Hong Kong Branch	2011.05.25	2014.05.26	HKD	3.15%	—	—	390,000,000	306,618,000
						<u>1,736,302</u>		<u>308,351,566</u>

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

(29) Current portion of non-current liabilities (Cont'd)

(b) Current portion of debentures payable

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 expired and repaid on 2 April 2014. 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.

As at 2 April 2014, the liability component of the convertible bonds prior to the due date is set out as follow:

	RMB (unaudited)
Face value of the convertible bonds	1,500,000,000
Less: Equity component	(389,702,040)
Transaction costs attributable to liability component	<u>(26,245,028)</u>
Liability component on initial recognition, date 2 April 2008	1,084,052,932
Interest expenses up to 31 December 2013	464,762,700
Interest paid up to 31 December 2013	<u>(60,000,000)</u>
Liability component as at 31 December 2013	1,488,815,632
Interest expenses for the period ended 2 April 2014	23,184,368
Including: Capitalised interest expenses	3,492,122
Interest expenses recognised as financial expenses	<u>19,692,246</u>
Interest paid for the year ended 2 April 2014	<u>(12,000,000)</u>
Liability component as at 2 April 2014	<u><u>1,500,000,000</u></u>
Repaid principal as at 2 April 2014	1,500,000,000

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

(30) Long-term borrowings

	Currency	30 June 2014 (unaudited)	31 December 2013
Guaranteed(a)	EUR	1,958,943	1,964,614
Guaranteed(a)	DKK	2,729,040	2,916,680
		<u>4,687,983</u>	<u>4,881,294</u>

As at 30 June 2014, guaranteed long-term borrowings include:

Bank guaranteed borrowing of RMB3,247,214 (Original foreign currency: EUR386,822) (31 December 2013: RMB3,256,614 (Original foreign currency: EUR386,822)) 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 RMB1,288,271 (31 December 2013: RMB1,292,000);

Bank guaranteed borrowing of RMB3,177,071 (Original foreign currency: DKK2,794,012) (31 December 2013: RMB3,358,246 (Original foreign currency: DKK2,997,363)) 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 448,031 (31 December 2013: RMB441,566).

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

	Starting date	Ending date	Currency	Interest rate (%)	30 June 2014 (unaudited)		31 December 2013	
					Amount in foreign currency	Amount in RMB	Amount in foreign currency	Amount in RMB
Import and Export Bank of China	1996.12.31	2016.12.31	EUR	—	233,357	1,958,943	233,357	1,964,614
Import and Export Bank of China	1996.10.01	2021.04.01	DKK	—	2,400,000	2,729,040	2,603,249	2,916,680
						<u>4,687,983</u>		<u>4,881,294</u>

For six months ended 30 June 2014, the weighted average interest rate of long-term borrowings is 3.07% annually (six months ended 30 June 2013: 3.15%).

As at 30 June 2014, there is no overdue long-term borrowing. (31 December 2013: nil).

(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.

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

(32) Deferred income

	30 June 2014 (unaudited)	31 December 2013
Deferred income (a)	<u>1,316,537,412</u>	<u>1,260,778,419</u>

(a) Deferred income

	31 December 2013	Current period additions (unaudited)	Amount recognised in non-operating income (unaudited)	30 June 2014 (unaudited)	Related to assets/ income
Government grants items					
Relocation projects					
Relocation Project of Tengzhou	182,327,189	39,999,989	(8,116,091)	214,211,087	Assets
Relocation Project of Rizhao Company	194,266,819	—	(5,397,895)	188,868,924	Assets
Relocation Project of Zhuhai Company	190,134,021	—	(6,056,779)	184,077,242	Assets
Relocation Project of Wuwei Company	140,730,029	35,000,000	(2,023,108)	173,706,921	Assets
Relocation Project of Fuzhou Company	173,689,494	—	(5,821,502)	167,867,992	Assets
Relocation Project of Harbin Company	115,594,469	2,000,000	(11,059,026)	106,535,443	Assets
Relocation Project of Langfang Company	47,866,500	507,699	(713,718)	47,660,481	Assets
Relocation Project of Gansu Nongken Company	34,075,439	1,137,861	(804,577)	34,408,723	Assets
Relocation Project of No. 3 Factory	31,978,509	—	(1,907,036)	30,071,473	Assets
Relocation Project of Weinan Company	—	29,818,399	(302,808)	29,515,591	Assets
Relocation Project of Heze Company	19,477,155	4,544,404	(5,019,500)	19,002,059	Assets
Relocation Project of Jiujiang Company	7,996,979	—	(80,237)	7,916,742	Assets
Malt Factory project	6,300,000	876,774	(876,774)	6,300,000	Assets
Relocation Project of Sanshui Company	2,500,500	18,324,868	(20,825,368)	—	Income
Projects on technology improvement					
Production Line Improvement of Shijiazhuang Company	17,605,129	—	(1,690,616)	15,914,513	Assets
Production Line Improvement of Luzhou Company	13,795,709	—	(517,186)	13,278,523	Assets
Other projects	<u>82,440,478</u>	<u>12,292,900</u>	<u>(17,531,680)</u>	<u>77,201,698</u>	
	<u>1,260,778,419</u>	<u>144,502,894</u>	<u>(88,743,901)</u>	<u>1,316,537,412</u>	

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

(33) Other non-current liabilities

	30 June 2014 (unaudited)	31 December 2013
Early retirement benefits	277,316,554	305,421,292
Supplemental retirement benefits (a)	181,579,615	181,880,000
	<u>458,896,169</u>	<u>487,301,292</u>

(a) Supplemental retirement benefits

Supplemental retirement benefits are provided to those already retired employees qualified for certain criteria. The benefits that they can receive after their retirement depend on their position and seniority. Such defined benefit obligations were calculated using the projected unit credit method.

(i) Supplemental retirement benefits obligation of the Group:

	30 June 2014 (unaudited)	31 December 2013 (unaudited)
The defined benefit obligation	195,922,440	195,710,000
Less: fair value of plan assets	<u>—</u>	<u>—</u>
The defined benefit obligation liabilities	<u>195,922,440</u>	<u>195,710,000</u>

(ii) The movement of supplemental retirement benefits in the current period is as follows:

	Present value of the defined benefit obligation
As at 31 December 2013	195,710,000
Amount recognised in profit or loss in current period	
— Service cost	7,026,668
Payment from plans	<u>(6,814,228)</u>
As at 30 June 2014	<u>195,922,440</u>

(iii) The significant actuarial assumptions of the Group for the present value of the defined benefit obligation:

	30 June 2014 (unaudited)	31 December 2013
Discount rate	<u>4.5%</u>	<u>4.5%</u>

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

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

(a) Supplemental retirement benefits (Cont'd)

- (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 analyses above are 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 analyses, 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.

(34) Share capital

	31 December 2013	Current period movement		30 June 2014 (unaudited)
		Others (unaudited)	Subtotal (unaudited)	
Shares not subject to trading restriction —				
RMB-denominated ordinary shares	695,913,617	—	—	695,913,617
Foreign shares listed overseas	655,069,178	—	—	655,069,178
	<u>1,350,982,795</u>	<u>—</u>	<u>—</u>	<u>1,350,982,795</u>

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

(34) Share capital (Cont'd)

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

(35) Capital surplus

	31 December 2013	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2014 (unaudited)
Share premium (i)	3,992,428,160	—	—	3,992,428,160
Other capital surplus-	83,205,526	—	—	83,205,526
Share of changes in equity other than profits of investees (ii)	(9,120,012)	—	—	(9,120,012)
Transfer of capital surplus recognised under the previous accounting system	91,701,228	—	—	91,701,228
Others	624,310	—	—	624,310
	<u>4,075,633,686</u>	<u>—</u>	<u>—</u>	<u>4,075,633,686</u>

	31 December 2012	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2013 (unaudited)
Share premium	3,868,211,548	124,216,612	—	3,992,428,160
Other capital surplus-	93,962,524	—	—	93,962,524
Share of changes in equity other than profits of investees	1,636,986	—	—	1,636,986
Transfer of capital surplus recognised under the previous accounting system	91,701,228	—	—	91,701,228
Others	624,310	—	—	624,310
	<u>3,962,174,072</u>	<u>124,216,612</u>	<u>—</u>	<u>4,086,390,684</u>

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

(36) Surplus reserve

	31 December 2013	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2014 (unaudited)
Statutory surplus reserve	<u>1,059,469,127</u>	<u>—</u>	<u>—</u>	<u>1,059,469,127</u>
	31 December 2012	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2013 (unaudited)
Statutory surplus reserve	<u>927,657,567</u>	<u>—</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.

(37) Undistributed profits

	Six months ended 30 June 2014		Six months ended 30 June 2013	
	Amount (unaudited)	Ratio for appropriation or distribution	Amount (unaudited)	Ratio for appropriation or distribution
Undistributed profits at the beginning of the period	7,505,514,981		6,204,347,562	
Add: Net profit attributable to the Company for the current period	1,404,661,148		1,394,888,161	
Less: Ordinary shares dividend payable	<u>(607,942,258)</u>	0.45 per share	<u>(540,393,118)</u>	0.40 per share
Undistributed profits at the end of the period	<u>8,302,233,871</u>		<u>7,058,835,605</u>	

As at 30 June 2014, included in the undistributed profits, RMB620,139,125 is subsidiaries' surplus reserve attributable to the Company (31 December 2013: RMB620,139,125).

In accordance with the resolution at the Annual General Meeting on 16 June 2014, the Company proposed a cash dividend RMB0.45 per share (pre-tax) to the shareholders of the Company of RMB607,942,258, based on a total number of 1,350,982,795 shares (2013: cash dividend for 2012 RMB0.4 per share (pre-tax) at RMB540,393,118). As at 30 June 2014, the dividend has not been paid yet.

(38) Revenue and cost of sales

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Revenue from main operation (a)	16,730,266,832	14,756,576,957
Revenue from other operations (b)	227,801,220	214,761,305
	<u>16,958,068,052</u>	<u>14,971,338,262</u>
	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Cost of main operation (a)	(9,998,223,382)	(8,570,690,749)
Cost of other operations (b)	(146,824,873)	(182,744,063)
	<u>(10,145,048,255)</u>	<u>(8,753,434,812)</u>

(a) Revenue and cost of main operation

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

	Six months ended 30 June 2014 (unaudited)		Six months ended 30 June 2013 (unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sales of Beer	<u>16,730,266,832</u>	<u>(9,998,223,382)</u>	<u>14,756,576,957</u>	<u>(8,570,690,749)</u>

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

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

(a) Revenue and cost of main operation(Cont'd)

Analysis by locations is as follow:

	Six months ended 30 June 2014 (unaudited)		Six months ended 30 June 2013 (unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Shandong Region	9,227,406,036	(5,526,014,220)	8,161,632,805	(4,848,455,968)
Huabei Region	3,332,480,412	(2,229,256,199)	2,885,432,093	(1,936,052,357)
Huanan Region	2,615,309,518	(1,584,029,814)	2,764,510,140	(1,618,255,732)
Huadong Region	1,971,127,064	(1,657,708,727)	1,662,332,785	(1,329,873,220)
Dongnan Region	1,541,757,590	(1,076,666,608)	1,008,536,256	(620,184,057)
Hong Kong, Macau and other overseas	243,030,055	(150,807,531)	214,119,471	(129,023,503)
	18,931,110,675	(12,224,483,099)	16,696,563,550	(10,481,844,837)
Less: eliminations	(2,200,843,843)	2,226,259,717	(1,939,986,593)	1,911,154,088
	<u>16,730,266,832</u>	<u>(9,998,223,382)</u>	<u>14,756,576,957</u>	<u>(8,570,690,749)</u>

(b) Revenue and cost of other operations

	Six months ended 30 June 2014 (unaudited)		Six months ended 30 June 2013 (unaudited)	
	Revenue from other operations	Cost of other operations	Revenue from other operations	Cost of other operations
Sale of materials and scraps	44,164,778	(45,427,782)	102,437,095	(97,353,652)
Sale of packaging materials	75,909,833	(35,980,915)	28,097,399	(25,811,500)
Transportation service	33,373,227	(28,092,229)	23,385,752	(17,810,723)
Others	74,353,382	(37,323,947)	60,841,059	(41,768,188)
	<u>227,801,220</u>	<u>(146,824,873)</u>	<u>214,761,305</u>	<u>(182,744,063)</u>

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

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

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

Revenue from the five largest customers of the Group with amount of RMB726,037,873 (six months ended 30 June 2013: RMB806,398,983) accounts for 4.29% (six months ended 30 June 2013: 5.39%) of the total revenue of the Group, as analysed below:

	Revenue of sales	Percentage of the total revenue
Customer A	203,328,783	1.20%
Customer B	196,200,838	1.16%
Customer C	147,756,088	0.87%
Customer D	97,908,293	0.58%
Customer E	80,843,871	0.48%
	<u>726,037,873</u>	<u>4.29%</u>

(39) Taxes and surcharges

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)	Tax basis
Consumption tax	998,529,165	954,947,022	Note 3
City maintenance and construction tax	153,278,842	142,845,998	Note 3
Education surcharge and local education surcharge	115,135,439	107,834,225	Note 3
Business tax	5,258,892	4,259,433	Note 3
Others	<u>15,695</u>	<u>23,788</u>	
	<u>1,272,218,033</u>	<u>1,209,910,466</u>	

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

(40) Expenses classified by nature

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Raw materials, packaging materials and consumables used	6,482,280,409	6,477,962,931
External purchasing of finished wine	1,970,623,946	899,586,815
Changes in inventories of finished goods, work in progress and material on consignment for further processing	294,706,828	107,643,917
Employee benefit expense	1,881,433,646	1,614,728,762
Promotion related expenses	1,204,207,955	1,258,793,672
Transportation expenses and handling charges	800,196,858	696,123,822
Depreciation and amortisation expenses	457,310,036	453,109,983
Advertising and propaganda expenses	453,866,289	334,361,862
Repair expenses	159,982,774	147,422,338
Administrative and business travel expenses	154,207,312	152,421,912
Service charges	88,630,273	79,336,501
Tax expenses	80,664,359	75,199,837
Lease expenses	59,213,144	53,305,334
Others	129,029,490	100,604,615
Total cost of sales, selling and distribution expenses and general and administrative expenses	14,216,353,319	12,450,602,301

(41) Financial expenses — net

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Interest expense	24,735,403	42,756,307
Including: Bank borrowings	4,992,813	9,060,417
Debentures payable	19,692,246	33,695,890
Discounted note	50,344	—
<i>Less:</i> Interest income	(211,977,314)	(147,352,985)
Exchange gains	(662,085)	(388,864)
Unrecognised financing charge	8,654,307	4,916,058
Others	5,327,038	4,375,969
	(173,922,651)	(95,693,515)

As at 30 June 2014 and 30 June 2013, the Group's interest expenses by repayment term of bank borrowings and debentures payable are wholly repayable within five years.

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

(42) Investment income

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Income from long-term equity investment under equity method (a)	35,087,117	21,430,790
Income from disposal of long-term equity investment (b)	(299,998)	210,767,899
Others	—	271,500
	<u>34,787,119</u>	<u>232,470,189</u>

There is no significant restriction on recovery of investment income.

For the six months ended 30 June 2014 and 30 June 2013, 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:

	Six months ended 30 June 2014	Six months ended 30 June 2013	Reason for current year fluctuation
Manufacturing Company	22,001,921	15,162,372	Increase in profit of the investee for the period
Yantai Asahi	13,482,337	4,213,123	Increase in profit of the investee for the period
Zhaoshang Company	3,072,639	2,002,065	Increase in profit of the investee for the period
European Company	1,112,673	—	Increase in profit of the investee for the period
Hebei Jiahe Company	(4,482,430)	—	Newly increased joint
Liaoning Shenqing Company	(100,023)	53,230	The investee loss for the period
	<u>35,087,117</u>	<u>21,430,790</u>	

(b) For the six months ended 30 June 2013, the investment income mainly due to the Company disposed partial of subsidiary's equity in transaction with Suntory Company.

(43) Asset impairment losses

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Reversal of impairment on bad debts	(868,924)	(6,962,709)
(Reversal)/Impairment loss on decline in the values of inventories	(161,900)	34,384
Impairment loss of fixed assets	—	513,081
	<u>(1,030,824)</u>	<u>(6,415,244)</u>

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

(44) Non-operating income

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Government grants (a)	214,819,804	108,965,265
Gain on disposal of non-current assets	1,370,513	1,184,799
Including: Gains on disposal of fixed assets	1,370,513	1,184,799
Gain on unpaid debts	1,269,287	3,059,242
Penalty gains	347,418	378,206
Income from the transaction with Suntory Company	—	178,591,992
Others	4,604,704	7,767,739
	<u>222,411,726</u>	<u>299,947,243</u>

For six months ended 30 June 2014, all non-operating income has been recognised in non-recurring profit or loss.

(a) Details of government grants

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)	Note
Enterprise development and project support fund	105,728,164	32,022,344	Subsidies for enterprise development and project support
Relocation compensation	69,004,419	29,554,373	Relocation compensation for manufacturing factories
Tax return	12,742,384	12,147,037	Return of certain portion of tax paid
Others	27,344,837	35,241,511	
	<u>214,819,804</u>	<u>108,965,265</u>	

(45) Non-operating expenses

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Losses on disposal of non-current assets	15,646,360	45,311,744
Including: Losses on disposal of fixed assets	12,057,911	45,311,744
Losses on disposal of intangible assets	3,588,449	—
Compensation and overdue fine	511,000	537,603
Public welfare donations	243,196	9,068,100
Penalty losses	83,950	1,004,582
Staff settlement expenses	—	120,931,669
Others	4,937,085	6,086,461
	<u>21,421,591</u>	<u>182,940,159</u>

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

(46) Income tax expenses

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Current income tax calculated according to tax law and related regulations in mainland China	569,714,716	544,449,366
Current profits tax calculated according to tax law and related regulations in Hong Kong	1,231,799	2,150,274
Current profits supplemental tax calculated according to tax law and related regulations in Macau	693,982	530,086
Deferred income tax	(129,169,874)	(222,107,911)
	<u>442,470,623</u>	<u>325,021,815</u>

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

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Total profit	<u>1,880,227,429</u>	<u>1,762,411,527</u>
Income tax expenses calculated at applicable tax rates	468,522,194	439,292,070
Deemed sales adjusted and expenses not deductible	6,501,040	14,100,781
Income not subject to tax	(30,320,883)	(107,535,836)
Utilisation of previously unrecognised deferred tax assets	(39,887,467)	(36,094,569)
Tax impact for which no deferred tax asset was recognised	37,655,739	15,259,369
Income tax expenses	<u>442,470,623</u>	<u>325,021,815</u>

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

(47) Earnings per share

(a) Basic earnings per share

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

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	1,404,661,148	1,394,881,161
Weighted average number of ordinary shares outstanding	1,350,982,795	1,350,982,795
Basic earnings per share	1.040	1.032
Including:		
— Basic earnings per share relating to continuing operations	1.040	1.032

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary share by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the six months ended 30 June 2014 (Six months ended 30 June 2013: nil), diluted earnings per share equal to basic earnings per share.

(48) Other comprehensive income

	31 December 2013	Movement in current period (unaudited)	Impact of the income tax (unaudited)	Reclassified (unaudited)	30 June 2014 (unaudited)
Items that may be reclassified subsequently to profit or loss when specified preconditions are met:	28,958,454	(1,534,917)	—	—	27,423,537
Currency translation differences	25,798,505	(1,576,530)	—	—	24,221,975
Share of other comprehensive income of investments accounted for using the equity method that may be reclassified subsequently to profit or loss when specified preconditions are met	3,159,949	41,613	—	—	3,201,562

	31 December 2012	Movement in current period	Impact of the income tax	Reclassified	30 June 2013 (Unaudited)
Items that may be reclassified subsequently to profit or loss when specified preconditions are met:	22,791,014	3,940,499	—	—	26,731,513
Currency translation differences	19,025,550	3,940,499	—	—	22,966,049
Share of other comprehensive income of investments accounted for using the equity method that may be reclassified subsequently to profit or loss when specified preconditions are met	3,765,464	—	—	—	3,765,464

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

(49) Notes to consolidated cash flow statement

(a) Cash received relating to other operating activities

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Deposits	359,778,016	396,923,870
Government grants	145,252,457	78,283,491
Income from sales of materials and scraps	126,540,676	80,825,199
Others	125,327,931	123,901,425
	<u>756,899,080</u>	<u>679,933,985</u>

(b) Cash paid relating to other operating activities

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Transportation expenses	716,188,676	613,971,898
Advertising expenses	467,353,098	297,500,139
Marketing and promotion expenses	388,400,779	318,524,091
Administrative expense	133,122,027	140,004,078
Deposits	121,324,962	100,494,282
Others	174,597,289	172,251,262
	<u>2,000,986,831</u>	<u>1,642,745,750</u>

(c) Cash received relating to other investing activities

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Interest income of Finance Company	224,267,090	126,269,746
Government compensation for relocation and expansion projects	117,829,050	128,223,725
Deposits from related party by Finance Company	107,678,109	95,573,934
Cash receipt due to acquisition of a subsidiary	—	12,637,454
Receipt of tender deposits etc.	6,783,059	8,408,011
	<u>456,557,308</u>	<u>371,112,870</u>

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

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

(d) Cash paid relating to other investing activities

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Deposit reserve of Finance Company	87,630,000	387,419,531
Payment of net cash in disposal of subsidiaries	—	91,093,122
Payment of tender deposits etc.	<u>16,331,235</u>	<u>30,134,183</u>
	<u><u>103,961,235</u></u>	<u><u>508,646,836</u></u>

(e) Cash paid relating to other financing activities

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Loan Margin (Note 5(21))	291,000,000	—
Others	<u>791,653</u>	<u>6,751</u>
	<u><u>291,791,653</u></u>	<u><u>6,751</u></u>

(50) Supplementary information to consolidated cash flow statements

(a) Supplementary information to consolidated cash flow statements

Reconciliation from net profit to cash flows from operating activities:

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Net profit	1,437,756,806	1,437,389,712
Add: Provisions for asset impairment	(1,030,824)	(6,415,244)
Depreciation of fixed assets and investment properties	357,249,350	368,877,760
Amortisation of intangible assets	94,135,278	81,534,091
Amortisation of long-term prepaid expenses	5,925,408	2,698,132
Losses on disposal of fixed assets and intangible assets	14,275,847	44,126,945
Financial expenses	(185,952,267)	(101,029,983)
Investment income	(34,787,119)	(232,470,189)
Increase in deferred tax assets	(118,521,699)	(231,484,703)
Decrease in deferred tax liabilities	(10,648,175)	(12,100,189)
Decrease in inventories	424,435,439	240,413,877
Increase in operating receivables	(87,510,201)	(519,083,003)
Increase in operating payables	<u>1,973,306,478</u>	<u>2,751,513,147</u>
Net cash flows from operating activities	<u><u>3,868,634,321</u></u>	<u><u>3,823,970,353</u></u>

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

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

(b) Net increase in cash and cash equivalent

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Cash at the end of the year (c)	8,447,182,016	8,809,605,730
Less: Cash at the beginning of the year	(7,394,904,648)	(6,269,184,262)
Net increase in cash	<u>1,052,277,368</u>	<u>2,540,421,468</u>

(c) Cash and cash equivalent

	30 June 2014 (unaudited)	30 June 2013 (unaudited)
Cash (Note 5(1))	8,447,182,016	8,809,605,730
Including: Cash on hand	447,732	464,986
Cash at bank that can be readily drawn on demand	8,446,734,284	8,809,140,744
Cash at end of year	<u>8,447,182,016</u>	<u>8,809,605,730</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, agency collection and payment and providing entrusted loans 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, agency collection and payment and providing entrusted loans for its members.

Inter-segment transfer pricing are 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.

6. SEGMENT INFORMATION (CONT'D)

(a) Segment information as at and for the six months ended 30 June 2014 is as follow (unaudited):

	Shandong Region	Huanan Region	Huabei Region	Huadong Region	Dongnan Region	Hong Kong, Macau and other overseas	Finance Company	Unallocated	Elimination	Total
Revenue from external customers	8,424,757,429	2,481,441,230	2,410,282,035	1,866,470,857	1,528,801,969	245,333,343	981,189	—	—	16,958,068,052
Inter-segment revenue	1,341,462,083	200,875,069	931,369,002	118,280,470	16,467,105	101,086,397	13,437,457	—	(2,722,977,583)	—
Selling and distribution expenses	(1,961,010,055)	(463,587,455)	(268,558,021)	(365,064,762)	(353,076,825)	(59,659,383)	—	—	—	(3,470,956,501)
Interest income	18,456,758	9,336,945	25,677,404	1,223,082	5,115,789	312,552	210,005,097	30,577,641	(88,727,954)	211,977,314
Interest expenses	(1,650,000)	(3,713,824)	(15,804,466)	(6,597,481)	(4,169,900)	(4,610,389)	(92,179,700)	(19,692,246)	123,682,603	(24,735,403)
Share of profit of associates and joint ventures	—	—	—	—	—	—	—	35,087,117	—	35,087,117
Asset impairment losses	441,808	100,000	86,449	121,933	120,521	(94,983)	(1,048,875)	923,971	380,000	1,030,824
Depreciation and amortisation	(202,331,972)	(96,416,256)	(80,587,608)	(11,317,322)	(43,585,800)	(1,105,680)	(512,974)	(21,454,424)	—	(457,310,036)
Total profit	1,015,841,879	288,183,149	457,873,308	(132,173,227)	87,761,264	31,519,329	131,133,558	4,516,494	(4,428,325)	1,880,227,429
Income tax expenses	(220,564,796)	(64,917,162)	(108,918,775)	9,561,494	(13,253,323)	(5,240,652)	(32,783,440)	—	(6,353,969)	(442,470,623)
Net profit	795,277,083	223,266,987	348,954,533	(122,611,733)	74,507,941	26,278,677	98,350,118	4,516,494	(10,782,294)	1,437,756,806
Total assets	10,798,566,784	5,117,191,550	5,700,314,917	828,575,178	2,138,394,472	131,000,930	9,547,863,105	5,317,665,707	(10,320,131,629)	29,259,441,014
Total liabilities	6,059,815,791	2,099,020,250	3,822,295,925	1,803,881,288	1,193,906,336	291,702,667	8,656,833,579	919,456,332	(10,240,800,969)	14,606,111,199
Long-term equity investments in associates and joint ventures	—	—	—	—	—	—	—	1,515,726,046	—	1,515,726,046
Additions to non-current assets other than long-term equity investments	420,994,002	85,016,828	281,404,038	19,209,213	30,860,048	2,395,935	558	83,557,521	—	923,438,143

(b) Segment information as at and for the six months ended 30 June 2013 is as follow (unaudited):

	Shandong Region	Huanan Region	Huabei Region	Huadong Region	Dongnan Region	Hong Kong, Macau and other overseas	Finance Company	Unallocated	Elimination	Total
Revenue from external customers	7,589,254,937	2,668,158,767	2,148,284,778	1,340,774,793	1,009,122,482	215,715,984	26,521	—	—	14,971,338,262
Inter-segment revenue	1,112,127,258	137,511,922	768,270,615	108,109,058	4,767,582	3,904,313	15,057,531	—	(2,149,748,279)	—
Selling and distribution expenses	(1,804,676,750)	(516,837,456)	(223,785,812)	(256,029,895)	(246,582,468)	(46,419,777)	(21,480)	—	—	(3,094,353,638)
Interest income	11,181,478	5,202,040	23,330,984	502,885	2,183,884	1,753,421	141,330,120	32,212,926	(70,344,752)	147,352,986
Interest expenses	214,079	(5,536,580)	(21,481,110)	(5,688,325)	—	(6,471,184)	(74,361,436)	(37,905,490)	108,473,739	(42,756,307)
Share of profit of associates and joint ventures	—	—	—	—	—	—	—	21,430,790	—	21,430,790
Asset impairment losses	7,399,813	30,939	59,481	(1,004,251)	(540,461)	469,723	(907,600)	—	907,600	6,415,244
Depreciation and amortisation	(180,848,265)	(131,667,630)	(66,142,883)	(32,457,784)	(21,012,860)	(1,154,709)	(453,891)	(19,371,961)	—	(453,109,983)
Total profit	807,771,468	301,919,707	261,960,727	(98,495,158)	78,929,775	25,227,313	84,204,364	331,455,692	(30,562,361)	1,762,411,527
Income tax expenses	(177,209,294)	(76,509,250)	(47,674,097)	5,835,040	(10,371,100)	(4,353,629)	(21,441,945)	—	6,702,460	(325,021,815)
Net profit	630,562,174	225,410,457	214,286,630	(92,660,118)	68,558,675	20,873,684	62,762,419	331,455,692	(23,859,901)	1,437,389,712
Total assets	9,855,587,936	5,017,103,374	4,925,845,239	1,022,414,479	1,477,765,530	253,774,819	9,200,717,055	5,865,771,789	(10,040,081,616)	27,778,898,605
Total liabilities	5,110,349,379	2,398,643,932	3,319,897,655	1,678,458,434	746,563,383	322,850,622	8,491,456,662	2,320,754,383	(10,156,306,624)	14,232,667,826
Long-term equity investments in associates and joint ventures	—	—	—	—	—	—	—	1,321,484,608	—	1,321,484,608
Additions to non-current assets other than long-term equity investments	236,658,869	116,961,802	240,849,293	189,679,656	120,437,687	685,220	876,900	31,050,794	—	937,200,221

6. SEGMENT INFORMATION (CONT'D)

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:

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Revenue from external customers		
Domestic	16,703,408,438	14,676,860,432
In Hong Kong and Macau	126,701,716	122,179,779
In other countries/geographical areas	127,957,898	172,298,051
	<u>16,958,068,052</u>	<u>14,971,338,262</u>
	30 June 2014 (unaudited)	30 June 2013 (unaudited)
Total non-current assets		
Domestic	15,850,526,330	14,582,979,583
In Hong Kong and Macau	11,993,127	11,378,514
	<u>15,862,519,457</u>	<u>14,594,358,097</u>

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Information of subsidiaries

The general information and other related information of the subsidiaries is set out in Note 4(1).

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

(2) Information of joint ventures and associates

	Type	Place of registration	Legal representative	Nature of business	Registered capital	Equity interest (%)	Voting rights (%)	Code of organisation
Joint ventures —								
Equipment Manufacture	Sino-foreign cooperative enterprise	Qingdao, the PRC	Matsuzawa Hideo	Manufacture & installation of equipment and accessories	USD350,000	50%	50%	71375865-5
Hebei Jiaye Company	Company limited	Shijiazhuang, the PRC	Ma Lin	Domestic trading of beer	RMB100,000,000	50%	50%	09113793-3
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	Lianyungang the PRC	Chi Tianbo	Producing & trading of beer	RMB166,093,523	50%	44.44%	60839259-1

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

(3) Information of other related parties

	Relationship with the Group	Code of organisation
TB Group Company	Shareholder of the Company	26462834-4
Asahi Breweries	Shareholder of the Company	Not applicable
Asahi Investment	Same shareholder of the Company	71092096-0
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	Six months ended 30 June 2014 (unaudited)		Six months ended 30 June 2013 (unaudited)	
			Amount	Percentage of similar transactions	Amount	Percentage of similar transactions
New Songjiang Manufacturing	Purchase of beer and materials	Mutually-agreed prices and approval by board of directors	423,760,568	4.82%	84,577,817	1.17%
Yantai asahi	Purchase of beer	Mutually-agreed prices and approval by board of directors	401,151,566	4.56%	296,102,548	4.08%
Suntory Shanghai	Purchase of beer	Mutually-agreed prices and approval by board of directors	215,166,222	2.45%	85,033,188	1.17%
Suntory Kunshan	Purchase of beer	Mutually-agreed prices and approval by board of directors	209,744,081	2.39%	100,309,492	1.38%
Pengcheng Company	Purchase of beer	Mutually-agreed prices and approval by board of directors	190,667,363	2.17%	71,855,248	0.99%
Hebei Jiaye Company (i)	Purchase of beer	Mutually-agreed prices and approval by board of directors	113,540,484	1.29%	—	—
Xuzhou Company	Purchase of beer	Mutually-agreed prices and approval by board of directors	107,469,686	1.22%	50,172,781	0.69%
Zhaoshang Logistics	Purchase logistics service (including paid on behalf)	Mutually-agreed prices and approval by board of directors	101,717,863	15.04%	133,640,217	22.88%
Suntory Jiangsu	Purchase of beer and materials	Mutually-agreed prices and approval by board of directors	92,031,268	1.05%	27,173,855	0.37%
Suqian Company	Purchase of beer	Mutually-agreed prices and approval by board of directors	91,122,348	1.04%	33,016,463	0.45%
Yangzhou Company	Purchase of beer and materials	Mutually-agreed prices and approval by board of directors	88,507,421	1.01%	51,413,609	0.71%
Suntory Guangming Manufacturing Company	Purchase of beer and materials	Mutually-agreed prices and approval by board of directors	12,136,458	0.14%	10,754,677	0.15%
			—	—	76,247,453	1.05%

(i) Hebei Jiaye Company is the newly joint ventures of the Company in the current period, please refer to Note 5(10).

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

(4) Related party transactions (Cont'd)

(b) Sales of goods and rendering of services

Name of related party	Nature of transaction	Pricing policies and procedures for decision-making	Six months ended 30 June 2014 (unaudited)		Six months ended 30 June 2013 (unaudited)	
			Amount	Percentage of similar transactions	Amount	Percentage of similar transactions
Liaoning Shengqing	Sale of beer	Mutually-agreed prices and approval by board of directors	97,908,293	0.59%	151,723,308	1.03%
European Company	Sale of beer	Mutually-agreed prices and approval by board of directors	41,400,533	0.25%	29,816,682	0.20%
Asahi Breweries	Sale of beer	Mutually-agreed prices and approval by board of directors	10,940,934	0.07%	8,985,587	0.06%
New Songjiang manufacturing	Sale of materials	Mutually-agreed prices	10,153,437	0.06%	7,480,719	0.05%
Yantai Asahi	Sale of materials	Mutually-agreed prices	5,159,664	0.03%	—	—
Pengcheng Company	Sale of materials	Mutually-agreed prices	3,871,134	0.03%	7,127,454	0.05%
Asahi Investment	Sale of beer	Mutually-agreed prices and approval by board of directors	2,850,731	0.02%	3,244,364	0.02%
Yangzhou Company	Provide engineering and equipment installation services	Mutually-agreed prices	3,494,892	0.02%	—	—
Yangzhou Company	Sale of materials	Mutually-agreed prices	389,005	0.01%	3,481,688	0.02%
Suqian Company	Sale of materials	Mutually-agreed prices	159,087	0.01%	7,180,847	0.05%
Xuzhou Company	Sale of materials	Mutually-agreed prices	134,050	0.01%	4,088,449	0.03%
Suntory Shanghai	Sale of materials	Mutually-agreed prices	44,957	0.01%	—	—
Manufacturing Company	Sale of materials	Mutually-agreed prices	—	—	5,529,090	0.04%

(c) Royalty fee of brand

Name of related party	Nature of transaction	Pricing policies and procedures for decision-making	Six months ended 30 June 2014 (unaudited)		Six months ended 30 June 2013 (unaudited)	
			Amount	Percentage of similar transactions	Amount	Percentage of similar transactions
New Songjiang manufacturing	Royalty fee of brand	Mutually-agreed prices	5,298,602	53.68%	—	—
Pengcheng Company	Royalty fee of brand	Mutually-agreed prices	1,765,422	17.89%	—	—
Yangzhou Company	Royalty fee of brand	Mutually-agreed prices	963,771	9.76%	—	—
Xuzhou Company	Royalty fee of brand	Mutually-agreed prices	933,936	9.46%	—	—
Suqian Company	Royalty fee of brand	Mutually-agreed prices	857,639	8.69%	—	—
Suntory Jiangsu	Royalty fee of brand	Mutually-agreed prices	51,105	0.52%	—	—

(d) Entrusted funds from related parties

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Suntory Company	199,503,967	128,787,151

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

(4) Related party transactions (Cont'd)

(e) Repayment funds to related parties

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Suntory Company	311,159,758	122,631,052
TB Group Company	—	5,000,000
	<u>311,159,758</u>	<u>127,631,052</u>

(f) Receiving funds to related party

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Xuzhou company	—	10,000,000

(g) Deposits increased

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
New Songjiang manufacturing	431,293,763	—
Yantai Asahi	367,802,314	411,390,156
Pengcheng company	204,691,822	78,767,580
Suqian company	109,576,964	45,854,061
Yangzhou company	89,626,343	58,007,058
Xuzhou company	88,479,523	46,853,381
Manufacturing company	53,558,202	76,921,852
	<u>1,345,028,931</u>	<u>717,794,088</u>

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

(4) Related party transactions (Cont'd)

(h) Payment of interest

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Suntory Company	851,097	270,532
Pengcheng Company	86,000	60,304
New Songjiang manufacturing	61,526	—
Yangzhou Company	38,577	17,717
Suqian Company	22,082	8,027
Xuzhou Company	21,465	4,748
Manufacturing Company	20,292	16,701
Yantai Asahi	18,475	108,325
	<u>1,119,514</u>	<u>486,354</u>

(i) Interest received

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Xuzhou Company	—	271,500

(j) Service charge to related parties

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
New Songjiang manufacturing	12,255	—
Pengcheng Company	5,369	1,784
Yantai Asahi	3,618	4,533
Suqian Company	3,357	1,159
Xuzhou Company	2,373	1,037
Yangzhou Company	2,203	1,419
Manufacturing Company	974	3,113
	<u>30,149</u>	<u>13,045</u>

(k) Remuneration of key management

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Remuneration of key management	<u>6,038,475</u>	<u>6,231,929</u>

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

(5) Receivables from and payables to related parties

Receivables from related parties:

	30 June 2014 (unaudited)		31 December 2013	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable (Note 5(3))				
Beijing Sales Company	11,245,784	(11,245,784)	11,245,784	(11,245,784)
European Company	11,114,562	—	8,979,371	—
Guangzhou General Agency	10,559,690	(10,559,690)	10,559,690	(10,559,690)
New Songjiang				
Manufacturing	2,450,000	—	21,550,620	—
Asahi Breweries	1,806,141	—	1,856,920	—
Asahi Investment	573,880	—	438,049	—
Yangzhou Company	16,500	—	5,726,964	—
Yantai Asahi	7,000	—	—	—
Pengcheng Company	—	—	6,172,275	—
Xuzhou Company	—	—	2,244,742	—
Suqian Company	—	—	1,334,719	—
	37,773,557	(21,805,474)	70,109,134	(21,805,474)

	30 June 2014 (unaudited)		31 December 2013	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Other Receivable (Note 5(4))				
Suntory Company	52,492,011	—	—	—
Suqian Company	25,196,349	—	25,243,889	—
Yangzhou Company	19,218,254	—	19,822,427	—
Suntory Jiangsu	13,444,122	—	3,609,414	—
New Songjiang				
Manufacturing	9,565,384	—	20,508,389	—
Pengcheng Company	1,931,943	—	2,801,363	—
Xuzhou Company	1,491,793	—	5,492,488	—
Manufacturing Company	299,975	—	—	—
Yantai Asahi	77,929	—	—	—
	123,717,760	—	77,477,970	—

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

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

	30 June 2014 (unaudited)		31 December 2013	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Advances to suppliers (Note 5(5))				
Suntory Jiangsu	1,446,791	—	18,440,338	—
Pengcheng Company	924,412	—	—	—
Xuzhou Company	—	—	6,338,878	—
	<u>2,371,203</u>	<u>—</u>	<u>24,779,216</u>	<u>—</u>
Other non-current assets				
— Prepayments for Equipment Manufacture				
Equipment Manufacture	<u>1,491,200</u>	<u>—</u>	<u>2,385,602</u>	<u>—</u>
Payables to related parties:				
			30 June 2014 (unaudited)	31 December 2013
Accounts payable (Note 5(23))				
Suntory Kunshan			291,090,260	225,535,406
New Songjiang Manufacturing			250,431,278	262,586,846
Yantai Asahi			87,688,915	45,903,404
Suntory Shanghai			83,106,257	27,916,108
Pengcheng Company			82,393,959	78,976,202
Xuzhou Company			35,010,144	—
Yangzhou Company			25,567,747	16,341,453
Suqian Company			20,740,826	10,539,090
Suntory Jiangsu			19,987,282	—
Suntory Guangming			<u>4,304,178</u>	—
			<u>900,320,846</u>	<u>667,798,509</u>

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

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

	30 June 2014 (unaudited)	31 December 2013
Other payables (Note 5(28))		
Yantai Asahi	54,995,756	31,618,667
New songjiang manufacturing	33,881,630	3,581,981
Pengcheng company	33,077,214	3,577,228
Suntory Shanghai	29,682,045	29,900,231
Suntory Kunshan	22,694,123	22,899,387
Suqian company	18,082,368	1,519,634
Zhaoshang Logistics	11,418,017	29,860,209
Yangzhou company	6,331,860	1,298,122
Xuzhou company	3,584,659	633,901
Suntory Guangming Manufacturing Company	440,589	116,492
Suntory Jiangsu	100,758	—
Suntory Company	—	34,270
	—	89,847
	<u>214,289,019</u>	<u>125,129,969</u>
Interest payable		
Suntory Company	<u>81,384</u>	<u>217,904</u>
Advances from customers (Note 5(24))		
Liaoning Shenqing	<u>1,417,171</u>	<u>9,612,722</u>
Short-term borrowings (Note 5(21))		
Suntory Company	<u>30,122,880</u>	<u>89,286,660</u>

8. CONTINGENCIES

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

9. COMMITMENTS

(1) Capital commitments

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

	30 June 2014 (unaudited)	31 December 2013
Buildings, machinery and equipment	<u>540,232,152</u>	<u>447,368,640</u>

9. COMMITMENTS (CONT'D)

(1) Capital commitments (Cont'd)

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

	30 June 2014 (unaudited)	31 December 2013
Buildings, machinery and equipment and intangible assets	<u>2,163,965,545</u>	<u>2,603,744,863</u>

As at the balance sheet date, joint ventures 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:

	30 June 2014 (unaudited)	31 December 2013
Within one year	7,806,211	6,256,288
Between 1 and 2 years	3,172,957	2,520,000
Between 2 and 3 years	666,000	420,000
Over 3 years	<u>109,895</u>	<u>—</u>
	<u>11,755,063</u>	<u>9,196,288</u>

(3) Fulfillment of commitments for the previous period

The Group has fulfilled the capital expenditure commitments, operating lease and investment commitments as at 31 December 2013.

10. EVENTS AFTER THE BALANCE SHEET DATE

According to the Investment Increasing and Equity Transaction Framework Agreement about Shandong Lulansha Brewery Co., Ltd. between the Company and Shandong Debier Brewery Co., Ltd. (“Debier Brewery”) on 12 July 2014, the Company purchased 55% equity interest of Shandong Lulansha Brewery Co., Ltd. (“Lulansha Brewery”) with a price of RMB 380 million. As of the reporting date of the financial statements, the Company has paid RMB 260 million. The business registration procedures have been completed in July 2014.

11. FINANCIAL INSTRUMENT AND RISK

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

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from financing activities and business transactions denominated in foreign currencies, primarily with respect to HKD. As the balance of the borrowings dominated in foreign currencies and the business transactions settled in foreign currencies are not material, the directors of the Company are of the view that the Group's exposure to foreign exchange risk would be immaterial. The Group's finance department at its 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. For the six months ended 30 June 2014 and 30 June 2013, the Group did not enter into any forward exchange contracts.

As at 30 June 2014 and 2013, the carrying amounts in RMB equivalent to the Group's assets and liabilities denominated in foreign currencies are summarised as below:

	30 June 2014 (unaudited)		
	HKD	Other foreign currencies	Total
Financial assets denominated in foreign currency —			
Cash at bank and on hand (Note 5(1))	35,219,882	97,502,871	132,722,753
Accounts receivable (Note 5(3)(l))	40,070,451	46,930,705	87,001,156
Other receivable (Note 5(4)(k))	1,543,574	246,754	1,790,328
	<u>76,833,907</u>	<u>144,680,330</u>	<u>221,514,237</u>
Financial liabilities denominated in foreign currency —			
Short-term borrowings (Note 5(21))	287,854,463	—	287,854,463
Other payables (Note 5(28)(d))	9,252,750	4,593,340	13,846,090
Current portion of non-current liabilities (Note 5(29))	—	1,736,302	1,736,302
Long-term borrowings (Note 5(30))	—	4,687,983	4,687,983
	<u>297,107,213</u>	<u>11,017,625</u>	<u>308,124,838</u>

11. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

	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 receivables (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(21))	11,793,450	—	11,793,450
Other payables (Note 5(28)(d))	8,424,745	4,202,346	12,627,091
Current portion of non-current liabilities (Note 5(29))	306,618,000	1,733,566	308,351,566
Long-term borrowings (Note 5(30))	—	4,881,294	4,881,294
	<u>326,836,195</u>	<u>10,817,206</u>	<u>337,653,401</u>

As at 30 June 2014, 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 RMB16,520,000 (31 December 2013: RMB18,011,000) higher/lower for various financial assets and liabilities denominated in HKD.

(b) Interest rate risk

The Group's interest rate risk arises from interest bearing debts including bank borrowings and debentures payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 30 June 2014, in the Group's interest bearing debts, RMB-denominated and HKD-denominated with floating rates, amounting to RMB0 (31 December 2013: RMB306,618,000), and RMB-denominated with fixed rates, amounting to RMB317,977,343 (31 December 2013: RMB1,589,895,742).

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.

As at 30 June 2014, 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 RMB1,150,000 (six months ended 30 June 2013: approximately RMB728,000).

11. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(1) Market risk (Cont'd)

(c) Price risk

The Group's price risk arises from fluctuation in price of the principal raw materials in beer production, while the rise in price of raw material will have adverse impact on the Group's operating results. The purchasing department of the Group keeps 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.

(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.

11. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(3) Liquidity risk (Cont'd)

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

	30 June 2014 (unaudited)		31 December 2013	
	Bank borrowings	Debentures payable	Bank borrowings	Debentures payable
Wholly repayable within five years	321,224,557	—	410,954,724	1,500,000,000
Wholly repayable beyond five years	3,177,071	—	3,358,246	—
	324,401,628	—	414,312,970	1,500,000,000

12. 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.

For the six months ended 30 June 2014, 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' as shown in the consolidated balance sheet). The cash balance at 30 June 2014 and 31 December 2013 were as follows:

	30 June 2014 (unaudited)	31 December 2013
Cash and cash equivalents	8,447,182,016	7,394,904,648
Less: Short-term borrowings	(317,977,343)	(101,080,110)
Current portion of non-current liabilities	(1,736,302)	(1,797,167,198)
Long-term borrowings	(4,687,983)	(4,881,294)
	(324,401,628)	(1,903,128,602)
Cash balance	8,122,780,388	5,491,776,046

13. FAIR VALUE ESTIMATION

The level of fair value measurement is determined on the basis of the lowest level input that is significant to the 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 30 June 2014, there are no persistent or non persistent financial instruments of the Group measured at fair value (31 December 2013: nil).
- (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.

As at 30 June 2014, the carrying amount of the financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

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.

14. FINANCIAL ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

	31 December 2013	Profit or loss arising from changes in fair value for the current period	Cumulative amount of changes in fair value recognised directly in equity	Provision for impairment	30 June 2014 (unaudited)
Financial assets —					
Cash at bank and on hand (Note 5(1))	150,307,554	—	—	—	132,722,753
Accounts receivable (Note 5(3)(l))	62,261,848	—	—	—	87,001,156
Other receivables (Note 5(4)(k))	1,962,656	—	—	—	1,790,328
Subtotal	214,532,058	—	—	—	221,514,237
Financial liabilities					
Short-term borrowings (Note 5(21))	11,793,450	—	—	—	287,854,463
Other payables (Note 5(28)(d))	12,627,091	—	—	—	13,846,089
Current portion of non-current liabilities (Note 5(29))	308,351,566	—	—	—	1,736,302
Long-term borrowings (Note 5(30))	4,881,294	—	—	—	4,687,983
Subtotal	337,653,401	—	—	—	308,124,837

15. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Accounts receivable

	30 June 2014 (unaudited)	31 December 2013
Accounts receivable	825,887,438	598,121,378
Less: provision for bad debts	(71,579,819)	(71,485,233)
	<u>754,307,619</u>	<u>526,636,145</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:

	30 June 2014 (unaudited)	31 December 2013
Within 6 months	746,545,961	515,442,948
6 months to 1 year	1,672,123	5,894,268
1 to 2 years	2,282,741	1,399,518
2 to 3 years	119,118	118,036
Over 3 years	75,267,495	75,266,608
	<u>825,887,438</u>	<u>598,121,378</u>

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

	30 June 2014 (unaudited)				31 December 2013			
	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	2.64%	(21,805,473)	100%	21,805,474	3.64%	(21,805,474)	100%
Subject to provision on the grouping basis								
Group B	687,523,012	83.25%	—	—	459,157,977	76.77%	—	—
Group C	116,558,952	14.11%	(49,774,346)	42.70%	117,157,927	19.59%	(49,679,759)	42.40%
	<u>825,887,438</u>	<u>100%</u>	<u>(71,579,819)</u>	<u>8.67%</u>	<u>598,121,378</u>	<u>100%</u>	<u>(71,485,233)</u>	<u>11.95%</u>

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

(1) Accounts receivable (Cont'd)

- (c) As at 30 June 2014, 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)
	<u>21,805,474</u>	<u>(21,805,474)</u>	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:

	30 June 2014 (unaudited)				31 December 2013			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total				% of total			
	Amount	balance	Amount	Ratio	Amount	balance	Amount	Ratio
Within 6 months	66,034,457	56.65%	—	—	66,896,588	57.10%	—	—
6 months to 1 year	694,392	0.60%	(34,720)	5%	612,190	0.52%	(30,610)	5%
1 to 2 years	180,954	0.16%	(90,477)	50%	—	—	—	—
2 to 3 years	118,036	0.10%	(118,036)	100%	118,036	0.10%	(118,036)	100%
Over 3 years	49,531,113	42.49%	(49,531,113)	100%	49,531,113	42.28%	(49,531,113)	100%
	<u>116,558,952</u>	<u>100%</u>	<u>(49,774,346)</u>	<u>42.70%</u>	<u>117,157,927</u>	<u>100%</u>	<u>(49,679,759)</u>	<u>42.40%</u>

- (e) As at 30 June 2014, there are no accounts receivable that related provision for bad debts had been provided in full amount or in large proportion in previous years but are collected or reversed in full amount or in large proportion in the current period (six months ended 30 June 2013: collected or reversed RMB7,400,000).
- (f) As at 30 June 2014, there are no accounts receivable that are written off in the current period (six months ended 30 June 2013: nil).
- (g) As at 30 June 2014, there are no accounts receivable from shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2013: nil).
- (h) As at 30 June 2014, the five largest accounts receivable are analysed as follows:

	Relationship with the Company	Amount	Ageing	% of total balance
Pingdu Sales Company	Subsidiary	123,781,945	Within 6 months	14.99%
Immense Brewery Company	Subsidiary	60,625,530	Within 6 months	7.34%
Shibei Sales Company	Subsidiary	60,150,086	Within 6 months	7.28%
Chengyang Sales Company	Subsidiary	52,395,777	Within 6 months	6.34%
Sales Company	Subsidiary	39,981,718	Within 6 months	4.84%
		<u>336,935,056</u>		<u>40.79%</u>

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

(1) Accounts receivable (Cont'd)

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

	Relationship with the Company	30 June 2014 (unaudited)			31 December 2013		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Subsidiaries (Group B)		687,523,012	83.25%	—	459,157,977	76.77%	—
Pingdu Sales Company	Subsidiary	123,781,945	14.99%	—	81,713,803	13.66%	—
Immense Brewery Company	Subsidiary	60,625,530	7.34%	—	15,699,783	2.62%	—
Shibei Sales Company	Subsidiary	60,150,086	7.28%	—	54,850,273	9.17%	—
Chenyang Sales Company	Subsidiary	52,395,777	6.34%	—	27,401,310	4.58%	—
Sales Company	Subsidiary	39,981,718	4.84%	—	12,417,220	2.08%	—
Sifang Sales Company	Subsidiary	39,436,163	4.78%	—	33,820,083	5.65%	—
Dongnan Sales Company	Subsidiary	35,337,425	4.28%	—	57,973,059	9.69%	—
Beifang Sales Company	Subsidiary	31,044,182	3.76%	—	26,361,615	4.41%	—
Hongkong Company	Subsidiary	19,836,085	2.40%	—	4,769,601	0.80%	—
Xian Hansi	Subsidiary	12,505,903	1.51%	—	1,677,205	0.28%	—
Jinan Company	Subsidiary	12,328,920	1.49%	—	7,206,315	1.20%	—
Beijing Three Ring Company	Subsidiary	11,459,983	1.39%	—	9,098,313	1.52%	—
Hansi Baoji	Subsidiary	9,768,028	1.18%	—	4,227,597	0.71%	—
Tengzhou Company	Subsidiary	9,478,928	1.15%	—	5,420,216	0.91%	—
Jieyang Company	Subsidiary	7,389,443	0.89%	—	—	—	—
Harbin Company	Subsidiary	7,316,868	0.89%	—	10,481,287	1.75%	—
Huanan Sales Company	Subsidiary	7,283,454	0.88%	—	3,052,626	0.51%	—
Shouguang Company	Subsidiary	7,220,368	0.87%	—	1,645,701	0.28%	—
Taiyuan Company	Subsidiary	6,899,812	0.84%	—	6,512,407	1.09%	—
Beijing Five Star Company	Subsidiary	6,723,899	0.81%	—	4,240,800	0.71%	—
Wuhu Company	Subsidiary	6,630,226	0.80%	—	3,968,602	0.66%	—
Xinkaihu Company	Subsidiary	6,518,752	0.79%	—	2,278,069	0.38%	—
Chenzhou Company	Subsidiary	5,447,450	0.66%	—	654,485	0.11%	—
Macau Company	Subsidiary	4,989,925	0.60%	—	6,262,390	1.05%	—
Xuecheng Company	Subsidiary	4,514,383	0.55%	—	4,307,787	0.72%	—
Maanshan Company	Subsidiary	4,507,849	0.55%	—	1,983,450	0.33%	—
Huairfang Company	Subsidiary	4,294,083	0.52%	—	1,663,068	0.28%	—
Zhuhai Company	Subsidiary	4,007,219	0.49%	—	917,766	0.15%	—
Heze Company	Subsidiary	3,959,810	0.48%	—	250,256	0.04%	—
Luoyang Company	Subsidiary	3,930,679	0.48%	—	—	—	—
Guangrunlong Logistics	Subsidiary	3,930,020	0.48%	—	3,930,020	0.66%	—
Nanning Company	Subsidiary	3,885,489	0.47%	—	8,863,904	1.48%	—
Chengdu Company	Subsidiary	3,790,014	0.46%	—	6,582,687	1.10%	—
Shijiazhuang Company	Subsidiary	3,684,204	0.45%	—	5,413,069	0.91%	—
Sanshui Company	Subsidiary	3,626,696	0.44%	—	12,123,581	2.03%	—
Rongcheng Company	Subsidiary	3,555,962	0.43%	—	1,140,408	0.19%	—
Wuwei Company	Subsidiary	3,432,422	0.42%	—	14,690	0.00%	—
Yulin Company	Subsidiary	3,404,034	0.41%	—	567,206	0.09%	—
Gansu nongken	Subsidiary	3,338,031	0.40%	—	237,339	0.04%	—
Rizhao Company	Subsidiary	3,252,707	0.39%	—	2,805,291	0.47%	—
Suizhou Company	Subsidiary	3,217,799	0.39%	—	3,345,491	0.56%	—
Other subsidiaries	Subsidiary	38,640,741	4.68%	—	23,279,204	3.90%	—
Beijing Sales Company	Associate	11,245,784	1.36%	(11,245,784)	11,245,784	1.88%	(11,245,784)
European Company	Associate	11,114,562	1.35%	—	8,979,371	1.50%	—
Guangzhou General Agency	Associate	10,559,690	1.28%	(10,559,690)	10,559,690	1.77%	(10,559,690)
New Songjiang Manufacturing	Associate	—	—	—	21,550,620	3.60%	—
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>720,443,048</u>	<u>87.24%</u>	<u>(21,805,474)</u>	<u>526,972,142</u>	<u>88.11%</u>	<u>(21,805,474)</u>

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

(1) Accounts receivable (Cont'd)

- (j) As at 30 June 2014, there are no accounts receivable derecognised due to transfer of financial assets (31 December 2013: nil).
- (k) As at 30 June 2014, there are no accounts receivable pledged as collateral for the Group's borrowings (31 December 2013: nil).

(2) Other receivables

	30 June 2014 (unaudited)	31 December 2013
Receivables from subsidiaries	91,880,574	74,460,499
Staff advance	22,485,021	20,071,909
Refund for prepayment of land use rights	17,441,647	17,441,647
Deposits	1,888,844	17,102,705
Brand use fee (Note 5(4))	10,462,703	12,639,838
Others	<u>25,808,377</u>	<u>17,100,819</u>
	169,967,166	158,817,417
Less: provision for bad debts	<u>(39,756,436)</u>	<u>(43,407,921)</u>
	<u>130,210,730</u>	<u>115,409,496</u>

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

	30 June 2014 (unaudited)	31 December 2013
Within 6 months	98,506,312	75,196,390
6 months to 1 year	2,057,235	594,798
1 to 2 years	546,136	469,432
2 to 3 years	504,482	1,944,337
Over 3 years	<u>68,353,001</u>	<u>80,612,460</u>
	<u>169,967,166</u>	<u>158,817,417</u>

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

(2) Other receivables (Cont'd)

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

	30 June 2014 (unaudited)				31 December 2013			
	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	10.26%	(17,441,647)	100%	17,441,647	10.98%	(17,441,647)	100%
Subject to provision by groups								
Group A	1,661,000	0.98%	—	—	1,661,000	1.05%	—	—
Group B	91,880,574	54.06%	—	—	74,460,499	46.88%	—	—
Group C	58,983,945	34.70%	(22,314,789)	37.83%	65,254,271	41.09%	(25,966,274)	39.79%
	<u>169,967,166</u>	<u>100%</u>	<u>(39,756,436)</u>	<u>23.39%</u>	<u>158,817,417</u>	<u>100%</u>	<u>(43,407,921)</u>	<u>27.33%</u>

(c) As at 30 June 2014, 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	<u>17,441,647</u>	<u>(17,441,647)</u>	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:

	30 June 2014 (unaudited)				31 December 2013			
	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	36,580,557	62.02%	—	—	39,030,535	59.81%	—	—
6 months to 1 year	52,320	0.09%	(2,616)	5%	51,745	0.08%	(2,587)	5%
1 to 2 years	77,790	0.13%	(38,895)	50%	416,609	0.64%	(208,305)	50%
2 to 3 years	470,482	0.80%	(470,482)	100%	283,337	0.43%	(283,337)	100%
Over 3 years	21,802,796	36.96%	(21,802,796)	100%	25,472,045	39.04%	(25,472,045)	100%
	<u>58,983,945</u>	<u>100%</u>	<u>(22,314,789)</u>	<u>37.83%</u>	<u>65,254,271</u>	<u>100%</u>	<u>(25,966,274)</u>	<u>39.79%</u>

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

(2) Other receivables (Cont'd)

- (e) There are no other receivables that the related provision for bad debts had been provided in full amount or in large proportion in previous years but are collected or reversed in full amount or in large proportion in the current period (six months ended 30 June 2013: nil).
- (f) Other receivables that were written off in the current period are as follows:

Nature	Amount	Reason	Arising from related party transactions or not
Advance of hops	2,659,769	Amount due from individuals, no collection evidenced	No

- (g) As at 30 June 2014, there are no other receivables from shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2013: nil).
- (h) As at 30 June 2014, the five largest other receivables are analysed as follows:

	Relationship with the Company	Amount	Ageing	% of total balance
Dongnan Sales Company	Subsidiary	20,004,712	Over 3 years	11.77%
Wuhu Company	Subsidiary	14,013,310	Within 6 months	8.24%
New Shanghai Sales Company	Subsidiary	13,233,199	Over 3 years	7.79%
Tsingtao Xianghong Shangwu Company Limited ("Xianghong Shangwu")	Subsidiary	10,840,687	Within 6 months	6.38%
Qingdao Bureau of Land and Resources of Economic Technical Development Area	Third party	8,584,437	Over 3 years	5.05%
		<u>66,676,345</u>		<u>39.23%</u>

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

(2) Other receivables (Cont'd)

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

	Relationship with the Company	30 June 2014 (unaudited)			31 December 2013		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Subsidiaries (Group B)		91,880,574	54.06%	—	74,460,499	46.88%	—
Dongnan Sales Company	Subsidiary	20,004,712	11.77%	—	20,063,531	12.63%	—
Wuhu Company	Subsidiary	14,013,310	8.24%	—	7,789,211	4.90%	—
New Shanghai Sales Company	Subsidiary	13,233,199	7.79%	—	14,215,064	8.95%	—
XianghongShangwu	Subsidiary	10,840,687	6.38%	—	9,893,314	6.23%	—
Suizhou Company	Subsidiary	8,082,029	4.76%	—	3,686,957	2.32%	—
Other subsidiaries	Subsidiary	25,706,637	15.12%	—	18,812,422	11.85%	—
Related parties		11,344,082	6.68%	—	16,923,976	10.66%	—
New Songjiang Manufacturing	Associate	5,829,469	3.43%	—	7,009,836	4.41%	—
Pengcheng Company	Associate	1,892,442	1.11%	—	2,396,363	1.51%	—
Xuzhou Company	Associate	1,234,430	0.73%	—	5,124,453	3.23%	—
Yangzhou Company	Associate	1,021,597	0.60%	—	1,526,735	0.96%	—
Suqian Company	Associate	967,117	0.57%	—	866,589	0.55%	—
Suntory Shanghai	Associate	266,926	0.16%	—	—	—	—
Yantai Asahi	Associate	77,929	0.05%	—	—	—	—
Suntory Jiangsu	Associate	54,172	0.03%	—	—	—	—
		<u>103,224,656</u>	<u>60.74%</u>	<u>—</u>	<u>91,384,475</u>	<u>57.54%</u>	<u>—</u>

(3) Long-term receivables

	31 December 2013			30 June 2014 (unaudited)
Entrusted loans to Subsidiaries (i)	<u>822,650,000</u>			<u>841,950,000</u>
		Increase in the current period (unaudited)	Decrease in the current period (unaudited)	
Less: provisions for bad debts	<u>(218,460,000)</u>	<u>—</u>	<u>—</u>	<u>(218,460,000)</u>
	<u>604,190,000</u>			<u>623,490,000</u>

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

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

(4) Long-term equity investments

	30 June 2014 (unaudited)	31 December 2013
Subsidiaries (a)	7,705,296,508	7,801,596,508
Joints ventures (b)	226,986,970	—
Associates (c) — not quoted in an active market	1,212,787,936	1,190,682,776
	9,145,071,414	8,992,279,284
Less: Provision for impairment of long-term equity investments (d)	(745,588,059)	(827,898,229)
	8,399,483,355	8,164,381,055

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

(a) Subsidiaries

	Accounting treatment	Investment cost	31 December 2013	Current period movement (unaudited)	30 June 2014 (unaudited)	Equity interest held	Voting rights held	Explanation of inconsistency of equity interest and voting rights held	Provision for impairment (unaudited)	Impairment losses recognised in the current period (unaudited)	Cash dividends declared in the current period (unaudited)
Shenzhen Asahi	Cost method	126,746,680	126,746,680	—	126,746,680	51%	51%	Not applicable	—	—	43,860,000
Chengzhou Company	Cost method	62,601,208	62,601,208	—	62,601,208	88.8%	88.8%	Not applicable	—	—	—
Huanan Sales Company	Cost method	45,070,000	45,070,000	—	45,070,000	100%	100%	Not applicable	—	—	—
Huanan Holding Company	Cost method	208,790,000	208,790,000	—	208,790,000	100%	100%	Not applicable	—	—	—
Huadong Holding Company	Cost method	96,855,102	96,855,102	—	96,855,102	100%	100%	Not applicable	(96,855,102)	—	—
Shouguang Company	Cost method	60,000,000	60,000,000	—	60,000,000	99%	99%	Not applicable	—	—	—
Five star Company	Cost method	24,656,410	24,656,410	—	24,656,410	37.64%	37.64%	Not applicable	(24,656,410)	—	—
Three Ring Company	Cost method	69,457,513	69,457,513	—	69,457,513	29%	29%	Not applicable	(69,457,513)	—	—
Beifang Sales Company	Cost method	83,984,000	83,984,000	—	83,984,000	95%	95%	Not applicable	(83,984,000)	—	—
Xi'an Company	Cost method	392,627,114	392,627,114	—	392,627,114	100%	100%	Not applicable	—	—	—
Weinan Company	Cost method	14,000,000	14,000,000	—	14,000,000	28%	28%	Not applicable	—	—	—
Anshan Company	Cost method	30,000,000	30,000,000	—	30,000,000	60%	60%	Not applicable	—	—	—
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	—	—	—
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	—	—	—

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

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

(a) Subsidiaries (Cont'd)

	Accounting treatment	Investment cost	31 December 2013	Current period movement (unaudited)	30 June 2014 (unaudited)	Equity interest held	Voting rights held	Explanation of inconsistency of equity interest held and voting rights held	Provision for impairment (unaudited)	Impairment losses recognised in the current period (unaudited)	Cash dividends declared in the current period (unaudited)
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	—	—	—
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 Cultural Communication Company	Cost method	200,000,000	200,000,000	—	200,000,000	100%	100%	Not applicable	—	—	—
Rizhao Company	Cost method	5,290,000	5,290,000	—	5,290,000	100%	100%	Not applicable	—	—	—
Weifang Company	Cost method	339,239,300	339,239,300	—	339,239,300	100%	100%	Not applicable	—	—	—
Pingyuan Company	Cost method	73,620,001	73,620,001	—	73,620,001	100%	100%	Not applicable	—	—	—
Construction Company	Cost method	21,730,001	21,730,001	—	21,730,001	100%	100%	Not applicable	—	—	—
Langfang 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	—	—	—
Here 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	97,300,000	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	—	—	—
Baotouqian Company	Cost method	174,160,000	174,160,000	—	174,160,000	100%	100%	Not applicable	—	—	—
Shijiazhuang Company	Cost method	321,010,000	321,010,000	—	321,010,000	100%	100%	Not applicable	—	—	—
Taiyuan Company	Cost method	200,000,000	200,000,000	—	200,000,000	100%	100%	Not applicable	—	—	—
Finance Company	Cost method	500,000,000	500,000,000	—	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	—	—	—
Juyang 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	—	—	—
Shibei Sales Company	Cost method	8,000,000	8,000,000	—	8,000,000	100%	100%	Not applicable	—	—	—
Jiujiang Company	Cost method	180,000,000	180,000,000	—	180,000,000	90%	90%	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	—	—	—
Luoyang Company	Cost method	200,000,000	200,000,000	—	200,000,000	100%	100%	(i)	—	—	—
Sales Company (i)	Cost method	10,000,000	10,000,000	—	10,000,000	55.56%	55.56%	Not applicable	—	—	—
Hongjiweiyue	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	—	—	—
Harbin Company	Cost method	1,110,000	1,110,000	—	1,110,000	55%	55%	Not applicable	(1,110,000)	—	—
Zhangjiakou Company	Cost method	3,000,000	—	3,000,000	3,000,000	100%	100%	Not applicable	—	—	—
			<u>7,801,606,508</u>	<u>(96,300,000)</u>	<u>7,705,306,508</u>				<u>(744,378,059)</u>	<u>—</u>	<u>43,860,000</u>

(i) The explanation of inconsistency of equity interest held and voting rights held in Sales Company refers to Note 4.

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

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

(b) Joint ventures

	Accounting treatment	Investment cost	31 December 2013	Increased Investment (unaudited)	Share of Losses (unaudited)	Share of other comprehensive income (unaudited)	Cash dividend declared (unaudited)	Other equity movement (unaudited)	30 June 2014 (unaudited)	Equity interest held	Voting rights held	Explanation of inconsistency of equity interest held and voting rights held	Provision for impairment (unaudited)	Impairment losses recognised in the current period (unaudited)
Hebei Jiabe	Equity method	231,469,400	—	231,469,400	(4,482,450)	—	—	—	226,986,970	50%	50%	Not applicable	—	—

Major financial information of joint ventures please refer to Note 5(10)(a).

(c) Associates

	Accounting treatment	Investment cost	31 December 2013	Increased Investment (unaudited)	Share of Profits/(Losses) (unaudited)	Share of other comprehensive income (unaudited)	Cash dividend declared (unaudited)	Other equity movement (unaudited)	30 June 2014 (unaudited)	Equity interest held	Voting rights held	Explanation of inconsistency of equity interest held and voting rights held	Provision for impairment (unaudited)	Impairment losses recognised in the current period (unaudited)
Manufacturing														
Company (i)	Equity method	950,650,823	1,032,811,832	—	20,747,380	—	—	—	1,053,559,212	50%	44.44%	(ii)	—	—
Yantai Asahi	Equity method	120,024,598	135,065,321	—	13,482,337	—	(15,097,173)	—	133,450,485	39%	39%	Not applicable	—	—
Zhaozhong Logistic Company	Equity method	6,000,000	17,863,258	—	3,072,639	—	—	—	20,935,897	30%	30%	Not applicable	—	—
Liaoning Shengqing Company	Equity method	600,000	3,722,365	—	(100,023)	—	—	—	3,622,342	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)	—
				1,190,682,776	—	37,202,333	—	(15,097,173)	—	1,212,787,936			(1,220,000)	—

(i) The net profit adjustment in the current period under equity method is RMB20,747,380, of which RMB23,666,513 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, RMB815,300 is investment income from upstream transactions in purchasing goods, and RMB3,734,433 is investment loss from downstream transactions in selling PP&E.

(ii) The explanation of inconsistency of equity interest held and voting rights held in Manufacturing Company refers to Note 5(10)(b)(i).

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

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

(c) Associates (Cont'd)

Major financial information of associates refer to Note 5(10)(b). As the Group both has concurrent transactions and countercurrent transactions with Manufacturing Company and Yantai Asahi, the long-term equity investments in the two companies held by the Group financial report are different from that held by the Company. Details are as blow:

	Manufacturing Company		Yantai Asahi	
	30 June 2014 (unaudited)	31 December 2013	30 June 2014 (unaudited)	31 December 2013
Total equity attributable to shareholders of the company	2,085,185,703	2,040,078,019	271,573,896	278,112,081
Adjusted fair value of the identifiable net assets when obtained	(55,036,945)	(57,262,287)	47,398,498	49,328,497
Adjusted total equity attributable to shareholders of the company	2,030,148,758	1,982,815,732	318,972,394	327,440,578
Percentages of equity interest held by the Group	50%	50%	39%	39%
Equity attributable to the Group	1,015,074,379	991,407,866	124,399,234	127,701,825
Goodwill included in long-term equity investments	48,521,954	48,521,954	9,640,679	9,640,679
Offset unrealised internal transaction profits	(10,037,121)	(7,117,988)	(589,428)	(2,277,183)
Long-term equity investments	<u>1,053,559,212</u>	<u>1,032,811,832</u>	<u>133,450,485</u>	<u>135,065,321</u>

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

	31 December 2013	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2014 (unaudited)
Subsidiaries (i)	(826,678,229)	—	82,310,170	(744,368,059)
Associates	(1,220,000)	—	—	(1,220,000)
	<u>(827,898,229)</u>	<u>—</u>	<u>82,310,170</u>	<u>(745,588,059)</u>

(i) The Company deregistered Xinan Sales Company in the current period and the provision for impairment of long-term equity investments has been decreased accordingly (Note 4(3)).

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

(5) Revenue and cost of sales

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Revenue from main operation	9,203,125,033	8,270,146,995
Revenue from other operations	<u>792,497,739</u>	<u>671,055,642</u>
	<u>9,995,622,772</u>	<u>8,941,202,637</u>
	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Cost of main operation	(6,826,208,242)	(6,024,219,368)
Cost of other operations	<u>(778,311,774)</u>	<u>(664,479,602)</u>
	<u>(7,604,520,016)</u>	<u>(6,688,698,970)</u>

(a) Revenue and cost of main operation

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

	Six months ended 30 June 2014 (unaudited)		Six months ended 30 June 2013 (unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sale of Beer	<u>9,203,125,033</u>	<u>(6,826,208,242)</u>	<u>8,270,146,995</u>	<u>(6,024,219,368)</u>

Analysis by locations is summarised as follow:

	Six months ended 30 June 2014 (unaudited)		Six months ended 30 June 2013 (unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Qingdao Region	7,610,767,052	(5,398,593,416)	7,196,664,887	(5,081,602,159)
Hong Kong, Macau and other overseas	166,306,726	(143,265,476)	141,807,319	(121,542,651)
Other regions	<u>1,426,051,255</u>	<u>(1,284,349,350)</u>	<u>931,674,789</u>	<u>(821,074,558)</u>
	<u>9,203,125,033</u>	<u>(6,826,208,242)</u>	<u>8,270,146,995</u>	<u>(6,024,219,368)</u>

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

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

(b) Revenue and cost of other operations

	Six months ended 30 June 2014 (unaudited)		Six months ended 30 June 2013 (unaudited)	
	Revenue from other operations	Cost of other operations	Revenue from other operations	Cost of other operations
Sale of materials	775,900,004	(773,090,518)	658,582,413	(655,513,503)
Others	16,597,735	(5,221,256)	12,473,229	(8,966,099)
	<u>792,497,739</u>	<u>(778,311,774)</u>	<u>671,055,642</u>	<u>(664,479,602)</u>

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

Revenue from the five largest customers of the company amounting to RMB1,486,627,880 (six months ended 30 June 2013: RMB1,515,207,181) accounts for 14.88% (six months ended 30 June 2013: 16.95%) of the total revenue of the Company. Details are analysed below:

	Revenue of sales	Percentage of the total revenue of the Company (%)
Customer A	515,787,352	5.16%
Customer B	482,339,427	4.83%
Customer C	231,648,667	2.32%
Customer D	144,495,361	1.45%
Customer E	112,357,073	1.12%
	<u>1,486,627,880</u>	<u>14.88%</u>

(6) Investment income

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Income from long-term equity investment under cost method (a)	43,860,000	39,397,500
Income from long-term equity investment under equity method (b)	32,719,905	29,661,673
Income from disposal of long-term equity investment (c)	27,550,653	470,740,825
Income from entrusted loans	24,203,043	20,591,408
	<u>128,333,601</u>	<u>560,391,406</u>

There is no restriction on recovery of investment income.

For the six months ended 30 June 2014 and 30 June 2013, all the investment income of the Company is from unlisted investments.

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

(6) Investment income (Cont'd)

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

The investment income are set out as follows:

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)	Reason for current year fluctuation
Shenzhen Asahi Company	<u>43,860,000</u>	<u>39,397,500</u>	Increase in distributed profit of the subsidiary

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

The investees are set out as follows:

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)	Reason for current year fluctuation
Manufacturing Company	20,747,382	23,393,255	Decrease in profit of the investee for the period
Yantai Asahi	13,482,337	4,213,123	Increase in profit of the investee for the period
Zhaoshang Logistics	3,072,639	2,002,065	Decrease in profit of the investee for the period
Liaoning Shenqing	(100,023)	53,230	The investee loss for the period
Hebei Jiahe	(4,482,430)	—	Newly increased joint venture for the period
	<u>32,719,905</u>	<u>29,661,673</u>	

(c) The investment income of disposal of long-term equity investment mainly attributable to the investment income of RMB27,850,651 comes from the disposal of Xinan Sales Company.

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

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

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Net profit	186,726,430	741,099,469
Add: Provisions for asset impairment	(897,130)	(7,839,107)
Depreciation of fixed assets and investment assets	80,361,118	75,654,722
Amortisation of intangible assets	26,731,807	20,899,615
Amortisation of long-term prepaid expenses	1,179,913	272,157
Net losses on disposal of fixed assets	(41,538)	4,992,413
Financial expenses	19,162,779	38,529,466
Investment income	(128,333,601)	(560,391,406)
Increase in deferred tax assets	(111,816,021)	(100,939,928)
Decrease in inventories	124,250,927	21,829,637
Increase in operating receivables	(127,803,009)	(30,806,811)
Increase in operating payables	1,273,695,082	960,219,343
Net cash flows from operating activities	<u>1,343,216,757</u>	<u>1,163,519,570</u>

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

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

(b) Net (decrease)/increase in cash

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Cash at end of year	2,341,374,718	3,664,982,683
Less: cash at beginning of year	<u>(3,035,286,188)</u>	<u>(3,059,464,569)</u>
Net (decrease)/increase in cash	<u>(693,911,470)</u>	<u>605,518,114</u>

16. NET CURRENT ASSETS

	30 June 2014 Group (unaudited)	31 December 2013 Group	30 June 2014 Company (unaudited)	31 December 2013 Company
Current assets	13,396,879,944	12,274,390,550	4,466,379,435	5,112,700,482
Less: Current liabilities	<u>(12,186,994,476)</u>	<u>(11,113,753,508)</u>	<u>(6,251,657,380)</u>	<u>(5,781,409,762)</u>
Net current assets	<u>1,209,885,468</u>	<u>1,160,637,042</u>	<u>(1,785,277,945)</u>	<u>(668,709,280)</u>

17. TOTAL ASSETS LESS CURRENT LIABILITIES

	30 June 2014 Group (unaudited)	31 December 2013 Group	30 June 2014 Company (unaudited)	31 December 2013 Company
Total assets	29,259,441,014	27,364,866,537	16,991,254,237	16,940,283,937
Less: Current liability	<u>(12,186,994,476)</u>	<u>(11,113,753,508)</u>	<u>(6,251,657,380)</u>	<u>(5,781,409,762)</u>
Total assets less current liabilities	<u>17,072,446,538</u>	<u>16,251,113,029</u>	<u>10,739,596,857</u>	<u>11,158,874,175</u>

SUPPLEMENTARY INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(All amounts in RMB Yuan unless otherwise stated)

1. SUMMARY OF NON-RECURRING PROFIT OR LOSS

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Government grants recognised in profits	214,819,804	108,965,265
Losses on disposal of non-current assets	(14,275,847)	(44,126,945)
Reversal of bad debt provision for accounts receivables which provision is provided on the individual basis	—	7,400,000
Investment income from transaction with Suntory Company	—	210,767,899
Non-operating income from transaction with Suntory Company	—	178,591,992
Staff resettlement expense	—	(120,931,669)
Other non-operating income and expenses other than aforesaid items	446,178	(5,491,559)
	<u>200,990,135</u>	<u>335,174,983</u>
Impact of the income tax	(38,526,571)	21,932,915
Impact of the minority interests (after tax)	(4,562,211)	(8,469,599)
	<u>157,901,353</u>	<u>348,638,299</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	
	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Net profit attributable to ordinary shareholders of the Company	9.54%	10.56%	1.040	1.032	1.040	1.032
Net profit attributable to ordinary shareholders of the Company after deducting on-recurring profit or loss	8.47%	7.92%	0.923	0.774	0.923	0.774

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

In the first half of 2014, the Company realized 53.1 million hl of sales volume of beer by continuing to focus on the active expansion of domestic market, increased by 15.75% comparing with that of the corresponding period in previous year, which was far higher than the 5.66% of the growth rate of the domestic beer industry (according to the National Bureau of Statistics, the production volume of domestic beer industry reached 258 million hl in the first half of 2014). By now, the Company's domestic market share has reached 20.57%. In the first half-year, the Company realized RMB16.958 billion of revenue, increased by 13.27% comparing with that of the corresponding period in previous year. The net profit attributable to the shareholders of the Company reached RMB1.405 billion, increased by 0.70% comparing with that of the corresponding period in previous year. The net profit attributable to the shareholders of the Company after deducting non-recurring profits and losses reached RMB1.247 billion, increased by 19.17% comparing with that of the corresponding period in previous year.

In the first half-year, the Company insisted on the development strategy of "Double Drives". It continued to consolidate and strengthen the base markets including Shandong, and at the same time, it also made efforts to explore other markets, which helped to maintain a continuous growth of sales volume and market share. With the opportunity of FIFA World Cup, the Company actively carried out the sports marketing and market promotion activities by developing the new products like tin and aluminum bottle package of Tsingtao beer in the theme of football, which improved the brand power and received satisfactory market results.

The Company also strengthened the market promotion, actively adjusted the product mix and explored the high-end markets through different channels, to maintain its leading position in the products of the domestic mid-and-high-end market. In the first half-year, the sales volume of Tsingtao beer, the principal brand, reached 25.7 million hl, increased by 7.19% comparing with that of the corresponding period in previous year, in which the sales volume of high-end products including Augerta, canned beer, small-bottled beer and draft beer reached 9.4 million hl, increased by 14.13% comparing with that of the corresponding period in previous year.

In the first half-year, the Company successfully completed the election of a new session of board of directors and board of supervisors, which built a solid basis for the continuous promotion and realization of the Company's future strategic development targets. Facing the slow-down of the growth in the domestic beer market and the intensified international competition, to continue to maintain the Company's leading position in the domestic market and achieve more successes, the 8th Board of Directors brought out that the Company's target of future volume growth should continue to be 2 percentage points higher than that of domestic beer industry, and at the same time, the Company would adjust its development strategy that in the future it would focus on the optimization and upgrade of product mix, fully play its advantages in brand and quality of Tsingtao beer, and realize further growth in the domestic mid-and-high-end market with differentiation competitive strategy; the Company adjusted its brand strategy to 1+1+N, that is, Tsingtao beer, the principal brand + Laoshan, the national secondary brand + Hans, Shanshui and Immense, the regional brands; the Company established Innovative Marketing Business Head-Office in its Marketing Center to devote to the development and sales of new products, and actively explore the new business forms including e-commerce, to obtain new economic growth points.

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

1. Analysis of principal business

Analysis of changes to items in Income Statement

Unit: '000 Yuan, Currency: RMB

Item	Amount during this period	Amount during the corresponding period in previous year	Increase/ (Decrease) (%)
Revenue	16,958,068	14,971,338	13.27
Cost of sales	10,145,048	8,753,435	15.90
Selling and distribution expenses	3,470,957	3,094,354	12.17
General and administrative expenses	600,349	602,814	(0.41)
Financial expenses	(173,923)	(95,694)	(81.75)
Investment income	34,787	232,470	(85.04)
Non-operating expenses	21,422	182,940	(88.29)
Income tax expenses	442,471	325,022	36.14

(1) Revenue

In the first half of 2014, the revenue increased by 13.27% comparing with that of the corresponding period in previous year, which was mainly due to the increase in revenue caused by the growth of sales volume of principal products during the Reporting Period.

(2) Cost of sales

In the first half of 2014, the cost of sales increased by 15.90% comparing with that of the corresponding period in previous year, which was mainly due to the increase in costs of sales caused by the growth of sales volume of principal products during the Reporting Period.

(3) Selling and distribution expenses

In the first half of 2014, the selling and distribution expenses increased by 12.17% comparing with that of the corresponding period in previous year, which was mainly due to the increase in employee benefit expenses, brand promotion expenses and transportation expenses caused by the growth of sales volume and market expansion during the Reporting Period.

(4) Financial expenses

In the first half of 2014, the financial expenses decreased by 81.75% comparing with that of the corresponding period in previous year, which was mainly due to the increase in interests received from the deposits during the Reporting Period.

(5) Investment income

In the first half of 2014, the investment income decreased by 85.04% comparing with that of the corresponding period in previous year, which was mainly due to the earnings as a result of the fair value being higher than the book value of Tsingtao Brewery Shanghai Songjiang Company Limited (lately renamed as "Suntory-Tsingtao (Shanghai) Company Limited"), a former wholly-owned subsidiary of the Company, was transformed into an associate company of the Company in the joint investment project with Suntory Company last year.

(6) Non-operating expenses

In the first half of 2014, the non-operating expenses decreased by 88.29% comparing with that of the corresponding period in previous year, which was mainly due to that the staff settlement expenses were borne by a subsidiary and the losses from disposing the non-current assets of some subsidiaries decreased during the corresponding period in previous year.

(7) Income tax expenses

In the first half of 2014, income tax expenses increased by 36.14% comparing with that of the corresponding period in previous year, which was mainly due to that the earnings of the subsidiaries increased during the Reporting Period.

Analysis of changes to items in balance sheet

Item	30 June 2014	<i>Unit: '000 Yuan, Currency: RMB</i>	
		31 December 2013	Increase/ Decrease (%)
Accounts receivable	395,617	152,293	159.77
Other receivables	265,612	183,395	44.83
Other current assets	273,839	466,863	(41.34)
Long-term prepaid expenses	30,103	21,525	39.85
Short-term borrowings	317,977	101,080	214.58
Accounts payable	3,542,551	2,707,071	30.86
Advances from customers	615,870	980,498	(37.19)
Taxes payable	752,112	332,033	126.52
Dividends payable	616,542	1,020	60,345.32
Interest payable	841	1,203	(30.13)
Current portion of non-current liabilities	1,736	1,797,167	(99.90)
Long-term borrowings	4,688	4,881	(3.96)

(1) Accounts receivable

At the end of the Reporting Period, the accounts receivable increased by 159.77% from the beginning of the Reporting Period, which was mainly due to the increase in balance of accounts receivable in the peak seasons of sales during the Reporting Period.

(2) Other receivables

At the end of the Reporting Period, the other receivables increased by 44.83% from the beginning of the Reporting Period, which was mainly due to the increase in short-term entrusted loans receivable during the Reporting Period.

(3) Other current assets

At the end of the Reporting Period, the other current assets decreased by 41.34% from the beginning of the Reporting Period, which was mainly due to that the outstanding input value-added tax of some subsidiaries at the end of previous year had been set-off during the Reporting Period and the prepaid income tax decreased.

(4) Long-term prepaid expenses

At the end of the Reporting Period, the long-term prepaid expenses increased by 39.85% from the beginning of the Reporting Period, which was mainly due to, during the Reporting Period, the increase in some subsidiaries' expenses of decoration and renovation expenses for the buildings of which the benefit period was over 1 year.

(5) Accounts payable

At the end of the Reporting Period, the accounts payable increased by 30.86% from the beginning of the Reporting Period, which was mainly due to the increase in accounts payable caused by the increase in purchase of materials in the peak seasons of production during the Reporting Period.

(6) Advances from customers

At the end of the Reporting Period, the advances from customers decreased by 37.19% from the beginning of the Reporting Period, which was mainly due to the decrease in advances of beer amounts of some subsidiaries during the Reporting Period.

(7) Taxes payable

At the end of the Reporting Period, the taxes payable increased by 126.52% from the beginning of the Reporting Period, which was mainly due to the increase in payable value-added tax, payable consumption tax and payable income tax caused by the increase in volume and amount of sales during the Reporting Period.

(8) Dividends payable

At the end of the Reporting Period, the dividends payable increased by 60,345.32% from the end of the Reporting Period, which was mainly due to that the cash dividends to be distributed according to the resolution approved at the general meeting hadn't been paid at the end of the Reporting Period.

(9) Interest payable

At the end of the Reporting Period, the interest payable decreased by 30.13% from the beginning of the Reporting Period, which was mainly due to the decrease in unpaid interests of the borrowings at the end of the Reporting Period.

(10) Bank borrowings

At the end of the Reporting Period, the short-term borrowings increased by 214.58% from the beginning of the Reporting Period, which was mainly due to the increase in short-term borrowings of some subsidiaries during the Reporting Period.

At the end of the Reporting Period, the current portion of non-current liabilities decreased by 99.90% from the beginning of the Reporting Period, which was mainly due to, during the Reporting Period, the repayment of the expired convertible bonds of the separately traded bonds with warrants issued by the Company.

At the end of the Reporting Period, the long-term borrowings decreased by 3.96% from the beginning of the Reporting Period.

At the end of the Reporting Period, the total amount of bank borrowings of the Group was RMB324,401,628, including RMB317,977,343 of short-term borrowings and RMB6,424,285 of long-term borrowings. Among the long-term borrowings, the current portion was amounted to RMB1,736,302, the other was amounted to RMB3,778,303, and those would mature over 5 years were amounted to RMB909,680.

At the end of the Reporting Period, the borrowings in Renminbi were amounted to RMB30,122,880, borrowings in Hong Kong dollar were amounted to RMB287,854,463, borrowings in Euro were amounted to RMB3,247,214, and borrowings in Danish krone were amounted to RMB3,177,071.

All borrowings of the Group were affected by the fluctuation of the interest rate in the market. As at the settlement date, the effective annual interest rate of Renminbi and Hong Kong dollar were 3.30% and 3.06% respectively.

Analysis of changes to items in cash flow

Unit: '000 Yuan, Currency: RMB

Item	Amount during this period	Amount during the corresponding period in previous year	Increase/ (Decrease) (%)
Cash flow from operating activities-net	3,868,634	3,823,970	1.17
Cash flow from investing activities-net	(875,273)	(1,083,573)	19.22
Cash flow from financing activities-net	(1,943,205)	(198,864)	(877.15)

(1) The net cash flow from operating activities increased by 1.17% comparing with that of the corresponding period in previous year, which was mainly due to that the cash received from selling the goods during the Reporting Period increased comparing with that of the corresponding period in previous year.

(2) The net cash flow from investing activities increased by 19.22% comparing with that of the corresponding period in previous year, which was mainly due to that the deposits in central bank by Finance Company, a subsidiary of the Company, during the Reporting Period decreased comparing with that of the corresponding period in previous year.

- (3) The net cash flow from financing activities decreased by 877.15% comparing with that of the corresponding period in previous year, which was mainly due to that the cash paid for repaying the RMB1.5 billion of the convertible bonds of the separately traded bonds with warrants and the liabilities of some subsidiaries during the Reporting Period increased comparing with that of the corresponding period in previous year.

2. Analysis of industries, products and regional operations

(1) Analysis of main operation by industries and products

Unit: '000 Yuan, Currency: RMB

Main operation by industries						
By industries	Revenue	Cost of sales	Gross margin (%)	Increase/ (Decrease) in revenue from the corresponding period in previous year (%)	Increase/ (Decrease) in cost of sales from the corresponding period in previous year (%)	Increase/ (Decrease) in gross margin from the corresponding period in previous year (%)
Beer	16,730,267	9,998,223	40.24	13.37	16.66	Decrease by 1.68 percentage points
Main operation by products						
By products	Revenue	Cost of sales	Gross margin (%)	Increase/ (Decrease) in revenue from the corresponding period in previous year (%)	Increase/ (Decrease) in cost of sales from the corresponding period in previous year (%)	Increase/ (Decrease) in gross margin from the corresponding period in previous year (%)
Beer	16,730,267	9,998,223	40.24	13.37	16.66	Decrease by 1.68 percentage points

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

(ii) Analysis of main operation by location

Unit: '000 Yuan, Currency: RMB

Region	Revenue	Increase/ Decrease in revenue from the corresponding period in previous year (%)
Shandong Province	9,227,406	13.06
North China	3,332,480	15.49
South China	2,615,310	(5.40)
East China	1,971,127	18.58
South-East China	1,541,758	52.87
Hong Kong, Macau and other overseas	243,030	13.50
Sub-total	18,931,111	13.38
Less: Elimination	(2,200,844)	13.45
Total	16,730,267	13.37

3. Interpretation for other operational situations

(1) Debt/Capital ratio

On 30 June 2014, the Group's debt/capital ratio was 0.03% (0.03% on 31 December 2013). The calculation of debt/capital ratio is: total amount of long-term borrowings/(total amount of long-term borrowings + equity attributable to the shareholders of the Company).

(2) Assets mortgage

As at 30 June 2014, no assets of the Group were pledged (Nil as at 31 December 2013).

(3) Risk of fluctuation of exchange rate

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

(4) Capital expenses

In the first half of 2014, the Company totally invested in approximately RMB1.014 billion in the new constructions, relocations, and re-constructions and expansions to further improve the Company's production capacity and upgrade the layout of production capacity. According to the Company's current situation in funds and profitability, it has sufficient funds and continuous net operational cash in-flow to satisfy its needs for funds for the Company's capital projects.

(5) Investments

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

(6) Contingent liabilities

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

(III) Analysis of core competitiveness

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

SIGNIFICANT EVENTS

(I) ACQUISITION OF EQUITY INTERESTS AFTER THE REPORTING PERIOD

As considered and approved by the Board, on 12 July 2014, the Company entered into *Equity Transfer Agreement* with Debier Brewery Co., Ltd. (“Debier Brewery”), whereby Debier Brewery agreed to transfer 55% equity interests in Shandong Lulansa Brewery Co., Ltd. (“Lulansa Brewery”) to the Company for a consideration of RMB380 million, and the remaining 45% equity interests would continue to be held by Debier Brewery. The registration procedures at the industrial and commercial administration for the Company’s acquiring 55% equity interests in Lulansa Brewery held by Debier Brewery had been completed on 15 July 2014. The Board is of the view that, this acquisition will further improve the Company’s leading position in the base market in Shandong with obvious synergy effects.

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

To ensure the production and operation of the subsidiaries, as approved by the Board, the total amount of the entrusted loan provided by the Company to its subsidiaries had reached approximately RMB841.95 million.

(III) OTHER ISSUES

1. The Company shall not distribute interim dividends for the six months ended 30 June 2014 pursuant to the provisions in the articles of association of the Company.
2. During the Reporting Period, the Company was not involved in any new significant litigations and arbitration.
3. During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.
4. On 16 June 2014, the Company held the 2013 Annual General Meeting, at which it considered and approved the resolution of amending the articles of association including the number of persons in the board of directors and the name of the specific committees under the board of directors, and elected the members of the 8th Board of Directors and the 8th Board of Supervisors. At the first meeting of the 8th Board of Directors, it elected the Chairman of the Company, appointed a new session of senior management team. The latest session of board of supervisors elected the Chairman of the board of supervisors. The registration procedures at the industrial and commercial administration for the amendments to the articles of association and the changes of directors and supervisors had been completed by the Company in July 2014.

CHANGES TO SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

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

2. Information of shareholders

(1) As at 30 June 2014, the total number of shareholders of the Company was 23,208, in which the holders of A-share were 22,909, and the holders of H-share were 299. Based on the public information which is known on the latest practical date before the interim report is published, which is also within the knowledge of the directors of the Company, the number of the Company's shares held by the public has been satisfied with the requirements in *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* ("Listing Rules").

(2) Shareholdings of top ten shareholders of the Company by the end of the Reporting Period

Unit: Share

Shareholder's name	Class of shares	Shares held at the end of the Reporting Period	Holding percentage (%)
Tsingtao Brewery Group Company Limited ("Tsingtao Group") (Note 1)	A-share and H-share	412,800,255	30.56
HKSCC Nominees Limited (Note 2)	H-share	373,828,541	27.67
Asahi Group Holdings Ltd	H-share	270,127,836	19.99
Taikang Life Insurance Co., Ltd. — Dividends — Personal dividends — 019L — FH002Hu	A-share	18,587,051	1.38
China Jianyin Investment Company Ltd.	A-share	17,574,505	1.30
ICBC — E-Fund Value Growth Mixed Securities Investment Fund	A-share	12,446,485	0.92
Hillhouse Capital Group — HCM China Fund	A-share	9,326,142	0.69
Industrial Bank Co., Ltd. — Xingquan Trend Investment Mixed Securities Investment Fund	A-share	7,083,738	0.52
Canada Pension Plan Investment Board — Own Funds	A-share	7,026,798	0.52
China Foreign Economy And Trade Trust Co., Ltd. — Chongyang Hedge No. 1 Assembled Funds Trust Plan	A-share	6,683,401	0.49

Notes:

- The number of the shares held by Tsingtao Group in the Company include 7,944,000 shares of H-share held through its wholly-owned subsidiary, and 404,856,255 shares of A-share held by Tsingtao Group itself.
- The H-shares are held by HKSCC Nominees Limited on behalf of different clients, and excluding the H-shares held by the wholly-owned subsidiary of Tsingtao Group.

The Company is unaware if there are any other associations among these top ten shareholders or they are of the parties acting in concert.

(3) Substantial shareholders of H-share

Save as disclosed below, the directors of the Company are not aware of any persons other than a director or supervisor or chief executive of the Company or his/her respective associate(s) who, as at 30 June 2014, had an interest or short position in the shares or underlying shares of the Company which was recorded in the register to be kept under Section 336 of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (“SFO”):

Name	Nature	Class of Shares	Capacity	Note	Number of shares/ underlying shares	As a percentage of the entire issued capital	As a percentage of all H Shares
SASACQ	Long Position	A-Share	Corporate	1	403,673,552 A-Shares	29.88%	N/A
	Long Position	H-Share	Interest of controlled corporation	2	7,944,000 H-Shares	0.59%	1.21%
Asahi Breweries, Ltd	Long Position	H Share	Beneficial Owner	3	270,127,836 H-Shares	19.99%	41.24%
Chen Fa Shu	Long Position	H Share	Beneficial Owner		49,069,342 H-Shares	3.63%	7.49%
JPMorgan Chase & Co.	Long Position	H-Share	Interest of controlled corporation/ Beneficial Owner/ Investment Manager/ Custodian	4	58,796,263 H-Shares	4.35%	8.98%
	Interest in a lending pool	H-Share			11,703,543 H-Shares	0.87%	1.79%
	Short Position	H-Share	Beneficial Owner		280,000 H-Shares	0.02%	0.04%

Notes:

- (1) Tsingtao Group acquired 1,400,205 additional A-Shares during the Reporting Period. At the end of the Reporting Period, Tsingtao Group is interested in 404,856,255 A-Shares in total.
- (2) The 7,944,000 H-shares which were deemed to be interested by SASACQ were held by a wholly-owned subsidiary of Tsingtao Group. According to the latest disclosure of interests filings, SASACQ is interested in 7,844,000 H-Shares.
- (3) 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.
- (4) The shares in which JPMorgan Chase & Co. was deemed to be interested were held through various intermediate holding companies.
- (5) From the latest disclosure of interests filings for the Company’s substantial shareholders, please refer to the “Disclosure of Interests’ section on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND STAFF

1. SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at 30 June 2014, Mr. SUN Ming Bo, Chairman of the Board of the Company, held 124,160 shares in the Company, Mr. HUANG Ke Xing, Executive Director and President of the Company, was deemed to hold 26,502 shares in the Company, Ms. JIANG Hong, Executive Director and Vice President of the Company, held 52,200 shares in the Company, Mr. FAN Wei, Vice President of the Company, President of Production Center & Chief Brewer, held 122,876 shares in the Company, Mr. LIU Ying Di, Vice President of the Company, held 124,294 shares in the Company. All shares held by the above individuals are listed shares of A-share.

Save as disclosed above, as at 30 June 2014, none of the directors, supervisors and senior management officers of the Company have any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (as defined in Part XV of *SFO*), which was recorded in the register required to be kept under section 352 of the *SFO* or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to *Model Code for Securities Transactions by Directors of Listed Companies* (“*Model Code*”) as set out in Appendix 10 of *Listing Rules*.

2. MODEL CODE

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

3. STAFF

As at 30 June 2014, the Company (including its subsidiaries) totally had 43,673 on-duty staff.

The Company cares about its staff and secures their legal rights. It provides the on-duty staff with social insurances including pension, basic medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance, and pays fees for these insurances with full amount. The Company carries out the comprehensive incentive system with the remuneration incentive as its basis, career development incentive as its motivation, emotional incentive as its cohesion and cultural incentive as its focus. Towards the different functions in every part of the value chain, nature of the positions and the professional management ability of the staff, the Company built up the multiple remuneration policies, and tried its best to realize the fair and market-orientated distribution. The multiple remuneration policies mainly covers the Company’s operational managers, marketing system, production and manufacturing system, R&D system, functional management in the head office, and special and rare introduced talents. The multiple remuneration incentive mode plays full role of the leverage of remuneration incentive in the Company’s sustainable development.

In 2014, the Company’s talent cultivation entered into the era of all-round study (the study from skilled talents to professional talents to managing talents, from assemble for training to rotation training to trainee-to-trainer to on-line study). The cultivation system for the reservation of talents focusing on the “Golden ★” and “Silver ★” program has been continuously cultivating the qualified managing talents for the senior team and medium team; and based on the qualifying level, it started the TT-EMBA program to train the medium managers’ systematic thoughts, to cultivate the outstanding managers who “have morality, understand the operation, be good at management, and can lead the team”. The on-line study received satisfactory results and obtained growing power of influence that the on-line school reached a coverage of 43%.

PURCHASING, SELLING OR REDEEMING THE SECURITIES

For the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

CODE OF CORPORATE GOVERNANCE PRACTICE

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

During the Reporting Period, the Company had been in compliance with the provisions in Corporate Governance Code set out in Appendix 14 of *Listing Rules*.

REVIEW OF THE UNAUDITED INTERIM RESULTS

The Audit & Internal Control Committee under the Board has reviewed the Group's unaudited 2014 interim results and interim report.

COMPANY INFORMATION

1. BASIC INFORMATION

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

2. CONTACT PERSON AND CONTACT METHODS

- Company Secretary: ZHANG Rui Xiang
Address: Secretarial Office of the Board
Room 1105, Tsingtao Beer Tower
May Fourth Square, Hong Kong Road Central
Qingdao, Shandong Province
Postal Code: 266071
Tel: 86-532-85713831
Fax: 86-532-85713240

3. STOCK EXCHANGES ON WHICH THE COMPANY'S SHARES ARE LISTED

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



青島啤酒

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TSINGTAO BREWERY CO., LTD.

