



青島啤酒股份有限公司
TSINGTAO BREWERY CO., LTD.

(Stock Code 股份代號: 168)

中期報告
INTERIM REPORT
2015



CONTENTS

	Page
Financial Information (Unaudited)	2
Management Discussions and Analysis	114
Significant Events	121
Changes to Share Capital and Information of Shareholders	122
Directors, Supervisors, Senior Management Officers and Staff	124
Purchasing, Selling or Redeeming the Securities	125
Code of Corporate Governance Practice	125
Review of the Unaudited Interim Results	125
Company Information	126

TSINGTAO BREWERY COMPANY LIMITED
CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 30 JUNE 2015 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

	Note 4 (unless otherwise stated)	As at			
		30 June 2015 Consolidated	31 December 2014 Consolidated	30 June 2015 Company	31 December 2014 Company
ASSETS					
Current assets					
Cash at bank and on hand	(1)	9,654,346,443	6,388,650,779	4,183,429,633	1,183,342,128
Notes receivable	(2)	47,710,000	41,600,000	16,600,000	13,200,000
Accounts receivable	(3),14(1)	371,147,787	125,421,629	749,150,179	565,001,961
Advances to suppliers	(5)	119,100,360	191,672,927	80,575,659	135,138,446
Interests receivable	(6)	136,394,321	171,660,445	8,960,911	16,783,698
Dividends receivable	(7),14(3)	15,310,781	—	243,310,781	105,700,000
Other receivables	(4),14(2)	522,235,114	163,583,950	225,529,443	146,429,551
Inventories	(8)	2,009,584,781	2,486,827,106	681,172,779	728,850,534
Other current assets	(9)	761,231,203	782,631,150	373,324,701	555,856,765
Total current assets		13,637,060,790	10,352,047,986	6,562,054,086	3,450,303,083
Non-current assets					
Available-for-sale financial assets	(10)	608,642	308,642	300,000	—
Long-term receivables	14(4)	—	—	221,800,000	339,200,000
Long-term equity investments	11,14(5)	1,540,705,013	1,536,262,375	9,337,436,341	9,286,244,364
Investment properties	(12)	7,855,468	10,960,292	25,633,962	27,501,876
Fixed assets	(13)	9,478,022,511	9,118,776,190	2,014,523,792	1,963,811,242
Construction in progress	(14)	715,837,378	1,051,916,065	371,298,622	448,610,397
Fixed assets pending for disposal	(15)	19,457,579	17,965,978	8,145,202	8,163,309
Intangible assets	(16)	2,798,549,890	2,780,584,276	643,430,428	659,033,003
Goodwill	(17)	1,307,103,982	1,307,103,982	—	—
Long-term prepaid expenses	(18)	37,004,946	32,574,517	6,968,693	7,101,267
Deferred tax assets	(19)	868,138,744	718,786,072	554,264,761	394,019,122
Other non-current assets	(21)	142,682,754	76,626,751	37,680,578	15,732,193
Total non-current assets		16,915,966,907	16,651,865,140	13,221,482,379	13,149,416,773
TOTAL ASSETS		30,553,027,697	27,003,913,126	19,783,536,465	16,599,719,856

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

AS AT 30 JUNE 2015 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

	Note 4	As at			
		30 June 2015 Consolidated	31 December 2014 Consolidated	30 June 2015 Company	31 December 2014 Company
LIABILITIES AND EQUITY					
Current liabilities					
Short-term borrowings	(22)	348,622,070	432,952,595	—	—
Notes payable	(23)	104,416,776	91,748,125	149,640,000	58,100,000
Accounts payable	(24)	3,863,921,889	2,494,168,939	2,948,541,833	1,888,324,753
Advances from customers	(25)	647,086,762	787,924,958	338,552,198	394,304,413
Employee benefits payable	(26)	950,592,963	866,668,648	348,764,333	300,204,990
Taxes payable	(27)	722,559,305	249,195,538	104,243,910	35,030,675
Interests payable		825,840	4,739,860	—	—
Dividends payable	(28)	609,080,187	—	607,942,258	—
Other payables	(29)	4,907,646,110	4,299,312,050	2,243,149,982	1,807,768,348
Current portion of non-current liabilities	(30)	1,431,387	1,561,421	—	—
Total current liabilities		12,156,183,289	9,228,272,134	6,740,834,514	4,483,733,179
Non-current liabilities					
Long-term borrowings	(31)	2,376,255	2,784,731	—	—
Payables for specific projects	(32)	196,207,372	324,837,574	46,519,477	84,446,050
Deferred income	(33)	1,733,755,597	1,511,117,533	51,165,216	51,591,650
Long-term employee benefits payable	(34)	512,067,461	491,150,976	254,009,525	243,592,856
Deferred tax liabilities	(19)	145,065,472	158,467,740	—	—
Total non-current liabilities		2,589,472,157	2,488,358,554	351,694,218	379,630,556
Total liabilities		14,745,655,446	11,716,630,688	7,092,528,732	4,863,363,735
Equity					
Share capital	(35)	1,350,982,795	1,350,982,795	1,350,982,795	1,350,982,795
Capital surplus	(36)	4,073,746,292	4,079,399,151	4,306,073,277	4,306,073,277
Other comprehensive income	(37)	9,939,278	10,040,344	(14,321,000)	(14,321,000)
Surplus reserve	(38)	1,216,339,469	1,216,339,469	1,216,339,469	1,216,339,469
General reserve	(39)	66,981,927	66,981,927	—	—
Undistributed profits	(40)	9,254,598,188	8,663,818,498	5,831,933,192	4,877,281,580
Total equity attributable to shareholders of the Company		15,972,587,949	15,387,562,184	12,691,007,733	11,736,356,121
Non-controlling interests		(165,215,698)	(100,279,746)	—	—
Total equity		15,807,372,251	15,287,282,438	12,691,007,733	11,736,356,121
TOTAL LIABILITIES AND EQUITY		30,553,027,697	27,003,913,126	19,783,536,465	16,599,719,856

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 2015 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4 (unless otherwise stated)	Six months ended 30 June			
		2015 Consolidated	2014 Consolidated	2015 Company	2014 Company
Revenue	(41),14(6)	16,066,594,121	16,958,068,052	9,819,243,326	9,995,622,772
<i>Less:</i> Cost of sales	(41),(43),14(6)(7)	(9,822,404,877)	(10,145,048,255)	(7,311,515,246)	(7,604,520,016)
Taxes and surcharges	(42)	(1,183,028,440)	(1,272,218,033)	(281,457,251)	(287,266,710)
Selling and distribution expenses	(43),14(7)	(3,151,532,081)	(3,470,956,501)	(1,794,082,706)	(1,887,165,586)
General and administrative expenses	(43),14(7)	(636,737,390)	(600,348,563)	(197,878,217)	(165,517,796)
Finance expenses — net	(44)	147,615,265	173,922,651	19,092,360	5,827,141
Asset impairment (losses)/ reversal	(46)	(864,201)	1,030,824	522,208	897,130
<i>Add:</i> Investment income	(45),14(8)	25,593,306	34,787,119	1,343,685,273	128,333,601
Including: Share of profit of associates and a joint venture	(45),14(8)	24,127,694	35,087,117	25,075,083	32,719,905
Operating profit		1,445,235,703	1,679,237,294	1,597,609,747	186,210,536
<i>Add:</i> Non-operating income	(47)	280,322,295	222,411,726	85,636,149	15,959,827
Including: Gains on disposal of non-current assets	(47)	479,332	1,370,513	20,852	731,414
<i>Less:</i> Non-operating expenses	(48)	(77,724,573)	(21,421,591)	(37,292,711)	(1,103,877)
Including: Losses on disposal of non-current assets	(48)	(74,677,547)	(15,646,360)	(36,444,956)	(689,876)
Total profit		1,647,833,425	1,880,227,429	1,645,953,185	201,066,486
<i>Less:</i> Income tax expense	(49)	(428,288,925)	(442,470,623)	(83,359,315)	(14,340,056)
Net profit		1,219,544,500	1,437,756,806	1,562,593,870	186,726,430
Attributable to shareholders of the Company		1,198,721,948	1,404,661,148	1,562,593,870	186,726,430
Attributable to non-controlling interests		20,822,552	33,095,658	Not Applicable	Not Applicable
Other comprehensive income, net of tax	(37)	(101,066)	(1,534,917)	—	—
Other comprehensive income attributable to shareholders of the Company, net of tax					
Items that will be subsequently reclassified to profit or loss					
Currency translation differences		25,578	(1,576,530)	—	—
Shares of other comprehensive income of investees accounted for using the equity method that will be subsequently reclassified to profit or loss		(126,644)	41,613	—	—
Total comprehensive income		1,219,443,434	1,436,221,889	1,562,593,870	186,726,430
Attributable to shareholders of the Company		1,198,620,882	1,403,126,231	1,562,593,870	186,726,430
Attributable to non-controlling interests		20,822,552	33,095,658	Not Applicable	Not Applicable
Earnings per share					
Basic earnings per share	(50)	0.887	1.040	Not Applicable	Not Applicable
Diluted earnings per share	(50)	0.887	1.040	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 2015 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Six months ended 30 June			
		2015 Consolidated	2014 Consolidated	2015 Company	2014 Company
Cash flows from operating activities					
Cash received from sales of goods or rendering of services		17,175,368,825	18,225,602,179	10,564,492,221	10,731,917,785
Refund of taxes and surcharges		4,653,963	9,546,219	4,273,310	3,943,251
Cash received relating to other operating activities	(51)(a)	735,241,852	864,577,189	171,001,846	161,726,390
Sub-total of cash inflows		17,915,264,640	19,099,725,587	10,739,767,377	10,897,587,426
Cash paid for goods and services		(7,465,785,729)	(8,640,112,037)	(6,650,879,565)	(7,160,315,763)
Cash paid to and on behalf of employees		(1,919,772,140)	(1,805,254,922)	(667,755,418)	(626,962,200)
Payments of taxes and surcharges		(2,446,253,168)	(2,677,059,367)	(746,315,341)	(693,349,928)
Cash paid relating to other operating activities	(51)(b)	(1,662,334,265)	(2,000,986,831)	(703,468,526)	(1,073,742,778)
Sub-total of cash outflows		(13,494,145,302)	(15,123,413,157)	(8,768,418,850)	(9,554,370,669)
Net cash flows from operating activities	(52)(a)	4,421,119,338	3,976,312,430	1,971,348,527	1,343,216,757
Cash flows from investing activities					
Cash received from disposal of investments		20,000,000	—	335,100,000	373,140,483
Cash received from returns on investments		4,122,509	15,097,175	1,204,697,430	318,374,506
Net cash received from disposal of fixed assets		8,376,599	4,937,172	1,224,432	3,527,375
Cash received relating to other investing activities	(51)(c)	382,394,526	348,879,199	2,231,250	1,315,000
Sub-total of cash inflows		414,893,634	368,913,546	1,543,253,112	696,357,364
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(789,350,659)	(1,013,942,260)	(174,920,538)	(396,662,046)
Cash paid to acquire investments		(522,010,000)	(233,961,411)	(349,620,000)	(532,069,400)
Net cash paid to acquire subsidiaries and other operating entities		(100,000,000)	—	—	—
Cash paid relating to other investing activities	(51)(d)	(202,050,468)	(103,961,235)	(370,000)	(2,425,835)
Sub-total of cash outflows		(1,613,411,127)	(1,351,864,906)	(524,910,538)	(931,157,281)
Net cash flows from investing activities		(1,198,517,493)	(982,951,360)	1,018,342,574	(234,799,917)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)
 (All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Six months ended 30 June			
		2015 Consolidated	2014 Consolidated	2015 Company	2014 Company
Cash flows from financing activities					
Cash received from borrowings		285,204,138	275,232,588	—	—
Cash received from other financing activities	(51)(e)	304,095,000	—	304,095,000	—
Sub-total of cash inflows		589,299,138	275,232,588	304,095,000	—
Cash repayments of borrowings		(369,614,233)	(1,868,039,780)	—	(1,500,000,000)
Cash payments for distribution of dividends or profits and interests expenses		(71,268,047)	(58,606,055)	—	(12,000,000)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		(62,813,434)	(40,840,851)	—	—
Cash payments relating to other financing activities	(51)(f)	(1,057,823)	(291,791,653)	—	(291,000,000)
Sub-total of cash outflows		(441,940,103)	(2,218,437,488)	—	(1,803,000,000)
Net cash flows from financing activities		147,359,035	(1,943,204,900)	304,095,000	(1,803,000,000)
Effect of foreign exchange rate changes on cash and cash equivalent		(3,162,472)	2,121,198	(3,614,569)	671,690
Net increase/(decreases) in cash and cash equivalents	(52)(b)	3,366,798,408	1,052,277,368	3,290,171,532	(693,911,470)
Add: Cash and cash equivalents at beginning of period		5,266,389,764	7,394,904,648	864,393,047	3,035,286,188
Cash and cash equivalents at end of year	(52)(c)	8,633,188,172	8,447,182,016	4,154,564,579	2,341,374,718

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 SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Attributable to shareholders of the Company							
		Share capital	Capital surplus	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Minority interests	Total equity
Balance at 1 January 2014		1,350,982,795	4,079,399,151	25,192,989	1,059,469,127	80,642,253	7,424,872,728	(147,088,008)	13,873,471,035
Movements for the six months ended 30 June 2014		—	—	(1,534,917)	—	—	796,718,890	(15,325,193)	779,858,780
Total comprehensive income		—	—	(1,534,917)	—	—	1,404,661,148	33,095,658	1,436,221,889
Net profit		—	—	—	—	—	1,404,661,148	33,095,658	1,437,756,806
Other comprehensive income	(37)	—	—	(1,534,917)	—	—	—	—	(1,534,917)
Profit distribution	(40)	—	—	—	—	—	(607,942,258)	(48,420,851)	(656,363,109)
Profit distribution to shareholders		—	—	—	—	—	(607,942,258)	(48,420,851)	(656,363,109)
Balance at 30 June 2014		1,350,982,795	4,079,399,151	23,658,072	1,059,469,127	80,642,253	8,221,591,618	(162,413,201)	14,653,329,815
Balance at 1 January 2015		1,350,982,795	4,079,399,151	10,040,344	1,216,339,469	66,981,927	8,663,818,498	(100,279,746)	15,287,282,438
Movements for the six months ended 30 June 2015		—	(5,652,859)	(101,066)	—	—	590,779,690	(64,935,952)	520,089,813
Total comprehensive income		—	—	(101,066)	—	—	1,198,721,948	20,822,552	1,219,443,434
Net profit		—	—	—	—	—	1,198,721,948	20,822,552	1,219,544,500
Other comprehensive income	(37)	—	—	(101,066)	—	—	—	—	(101,066)
Capital increase and decrease of shareholders		—	(5,652,859)	—	—	—	(21,807,141)	(27,460,000)	
Other	(36)	—	(5,652,859)	—	—	—	—	(21,807,141)	(27,460,000)
Profit distribution	(40)	—	—	—	—	—	(607,942,258)	(63,951,363)	(671,893,621)
Profit distribution to shareholders		—	—	—	—	—	(607,942,258)	(63,951,363)	(671,893,621)
Balance at 30 June 2015		1,350,982,795	4,073,746,292	9,939,278	1,216,339,469	66,981,927	9,254,598,188	(165,215,698)	15,807,372,251

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 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Total equity
Balance at 1 January 2014		1,350,982,795	4,306,073,277	—	1,059,469,127	4,073,390,757	10,789,915,956
Movement for the six months ended 30 June 2014							
Total comprehensive income		—	—	—	—	(421,215,828)	(421,215,828)
Net profit		—	—	—	—	186,726,430	186,726,430
Profit distribution	(40)	—	—	—	—	(607,942,258)	(607,942,258)
Profit distribution to shareholders		—	—	—	—	(607,942,258)	(607,942,258)
Balance at 30 June 2014		<u>1,350,982,795</u>	<u>4,306,073,277</u>	<u>—</u>	<u>1,059,469,127</u>	<u>3,652,174,929</u>	<u>10,368,700,128</u>
Balance at 1 January 2015		1,350,982,795	4,306,073,277	(14,321,000)	1,216,339,469	4,877,281,580	11,736,356,121
Movement for the six months ended 30 June 2015							
Total comprehensive income		—	—	—	—	954,651,612	954,651,612
Net profit		—	—	—	—	1,562,593,870	1,562,593,870
Profit distribution	(40)	—	—	—	—	(607,942,258)	(607,942,258)
Profit distribution to shareholders		—	—	—	—	(607,942,258)	(607,942,258)
Balance at 30 June 2015		<u>1,350,982,795</u>	<u>4,306,073,277</u>	<u>(14,321,000)</u>	<u>1,216,339,469</u>	<u>5,831,933,192</u>	<u>12,691,007,733</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 2015

(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 registered address and head office address of the company is Qingdao, Shandong province, the PRC, with a total share capital of RMB482,400,000 at establishment.

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

Approved by the Circular [2008] No. 445 issued by the China Securities Regulatory Commission, the Company issued convertible bonds with detachable warrants subscription rights on 2 April 2008 at a total size of RMB1,500 million with the term of 6 years. Upon the exercise period ended on 19 October 2009, 42,763,617 A shares of the Company were issued and the total number of the Company’s shares was increased from 1,308,219,178 to 1,350,982,795.

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

Subsidiaries which are included in the scope of consolidation in this period are disclosed in Note 5(1). There is no change in the scope of consolidation in this period.

These financial statements have been approved for issue by the Company’s Board of Directors on 28 August 2015.

These financial statements are not audited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group applied the accounting policies and accounting estimates based on its business operations characteristics, including provision of bad debts of receivable (Note 2(10)), cost formulas (Note 2(11)), depreciation of fixed assets and amortization of intangible assets (Note 2(14)&(17)), timing of revenue recognition (Note 2(23)),etc.

The areas including significant judgments to determine the critical accounting policies of the Group are disclosed in Note 2(29).

(1) Basis of preparation

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises — Basic Standard, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as “the Accounting Standard 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 issued by the China Securities Regulatory Commission.

The financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this period and the comparative period.

The financial statements are prepared on a going concern basis.

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 2015 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 2015 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 paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(c) Acquisition of minority interests

When acquiring part of or all of the non-controlling 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 non-controlling 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 (share premium). 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, net profit item and total comprehensive income item of the consolidated financial statement respectively. Elimination of intra-group unrealised profit on sale of assets by the Company to its subsidiaries should be in full of the net profit attributable to the shareholders, and elimination of intra-group unrealised profit on sale of assets by subsidiaries to the Company should be allocated between the net profit attributable to the shareholders and non-controlling interests in the ratio of their interests. Elimination of intra-group unrealised profit on sale of assets amongst the subsidiaries should be allocated between the net profit attributable to the shareholders and non-controlling interests, according to the Company's share interest in the subsidiary of selling party.

If the Group and the Company or the subsidiaries as accounting entity are in different view in this transaction, the adjustment should be made in the Group's view.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

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

(8) Foreign currency translation (Cont'd)

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented separately in the shareholders' equity. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(9) Financial instruments

(a) Financial assets

(i) Classification of financial assets

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

Financial assets at fair value through profit or loss

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

Receivables

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

Available-for-sale financial assets

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

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)

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

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

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

(iii) Impairment of financial assets

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

There is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset. And such one or more events must have a reliably measurable effect on the present value of estimated future cash flows of the financial assets.

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. If the fair value is between 20% and 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 basis for measuring the original cost of available-for-sale equity instruments is determined by using weighted average method.

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.

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

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

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

When an impairment loss on an available-for-sale financial asset measured at fair value has occurred, 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.

When an impairment loss on an available-for-sale financial asset carried at 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 using the market yield of similar financial assets. As to the loss which is already occurred will not be reversed in subsequent period.

(iv) Derecognition of financial assets

A financial asset is derecognised when any of the below criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the 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.

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

(9) Financial instruments (Cont'd)

(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. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability, and should maximise the use of relevant observable inputs. When related observable inputs cannot be acquired or are not feasible to be acquired, then use unobservable inputs.

(10) Receivables

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

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

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

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

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

(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

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

(10) Receivables (Cont'd)

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

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%

(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

Low value consumables and packaging materials are amortised into expenses when issued and based upon periods of usage respectively.

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

(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. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has jointly control together with other parties and has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances. An associate is the investee over which the Group has significant influence by participating in the financial and operating policy decisions.

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.

(a) Determination of investment cost

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

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

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

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

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

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in shareholders' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into capital surplus other comprehensive income, and profit distribution. 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 profit or loss arising from the intra-group transactions amongst the Group and its investees is eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment income is recognised. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

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

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

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

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

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

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

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2 (19)).

(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 occurred.

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 equipments, motor vehicles and other equipments.

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 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 are 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 interests 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) Marketing networks

Marketing networks include the marketing network acquired by business combination from Yantai Brewery Tsingtao Asahi Co., Ltd. ("Yantai Asahi"), Hebei Jiahe Beer Co., Ltd. ("Hebei Jiahe Company") and Shandong Lulansa Beer Co., Ltd. ("Lulansa Brewery"), the marketing network of Tsingtao Beer (Jinan) Baotouquan Sales Co., Ltd. ("Baotouquan Company"), Shandong Xin Immense Brewery Company Limited ("Immense Brewery Company"), Suntory (shanghai) market service Co., Ltd. ("Shanghai Market Service"), The Prince (Lian Yungang) beer sales Co., Ltd. ("The Prince Sales") and Beijing Tsingtao Brewery Beifang Sales Co., Ltd. ("Beifang Sales Company"). 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, such as planned investigation, evaluation and selection for improvement of the beer technology, is recognised in profit or loss in the period when it is incurred. Expenditure on the development phase, such as the designing and testing for the final application of the beer technology before the large-scale production, should be capitalised only if all of the following conditions satisfied:

- The development of the beer technology has been sufficiently proved by the technical team;
- The budget relating to the beer technology improvement has been approved by the management;
- It can be demonstrated that the products due to beer technology improvement have potential market from previous marketing investigation

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 and financial resource for improvement of the beer technology and the large-scale production, and;
- The expenditure attributable to the improvement of beer technology during its development phase can be liably 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, investing properties measured at cost method 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. The intangible assets not ready for intended use yet, are treated at least annually for impairment, irrespective of whether there are any indications of impairment. 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 include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits provided in various forms of remuneration in exchange for service rendered by employees or compensations for the termination of employment relationship.

(a) *Short-term employee benefits*

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs. The employee benefit liabilities are recognised in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Employee benefits which are non-monetary benefits are measured at fair value.

(b) *Post-employment benefits*

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plan under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plan that are not defined contribution plan. During the reporting period, the Group post-employment benefits mainly include defined contribution plans such as basic pensions and unemployment insurance, and which belong to supplemental retirement benefits.

Basic pension insurance

The employees of the group participated in the basic social pension insurance organised and implemented by the local labor and social security departments. The Group pays the basic social pension insurance to related local agencies monthly, following the demanding proportion and base. When the employees retire, the local labor and social security departments have obligations to pay the entire basic social pensions. When an employee has rendered service to the Group during the accounting period, the Group should recognise liabilities and costs of assets or expenses.

Supplemental retirement benefits

Approved by the Company's Board of Directors on 16 December 2013, in addition to the basic social pension plans, the Group also provides supplementary retirement benefits to those retired employees qualified for certain criteria. Such supplementary benefits are classified as defined benefit plans. The defined benefit obligation 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 method and applying interests rates of government bonds that have terms to maturity approximating to the terms of the related pension obligation. The service cost and net interests income related to supplemental retirement benefits are recognised as assets or expenses, and actuarial gains or losses arising from re-measurement of net defined benefit obligation is recognised as other comprehensive income.

(c) *Termination benefits*

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses related to the restructuring that involves the payment of termination benefits.

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

(20) Employee benefits (Cont'd)

(c) Termination benefits (Cont'd)

Early retirement benefits

The Group offers early retirement benefits to those employees who accept early retirement arrangements. The early retirement benefits refer to the salaries and social security contributions to be paid to and for the employees who accept voluntary retirement before the normal retirement date prescribed by the State, as approved by the management. The Group pays early retirement benefits to those early retired employees from the early retirement date until normal retirement date. The Group accounts for the early retirement benefits in accordance with the treatment of termination benefits, in which the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognised as liabilities with a corresponding charge to the profit or loss for the current period. The differences arising from the changes in the respective actuarial assumptions of the early retirement benefits and the adjustments of benefit standards are recognised in profit or loss in the period in which they occur.

The termination benefits expected to be paid within one year since the balance sheet date are classified as current liabilities.

(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.

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

(23) Revenue recognition (Cont'd)

(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

Interests 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.

Grants related to assets are those obtained for forming 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.

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

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

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

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(26) Leases

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

(a) *Operating leases*

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

(b) *Finance leases*

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

(27) Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when all of the following conditions are satisfied: (1) the non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such non-current asset or disposal group; (2) the Group has made a resolution and obtained appropriate approval for disposal of the non-current asset or the disposal group; (3) the Group has signed an irrevocable transfer agreement with the transferee; and (4) the transfer is to be completed within one year.

Non-current assets (except for financial assets and deferred tax assets) that meet the recognition criteria for held for sale are recognised at the amount equal to the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less the costs to sell is recognised as asset impairment losses.

Such non-current assets and assets included in disposal groups classified as held for sale are accounted for as current assets; while liabilities included in disposal groups classified as held for sale are accounted for as current liabilities.

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

(27) Held for sale and discontinued operations (Cont'd)

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and is separately identifiable operationally and for financial reporting purposes, and satisfies one of the following conditions: (1) represents a separate major line of business or geographical area of operations; (2) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; and (3) 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.

(29) Critical accounting estimates and judgments

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

(a) Critical accounting estimates and key assumptions

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

(i) Accounting estimates on impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates (Note 4(17)).

(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.

For the six months ended 30 June 2015, the Group recognised impairment losses amounting to RMB1,236,712 (For the six months ended 30 June 2014: nil) for fixed assets based on such evaluation. As at 30 June 2015, the Group recognised the cumulative provision for fixed assets impairment amounting to RMB447,226,641 (31 December 2014: RMB508,605,804) (Note 4(13)).

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

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

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

(iii) Accounting estimates on recognition of deferred tax assets

The estimates of deferred tax assets require estimates over future taxable profit and corresponding applicable income tax rates of respective years. The realisation of deferred tax assets depends on the realisation of sufficient profitability (taxable profit) of the Group. The change in future income tax rates and timing of reversals of taxable temporary differences would affect income tax expenses (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 2015, deferred tax assets of RMB868,138,744 has been recognised in the Group's balance sheet. As stated in Note 4(19), the Group had unrecognised deferred tax assets aggregated to approximately RMB478,502,000 as at 30 June 2015, which mainly attributable to accumulated tax losses and impairment losses of certain subsidiaries. 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.

(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)(b), the present value of the post-retirement obligation estimated on an actuarial basis using a number of assumptions. The actuarial valuations, in which discount rate was determined by government bonds of China and the mortality rate was based on published statistics by China Life Annuity Mortality Table 2000 — 2003, are the best estimation on the post-retirement obligation on balance sheet date. Any changes in these assumptions will have impact on the carrying amount of post-employment 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%	

(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 are 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. TAXATION (CONT'D)

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the 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.

(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. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	30 June 2015 (Unaudited)	31 December 2014
Cash on hand	551,175	431,550
Bank deposits	1,212,344,091	512,439,722
Interbank deposits (i)	7,420,292,906	4,753,518,492
Deposits in central bank (ii)	984,070,000	794,310,000
Other cash balances (iii)	37,088,271	327,951,015
Including: cash at bank and on hand overseas (iv)	72,016,044	64,297,399
	<u>9,654,346,443</u>	<u>6,388,650,779</u>

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

(1) Cash at bank and on hand (Cont'd)

- (i) Interbank deposits represent bank deposits reserved in other domestic banks by Tsingtao Brewery Financial Co., Ltd. ("Finance Company").
- (ii) Deposits in central bank represent statutory deposit reserves in the People's Bank of China by Finance Company. At 30 June 2015, the statutory deposit reserve ratio of Finance Company is 11.5% (31 December 2014: 14.5%).
- (iii) As at 30 June 2015, other cash balances of RMB31,453,624 (31 December 2014: RMB31,399,875) represent housing maintenance fund in the bank; RMB2,927,127 (31 December 2014: RMB3,701,400) are pledged as collateral for issuance of bank acceptance (Note 4(23)); RMB2,707,520 (31 December 2014: RMB1,849,740) represent other deposits.
- (iv) As at 30 June 2015, cash at bank and on hand represents the cash and bank deposits of Tsingtao Brewery (Hong Kong) Trading Co., Ltd. ("Hong Kong Company") and Asia Brewery (Macau) Co., Ltd. ("Macau Company") held in Hong Kong and Macau respectively.

Cash and cash equivalent presented in cash flow statements

	30 June 2015	31 December 2014
	(Unaudited)	
Cash at bank and on hand	9,654,346,443	6,388,650,779
Less: Restricted cash in central bank	(984,070,000)	(794,310,000)
Other restrict deposits	(37,088,271)	(327,951,015)
	<u>8,633,188,172</u>	<u>5,266,389,764</u>

(2) Notes receivable

	30 June 2015	31 December 2014
	(Unaudited)	
Bank acceptance notes	<u>47,710,000</u>	<u>41,600,000</u>

As at 30 June 2015, the Group's notes receivable which has been endorsed but not yet matured are derecognised amounting to RMB465,716,028 (as at 31 December 2014: derecognised amounting to RMB313,442,478), and there are no discounted bank acceptance notes that were not mature (31 December 2014: nil).

As at 30 June 2015, there are no pledged notes receivables, or no endorsed or discounted trade acceptance notes that were not yet matured (31 December 2014: nil).

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

(3) Accounts receivable

	30 June 2015 (Unaudited)	31 December 2014
Accounts receivable	569,641,374	324,504,493
Less: provision for bad debts	(198,493,587)	(199,082,864)
	<u>371,147,787</u>	<u>125,421,629</u>

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

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

	30 June 2015 (Unaudited)	31 December 2014
Within 6 months	370,557,027	124,721,721
6 months to 1 year	554,787	669,040
1 to 2 years	127,425	128,640
2 to 3 years	17,696	—
Over 3 years	198,384,439	198,985,092
	<u>569,641,374</u>	<u>324,504,493</u>

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

	30 June 2015 (Unaudited)				31 December 2014			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and subject to separate assessment for provision	33,201,710	5.83%	(33,201,710)	100%	33,801,710	10.42%	(33,801,710)	100%
Subject to provision on the grouping basis								
Group C	<u>536,439,664</u>	<u>94.17%</u>	<u>(165,291,877)</u>	<u>30.81%</u>	<u>290,702,783</u>	<u>89.58%</u>	<u>(165,281,154)</u>	<u>56.86%</u>
	<u>569,641,374</u>	<u>100%</u>	<u>(198,493,587)</u>	<u>34.85%</u>	<u>324,504,493</u>	<u>100%</u>	<u>(199,082,864)</u>	<u>61.35%</u>

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

(3) Accounts receivable (Cont'd)

- (c) As at 30 June 2015, 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")	6,959,690	(6,959,690)	100%	(iii)
	<u>33,201,710</u>	<u>(33,201,710)</u>	100%	

- (i) The Company has ceased all business transactions with Nongken Brewery Company, 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, 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.

- (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 2015 (unaudited)			31 December 2014		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Amount	Ratio	Amount	Amount	Ratio
Within 6 months	370,557,027	—	—	124,721,721	—	—
6 months to 1 year	554,787	(27,739)	5%	669,040	(33,452)	5%
1 to 2 years	127,425	(63,713)	50%	128,640	(64,320)	50%
2 to 3 years	17,696	(17,696)	100%	—	—	—
Over 3 years	165,182,729	(165,182,729)	100%	165,183,382	(165,183,382)	100%
	<u>536,439,664</u>	<u>(165,291,877)</u>	<u>30.81%</u>	<u>290,702,783</u>	<u>(165,281,154)</u>	<u>56.86%</u>

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

(3) Accounts receivable (Cont'd)

- (e) The provisions for bad debts are RMB44,918, and the reversal provisions for bad debts are RMB633,542. The significant reversal provisions for bad debts are as follows:

Reason for reversal	Rationality of provision basis	Amount of reversal (unaudited)	Recovery way
Guangzhou General Agency	Partial collected in current period	The possibility of recovery is low in management's view <u>600,000</u>	Bank deposits

- (f) Accounts receivable of RMB653 (six months ended 30 June 2014: RMB6,592), that the management has no expectation of recovering additional cash, were written off with the approval of the Group financial department in current period.

- (g) As at 30 June 2015, the top five accounts receivable are analysed as follows:

	Amount (unaudited)	Provision of bad debts (unaudited)	% of total balance
Total amount of the top five accounts receivable	<u>54,636,535</u>	<u>(41,165,116)</u>	<u>9.59%</u>

- (h) As at 30 June 2015, there are no accounts receivables derecognised due to the transfer of financial assets (30 June 2014: nil).

(4) Other receivables

	30 June 2015 (unaudited)	31 December 2014
Fixed-income wealth management products (i)	220,147,726	—
Guarantee deposits	107,976,863	30,394,835
Receivables on construction and equipment (ii)	50,001,243	46,017,517
Staff advances	45,874,105	23,297,441
Payment on behalf of recycled bottles	26,836,346	6,081,251
Refund for prepayment of land use rights	17,441,647	17,441,647
Brand royalty (iii)	9,473,725	17,630,536
VAT refund	3,697,690	2,597,139
Others	<u>109,835,730</u>	<u>88,887,211</u>
	591,285,075	232,347,577
Less: provision for bad debts	<u>(69,049,961)</u>	<u>(68,763,627)</u>
	<u>522,235,114</u>	<u>163,583,950</u>

(4) Other receivables (Cont'd)

- (i) It represents two fixed-income wealth management products purchased in May and June 2015 by Finance Company, which is a subsidiary of the Company. These products are within one year, and the total principal is RMB220,000,000. As at 30 June 2015, the accrual interests are RMB147,726.
- (ii) It represents the construction and equipment receivables of Tsingtao Brewery Construction Co., Ltd. ("Construction Company"), Tsingtao Brewery Equipment Manufacture Co., Ltd ("Equipment Company") and Tsingtao Brewery Machinery and Equipment Co., Ltd. ("Machinery and Equipment Company"), all of which are subsidiaries of the Company, from the Company's associates Shanghai Songjiang Manufacturing Co., Ltd ("Songjiang Manufacturing"), Tsingtao Brewery (Suqian) Co., Ltd. ("Suqian Company"), Tsingtao Brewery (Yangzhou) Co., Ltd. ("Yangzhou Company") and Tsingtao Brewery (Xuzhou) Pengcheng Co., Ltd. ("Pengcheng Company") and the third parties (Note 7(5)).
- (iii) It represents the Company's brand royalty receivables from Songjiang Manufacturing, Tsingtao Brewery (Xuzhou) Co., Ltd. ("Xuzhou Company"), Pengcheng Company, Suqian Company, Yangzhou Company and China Jiangsu Suntory Food Co., Ltd. ("Suntory Jiangsu"), according to the "Brand and Advertising Services Contract" signed among the Company and these associates (Note 7(5)).
- (a) The ageing of other receivables is analysed below:

	30 June 2015 (unaudited)	31 December 2014
Within 6 months	514,731,002	159,420,717
6 months to 1 year	4,774,754	1,949,829
1 to 2 years	2,227,949	1,222,821
2 to 3 years	628,808	865,213
Over 3 years	68,922,562	68,888,997
	<u>591,285,075</u>	<u>232,347,577</u>

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

	30 June 2015 (unaudited)				31 December 2014			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and subject to separate assessment for provision	17,441,647	2.95%	(17,441,647)	100%	17,441,647	7.51%	(17,441,647)	100%
Subject to provision on the grouping basis								
Group A	5,358,691	0.91%	—	—	9,998,266	4.30%	—	—
Group C	568,484,737	96.14%	(51,608,314)	9.08%	204,907,664	88.19%	(51,321,980)	25.05%
	<u>591,285,075</u>	<u>100%</u>	<u>(69,049,961)</u>	<u>11.68%</u>	<u>232,347,577</u>	<u>100%</u>	<u>(68,763,627)</u>	<u>29.60%</u>

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

(4) Other receivables (Cont'd)

- (c) As at 30 June 2015, other receivables with amounts that are individually significant and that the related provision for bad debts is provided on the individual basis are analysed as follows:

	Ending balance (unaudited)	Provision for bad debts (unaudited)	Ratio	Reason
Refund for prepayment of land use rights	17,441,647	(17,441,647)	100%	(i)

- (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 of RMB8,584,437 and cost of buildings on this land of RMB8,857,210 to other receivables, and full bad debt provision has been made accordingly.
- (d) Other receivables that the related provision for bad debts is provided on grouping basis (Group C) using the ageing analysis method are analysed as follows:

	30 June 2015 (unaudited)			31 December 2014		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Amount	Ratio	Amount	Amount	Ratio
Within 6 months	513,060,495	—	—	151,853,165	—	—
6 months to 1 year	2,951,485	(147,574)	5%	1,180,115	(59,006)	5%
1 to 2 years	2,024,034	(1,012,017)	50%	1,222,821	(611,411)	50%
2 to 3 years	628,808	(628,808)	100%	865,213	(865,213)	100%
Over 3 years	49,819,915	(49,819,915)	100%	49,786,350	(49,786,350)	100%
	<u>568,484,737</u>	<u>(51,608,314)</u>	<u>9.08%</u>	<u>204,907,664</u>	<u>(51,321,980)</u>	<u>25.05%</u>

- (e) The provisions for bad debts are RMB578,097, and the reversal provision for bad debts are RMB291,763.
- (f) For the six months ended 30 June 2015, there is no other receivables written off (For the six months ended 30 June 2014: the other receivables written off are RMB2,775,957).

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

(4) Other receivables (Cont'd)

(g) As at 30 June 2015, the five largest other receivables are analysed as follows:

	Nature	Amount (unaudited)	Ageing	% of total balance	provision for bad debts
No.1	Fixed-income of financial management products	220,147,726	Within 6 months	37.23%	—
No.2	Guaranteed deposit	67,707,477	Within 6 months	11.45%	—
Suqian Company	Construction and brand royalty	25,037,184	Within 6 months	4.24%	—
Yangzhou Company	Construction and brand royalty	14,129,271	Within 6 months	2.39%	—
Suntory Jiangsu	Brand royalty	13,143,219	Within 6 months	2.22%	—
		<u>340,164,877</u>		<u>57.73%</u>	<u>—</u>

(5) Advances to suppliers

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

	30 June 2015 (unaudited)		31 December 2014	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	115,179,620	96.71%	188,308,026	98.25%
1 to 2 years	3,872,256	3.24%	3,319,554	1.73%
2 to 3 years	6,000	0.01%	—	—
Over 3 years	42,484	0.04%	45,347	0.02%
	<u>119,100,360</u>	<u>100%</u>	<u>191,672,927</u>	<u>100%</u>

As at 30 June 2015, advances to suppliers over 1 year with carrying amount of RMB3,920,740 (31 December 2014: RMB3,364,901) are mainly advances paid for materials, which are not fully settled due to production plan.

(b) As at 30 June 2015, the total amount of top five advances to suppliers are analysed as follows:

	Amount (unaudited)	% of total balance
Total amount of the top five advances to suppliers	<u>64,912,566</u>	<u>54.50%</u>

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

(6) Interests Receivable

	31 December 2014	Increase in current period (unaudited)	Decrease in current period (unaudited)	30 June 2015 (unaudited)
Interests Receivable	<u>171,660,445</u>	<u>169,919,562</u>	<u>(205,185,686)</u>	<u>136,394,321</u>

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

As at 30 June 2015, there is no interest receivable overdue (31 December 2014: nil).

(7) Dividends receivable

	30 June 2015 (unaudited)	31 December 2014
Dividends receivable of Yantai Asahi, a joint venture of the Company	<u>15,310,781</u>	<u>—</u>

(8) Inventories

(a) Classification of inventories is as follow:

	30 June 2015 (unaudited)			31 December 2014		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	667,414,707	(3,022,017)	664,392,690	656,883,671	(3,055,402)	653,828,269
Packaging materials	556,400,952	(10,048,567)	546,352,385	855,013,268	(10,262,020)	844,751,248
Low-value consumption goods	70,597,584	—	70,597,584	79,432,536	—	79,432,536
Material on consignment for further processing	85,505,924	—	85,505,924	24,105,809	—	24,105,809
Work in progress	377,384,854	—	377,384,854	388,393,264	—	388,393,264
Finished goods	265,351,344	—	265,351,344	496,315,980	—	496,315,980
	<u>2,022,655,365</u>	<u>(13,070,584)</u>	<u>2,009,584,781</u>	<u>2,500,144,528</u>	<u>(13,317,422)</u>	<u>2,486,827,106</u>

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

(8) Inventories (Cont'd)

(b) Movement of inventories is as follows:

	31 December 2014	Increase in current period (unaudited)	Decrease in current period (unaudited)	30 June 2015 (unaudited)
Raw materials	656,883,671	2,559,921,107	(2,549,390,071)	667,414,707
Packaging materials	855,013,268	3,556,273,345	(3,854,885,661)	556,400,952
Low-value consumption goods	79,432,536	218,523,849	(227,358,801)	70,597,584
Material on consignment for further processing	24,105,809	185,067,439	(123,667,324)	85,505,924
Work in progress	388,393,264	2,669,140,948	(2,680,149,358)	377,384,854
Finished goods	<u>496,315,980</u>	<u>9,625,420,019</u>	<u>(9,856,384,655)</u>	<u>265,351,344</u>
	<u>2,500,144,528</u>	<u>18,814,346,707</u>	<u>(19,291,835,870)</u>	<u>2,022,655,365</u>

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

	31 December 2014	Increase in current period (unaudited)	Decrease in current period (unaudited)		30 June 2015 (unaudited)
			Reversal	Write-off	
Raw materials	(3,055,402)	—	769	32,616	(3,022,017)
Packaging materials	<u>(10,262,020)</u>	<u>—</u>	<u>69,452</u>	<u>144,001</u>	<u>(10,048,567)</u>
	<u>(13,317,422)</u>	<u>—</u>	<u>70,221</u>	<u>176,617</u>	<u>(13,070,584)</u>

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

	Basis for provision	Reason for reversal
Raw materials and packaging materials	Estimated selling price less the estimated costs to completion and estimated expenses necessary to make the sale and related taxes	Reversal: increase in net realisable value Writing-off: used or sold in current period

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

(9) Other current assets

	30 June 2015 (unaudited)	31 December 2014
Prepaid enterprise income tax	399,831,416	451,721,398
Floating rate wealth management products) (i)	280,000,000	20,000,000
Input VAT	77,458,708	303,564,776
Others	<u>3,941,079</u>	<u>7,344,976</u>
	<u>761,231,203</u>	<u>782,631,150</u>

- (i) It represents three floating rate wealth management products purchased in January and March 2015 by Finance Company. These products are all within one year.

(10) Available-for-sale financial assets

	30 June 2015 (unaudited)	31 December 2014
Measured at cost (available-for-sale equity instruments)	9,261,821	8,961,821
Less: impairment allowance	<u>(8,653,179)</u>	<u>(8,653,179)</u>
	<u>608,642</u>	<u>308,642</u>

- (a) Available-for-sale financial assets measured at cost are as follows:

	31 December 2014	Increase in current period (unaudited)	Decrease in current period (unaudited)	30 June 2015 (unaudited)	Dividend distribution in current period (unaudited)
Cost of available- for-sale equity instruments					
— Qingdao Yingxiao Club	3,985,261	—	—	3,985,261	—
— Guangxi Beihai Real Estate Co., Ltd.	3,610,000	—	—	3,610,000	—
— Others	<u>1,366,560</u>	<u>300,000</u>	—	<u>1,666,560</u>	—
	<u>8,961,821</u>	<u>300,000</u>	<u>—</u>	<u>9,261,821</u>	<u>—</u>

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

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

(a) Available-for-sale financial assets measured at cost are as follows: (Cont'd)

	31 December 2014	Increase in current period (unaudited)	Decrease in current period (unaudited)	30 June 2015 (unaudited)
Provision of impairment				
— Qingdao Yingxiao Club	(3,985,261)	—	—	(3,985,261)
— Guangxi Beihai Real Estate Co., Ltd.	(3,610,000)	—	—	(3,610,000)
— Others	(1,057,918)	—	—	(1,057,918)
	<u>(8,653,179)</u>	<u>—</u>	<u>—</u>	<u>(8,653,179)</u>

The available-for-sale financial assets measured at cost mainly include the unlisted equity investments held by the Group which are not quoted in an active market and whose fair value cannot be reliably measured as the range of fair value reasonable estimates are large and probabilities for determining these estimates cannot be reasonably determined. The Group has no plan to dispose these investments.

(11) Long-term equity investments

	30 June 2015 (unaudited)	31 December 2014
Joint Venture – unlisted company (a)	228,849,927	221,117,360
Associates – unlisted company (b)	1,313,075,086	1,316,365,015
	1,541,925,013	1,537,482,375
Less: Provision for impairment of long-term equity investments	(1,220,000)	(1,220,000)
	<u>1,540,705,013</u>	<u>1,536,262,375</u>

There is no restriction on transfer to cash.

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

(a) A Joint Venture

	Investment cost	31 December 2014	Movement in current period (unaudited)				30 June 2015 (unaudited)	Equity interest held	Voting rights held	Impairment
			Net profit or loss adjusted on equity method	Adjustment of other comprehensive income	Cash dividend declared	Other changes				
Hebei Jiahe Company	231,469,400	221,117,360	7,732,567	—	—	—	228,849,927	50%	50%	—

The percentage of equity interests and voting right held by the Company are both 50% to Hebei Jiahe Company, so the Group owns joint control over Hebei Jiahe Company and accounts for it as a joint venture.

As at 30 June 2015, the Company has no unrecognised commitments related to the investment of joint venture.

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

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

(b) Associates

Accounting Method	Investment cost	31 December 2014	Movement in current period (unaudited)				30 June 2015 (unaudited)	Equity interest held	Voting rights held	Provision for impairment (unaudited)
			Share of net profit using the equity method	Share of other comprehensive income	Cash dividend declared	Other equity movement				
Suntory Tsingtao Brewery (Shanghai) Co., Ltd. ("Manufacturing Company")										
(i) Equity Method	1,141,123,402	1,152,888,578	3,436,907	—	—	1,156,325,485	50%	44.44%	—	
Yantai Asahi Equity Method	120,024,598	137,751,910	8,273,045	—	(15,310,781)	130,714,174	39%	39%	—	
Qingdao Zhaoshang Logistics Company Limited ("Zhaoshang Logistics")	6,000,000	20,213,625	2,873,254	—	(2,915,621)	20,171,258	30%	30%	—	
Liaoning Shenqing Tsingtao Brewery Company Limited ("Liaoning Shenqing")	600,000	2,606,987	(133,282)	—	—	2,473,705	30%	30%	—	
Tsingtao Brewery Import&Export S.A.R.L. ("European Company")	584,166	1,683,915	613,193	(126,644)	—	2,170,464	40%	40%	—	
Others	1,220,000	1,220,000	—	—	—	1,220,000			(1,220,000)	
		<u>1,316,365,015</u>	<u>15,063,117</u>	<u>(126,644)</u>	<u>(18,226,402)</u>	<u>1,313,075,086</u>			<u>(1,220,000)</u>	

- (i) The Group's percentage of equity interests in Manufacturing Company is 50%, while the voting rate is 44.44%. All decisions of operating activities are made by the Board of Directors in Manufacturing Company. There are 9 directors in total while 4 directors are from the Group, so the Group can exercise significant influence over Manufacturing Company and account for it as an associate. The other 5 directors are from Suntory (China) Investment Company Limited ("Suntory Company").

The share of net profit using the equity method is RMB3,436,907, including investment income RMB3,904,461 of net profit share based on the fair value adjustment and RMB467,554 of investment decrease due to the unrealised profit in transaction with the Manufacturing Company.

(12) Investment properties

	Buildings
31 December 2014	10,960,292
Depreciations in current period (unaudited)	(168,312)
Transferred to fixed assets (unaudited)	<u>(2,936,512)</u>
30 June 2015 (unaudited)	<u>7,855,468</u>

For the six months ended 30 June 2015, there is no investment properties measured at fair value in the Group (For the six months ended 30 June 2014: nil).

As at 30 June 2015, there is no investment properties without ownership certificates (31 December 2014: nil).

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

(13) Fixed assets

	Buildings	Machinery and equipments	Vehicles	Other equipments	Total
Cost					
31 December 2014	5,652,887,413	9,894,357,211	360,593,899	684,698,285	16,592,536,808
Increase in current period (unaudited)	379,992,391	458,402,674	8,036,642	36,434,049	882,865,756
Purchase	—	16,664,575	8,036,642	36,434,049	61,135,266
Transfer from construction in progress	375,165,316	441,738,099	—	—	816,903,415
Transfer from investment properties	4,827,075	—	—	—	4,827,075
Decrease in current period (unaudited)	(133,620,777)	(382,345,480)	(12,716,433)	(12,537,306)	(541,219,996)
Disposal	(125,130,586)	(249,063,462)	(12,716,433)	(12,537,306)	(399,447,787)
Transfer to construction in progress	(8,490,191)	(133,282,018)	—	—	(141,772,209)
30 June 2015 (unaudited)	5,899,259,027	9,970,414,405	355,914,108	708,595,028	16,934,182,568
Accumulated depreciation					
31 December 2014	(1,426,402,286)	(4,924,208,298)	(194,882,641)	(419,661,589)	(6,965,154,814)
Increase in current period (unaudited)	(79,134,733)	(249,856,525)	(15,288,447)	(37,716,908)	(381,996,613)
Accrual	(77,244,170)	(249,856,525)	(15,288,447)	(37,716,908)	(380,106,050)
Transfer from investment properties	(1,890,563)	—	—	—	(1,890,563)
Decrease in current period (unaudited)	73,417,207	243,767,308	10,557,534	10,475,962	338,218,011
Disposal	70,229,656	174,898,871	10,557,534	10,475,962	266,162,023
Transfer to construction in progress	3,187,551	68,868,437	—	—	72,055,988
30 June 2015 (unaudited)	(1,432,119,812)	(4,930,297,515)	(199,613,554)	(446,902,535)	(7,008,933,416)
Provision for impairment					
31 December 2014	(66,887,938)	(437,705,292)	(3,662,620)	(349,954)	(508,605,804)
Increase in current period — Accrual (unaudited)	(767,170)	(457,658)	—	(11,884)	(1,236,712)
Decrease in current period (unaudited)	10,980	62,475,425	127,267	2,203	62,615,875
Disposal	10,980	42,219,618	127,267	2,203	42,360,068
Transfer to construction in progress	—	20,255,807	—	—	20,255,807
30 June 2015 (unaudited)	(67,644,128)	(375,687,525)	(3,535,353)	(359,635)	(447,226,641)
Carrying amount					
30 June 2015 (unaudited)	4,399,495,087	4,664,429,365	152,765,201	261,332,858	9,478,022,511
31 December 2014	4,159,597,189	4,532,443,621	162,048,638	264,686,742	9,118,776,190

As at 30 June 2015, there are no fixed assets pledged as collateral for borrowings (31 December 2014: nil).

For the six months ended 30 June 2015, depreciation charged to fixed assets amounts to RMB380,106,050 (Six months ended 30 June 2014: RMB357,049,488), of which RMB336,380,116, RMB6,966,129 and RMB36,759,805 (Six months ended 30 June 2014: RMB313,777,668, RMB6,393,160 and RMB36,878,660) has been charged in cost of sales, selling and distribution expenses and general and administrative expenses, respectively.

For the six months ended 30 June 2015, the costs of fixed assets transferred from construction in progress amount to RMB816,903,415 (Six months ended 30 June 2014: RMB497,785,967).

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

(13) Fixed assets (Cont'd)

(a) Temporarily idle fixed assets

As at 30 June 2015, the buildings and the machinery and equipment with carrying amount of RMB40,340,133 (cost of RMB86,451,494) are temporarily idle for the reason of products update (31 December 2014: carrying amount of RMB30,268,786 (cost of RMB69,372,544)). Management planned to reallocate these assets among the Group. The detailed analysis of these assets is as follows:

	Cost (unaudited)	Accumulated depreciation (unaudited)	Provision for impairment (unaudited)	Carrying amount (unaudited)
Machinery and equipment	76,742,945	(40,325,920)	(20,422)	36,396,603
Buildings	9,708,549	(5,765,019)	—	3,943,530
	<u>86,451,494</u>	<u>(46,090,939)</u>	<u>(20,422)</u>	<u>40,340,133</u>

(b) Fixed assets held under finance leases

As at 30 June 2015, there is no fixed asset held under finance leases (31 December 2014: nil).

(c) Provision for impairment

According to the accounting policies stated in Note 2(19), the Group performs impairment testing on buildings, machinery and equipments with impairment indicator at the balance sheet date, and impairment of RMB1,236,712 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 2015 (unaudited)		31 December 2014	
	Cost	Carrying amount	Cost	Carrying amount
In the application process	423,409,000	308,058,000	444,708,000	329,537,000
Unable to obtain	130,533,000	49,783,000	130,533,000	51,288,000
	<u>553,942,000</u>	<u>357,841,000</u>	<u>575,241,000</u>	<u>380,825,000</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 4(16)).

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

(13) Fixed assets (Cont'd)

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

	Reason
Partial buildings of Shenzhen Asahi Company	In progress
Partial buildings of Sanshui Company	In progress
Partial buildings of Yulin Company	In progress
Partial buildings of Weinan Company	In progress
Partial buildings of Wuhu Company	In progress
Partial buildings of Suizhou Company	In progress
Partial buildings of Immense Brewery Company	In progress
Partial buildings of Luzhou Company	In progress
Partial buildings of Xiamen Company	In progress
Partial buildings of Wuwei Company	In progress
Partial buildings of Shaoguan Company	In progress
Partial buildings of Five Star Company	Temporary building, unable to obtain
Partial buildings of Xiamen Company	Lack of document, unable to obtain
Partial buildings of No.1 Factory	Lack of document, unable to obtain
Partial buildings of Malt Factory	Lack of document, unable to obtain
Partial buildings of Three Ring Company	Lack of document, unable to obtain
Partial buildings of Xuecheng Company	Lack of document, unable to obtain

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

(14) Construction in progress

	30 June 2015 (unaudited)			31 December 2014		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Relocation and renovation Project of Malt Factory	273,244,499	—	273,244,499	340,292,939	—	340,292,939
Relocation Project of Weinan Company	175,806,070	—	175,806,070	88,341,022	—	88,341,022
Production Line Improvement of No. 1 Factory	78,055,176	—	78,055,176	57,160,867	—	57,160,867
Relocation Project of Hansi Baoji Company	34,283,391	—	34,283,391	194,854,352	—	194,854,352
Production Line Improvement of Xingkaihu Company	26,883,985	—	26,883,985	10,632,206	—	10,632,206
New Factory Project of Zhangjiakou Company	15,580,826	—	15,580,826	13,522,040	—	13,522,040
Production Line Improvement of Xiamen Company	13,183,978	—	13,183,978	7,258,157	—	7,258,157
Production Line Improvement of Langfang Company	7,941,638	—	7,941,638	7,578,858	—	7,578,858
Production Line Improvement of Shenzhen Asahi Company	6,855,813	—	6,855,813	579,368	—	579,368
Production Line Improvement of No. 2 Factory	6,460,298	—	6,460,298	12,598,791	—	12,598,791
Production Line Improvement of Jiujiang Company	6,281,554	—	6,281,554	12,428,961	—	12,428,961
Relocation Project of Gansu Nongken Company	5,220,602	—	5,220,602	215,203,326	—	215,203,326
Production Line Improvement of Pingyuan Company	5,194,438	—	5,194,438	1,093,894	—	1,093,894
Production Line Improvement of Weifang Company	5,168,363	—	5,168,363	1,050,723	—	1,050,723
Production Line Improvement of Xi'an Company	4,923,658	—	4,923,658	1,696,745	—	1,696,745
Production Line Improvement of Nanning Company	4,161,192	—	4,161,192	4,918,806	—	4,918,806
Equipment installation of Fuzhou Company	3,722,513	—	3,722,513	1,445,663	—	1,445,663
Production Line Improvement of Hangzhou Company	3,703,714	—	3,703,714	283,019	—	283,019
New office building project of shanghai sales company	3,058,376	—	3,058,376	3,058,376	—	3,058,376
Production Line Improvement of No.3 Factory	3,025,833	—	3,025,833	33,014,376	—	33,014,376
Production Line Improvement of No.5 Factory	2,943,975	—	2,943,975	2,684,260	—	2,684,260
Production Line Improvement of No.4 Factory	2,723,991	—	2,723,991	717,647	—	717,647
Production Line Improvement of Three Ring Company	2,321,324	—	2,321,324	330,189	—	330,189
Production Line Improvement of Jinan Company	2,195,688	—	2,195,688	7,879	—	7,879
Production Line Improvement of Five stars Company	2,174,050	—	2,174,050	6,066,000	—	6,066,000

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

(14) Construction in progress (Cont'd)

	30 June 2015 (unaudited)			31 December 2014		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Instruments Installation of Headquarter	1,748,289	—	1,748,289	443,070	—	443,070
Production Line Improvement of Chengdu Company	1,388,596	—	1,388,596	528,818	—	528,818
Production Line Improvement of Shouguang Company	1,341,182	—	1,341,182	—	—	—
Production Line Improvement of Zhangzhou Company	1,190,815	—	1,190,815	—	—	—
Production Line Improvement of Immense Brewery Company	1,175,256	—	1,175,256	262,863	—	262,863
Production Line Improvement of Wuhu Company	987,166	—	987,166	2,733,341	—	2,733,341
Production Line Improvement of Hanzhong Company	974,381	—	974,381	2,500,694	—	2,500,694
Production Line Improvement of Suizhou Company	918,953	—	918,953	165,094	—	165,094
Production Line Improvement of Taizhou Company	885,149	—	885,149	3,190,758	—	3,190,758
Relocation Project of Harbin Company	869,946	—	869,946	5,471,634	—	5,471,634
Production Line Improvement of Zhuhai Company	767,093	—	767,093	202,991	—	202,991
Relocation Project of Sanshui Company	761,115	—	761,115	691,234	—	691,234
Production Line Improvement of Shijiazhuang Company	756,704	—	756,704	427,351	—	427,351
Production Line Improvement of Rizhao Company	742,051	—	742,051	—	—	—
Production Line Improvement of Lulansa Brewery	714,324	—	714,324	116,034	—	116,034
Other projects	5,501,413	—	5,501,413	18,363,719	—	18,363,719
	<u>715,837,378</u>	<u>—</u>	<u>715,837,378</u>	<u>1,051,916,065</u>	<u>—</u>	<u>1,051,916,065</u>

(14) Construction in progress (Cont'd)

(a) Movement in significant construction in progress

Name	Budget	31 December 2014	Increase in current period (unaudited)	Transfer to fixed assets (unaudited)	30 June 2015 (unaudited)	Proportion of expenditures incurred to budgeted amount	Progress of construction	Source of funds
Relocation Project of Malt Factory	422,500,000	340,292,939	37,012,827	(104,061,267)	273,244,499	93%	86%	Funding from convertible bonds
Relocation Project of Weinan Company	308,330,000	88,341,022	87,465,048	—	175,806,070	56%	53%	Self—funding
Production Line Improvement of No. 1 Factory	297,660,000	57,160,867	25,573,344	(4,679,035)	78,055,176	87%	85%	Self—funding
Relocation Project of Hansi Baiji Company	355,000,000	194,854,352	62,838,622	(223,409,583)	34,283,391	87%	87%	Self—funding
Production Line Improvement of Xingkaifu Company	255,000,000	10,632,206	16,251,779	—	26,883,985	14%	11%	Self—funding
New Factory Project of Zhangjiakou Company	400,000,000	13,522,040	2,058,786	—	15,580,826	4%	4%	Self—funding
Production Line Expansion of Xiamen Company	186,670,000	7,258,157	8,718,983	(2,793,162)	13,183,978	96%	95%	Self—funding
Production Line Improvement of Langfang Company	299,220,000	7,578,858	362,780	—	7,941,638	7%	3%	Self—funding
Production Line Improvement of Shenzhen Asahi	21,774,538	579,368	15,979,578	(9,703,133)	6,855,813	76%	76%	Self—funding
Production Line Improvement of No.2 Factory	396,661,000	12,598,791	7,082,087	(13,220,580)	6,460,298	5%	5%	Self—funding
New Factory Project of Jiujiang Company	40,120,000	12,428,961	14,166,645	(20,314,052)	6,281,554	66%	66%	Self—funding
Relocation Project of Gansu Nongken Company	296,200,000	215,203,326	8,738,023	(218,720,747)	5,220,602	83%	83%	Self—funding
Production Line Improvement of Pingyuan Company	10,899,196	1,093,894	4,591,896	(491,352)	5,194,438	76%	76%	Self—funding
Production Line Improvement of Weifang Company	14,362,000	1,050,723	10,987,082	(6,869,442)	5,168,363	88%	88%	Self—funding
Production Line Improvement of Xi'an Company	15,610,000	1,696,745	10,971,002	(7,744,089)	4,923,658	81%	81%	Self—funding
Production Line Improvement of Nanning Company	9,495,776	4,918,806	1,866,892	(2,624,506)	4,161,192	72%	71%	Self—funding
Equipment installation of Fuzhou Company	5,978,214	1,445,663	4,300,027	(2,023,177)	3,722,513	96%	96%	Self—funding
Production Line Improvement of Hangzhou Company	5,604,547	283,019	4,013,543	(592,848)	3,703,714	77%	77%	Self—funding
New office building project of Shanghai Sales Company	140,000,000	3,058,376	—	—	3,058,376	2%	2%	Self—funding
Production Line Improvement of No. 3 Factory	335,742,297	33,014,376	10,647,906	(40,636,449)	3,025,833	86%	82%	Self—funding
Production Line Improvement of No.5 Factory	20,021,996	2,684,260	7,327,085	(7,067,370)	2,943,975	82%	80%	Self—funding
Production Line Improvement of No.4 Factory	3,454,092	717,647	2,736,445	(730,101)	2,723,991	100%	99%	Self—funding
Production Line Improvement of Three Ring Company	12,214,327	330,189	10,540,589	(8,549,454)	2,321,324	89%	89%	Self—funding
Production Line Improvement of Jinan Company	4,848,262	7,879	2,794,520	(606,711)	2,195,688	67%	58%	Self—funding
Production Line Improvement of Five Stars Company	14,039,000	6,066,000	5,991,788	(9,883,738)	2,174,050	86%	86%	Self—funding
Instruments Installation of Headquarter	3,680,000	443,070	2,702,380	(1,397,161)	1,748,289	85%	85%	Self—funding
Production Line Improvement of Chengdu Company	2,397,143	528,818	1,393,513	(533,735)	1,388,596	80%	80%	Self—funding
Production Line Improvement of Shouguang Company	9,670,000	—	8,229,637	(6,888,455)	1,341,182	85%	85%	Self—funding
Production Line Improvement of Zhangzhou Company	1,680,064	—	1,293,037	(102,222)	1,190,815	77%	77%	Self—funding
Production Line Improvement of Immense Brewery Company	3,095,000	262,863	912,393	—	1,175,256	38%	38%	Self—funding
Production Line Improvement of Wuhu Company	6,612,556	2,733,341	2,905,182	(4,651,357)	987,166	90%	85%	Self—funding
Production Line Improvement of Hanzhong Company	6,193,662	2,500,694	2,563,816	(4,090,129)	974,381	82%	82%	Self—funding
Production Line Improvement of Suizhou Company	268,000,000	165,094	753,859	—	918,953	1%	1%	Self—funding
Production Line Improvement of Taizhou Company	7,983,162	3,190,758	4,105,286	(6,410,895)	885,149	91%	91%	Self—funding
Relocation Project of Harbin Company	239,900,000	5,471,634	3,723,091	(8,324,779)	869,946	98%	98%	Self—funding
Production Line Improvement of Zhuhai Company	9,880,700	202,991	8,711,742	(8,147,640)	767,093	90%	90%	Self—funding
Relocation Project of Sanshui Company	11,433,400	691,234	1,091,471	(1,021,590)	761,115	17%	16%	Self—funding
Production Line Improvement of Shijiazhuang Company	11,526,639	427,351	3,421,607	(3,092,254)	756,704	33%	33%	Self—funding
Production Line Improvement of Rizhao Company	9,004,094	—	8,636,743	(7,894,692)	742,051	96%	96%	Self—funding
Production Line Improvement of Lulansha Brewery	12,112,000	116,034	598,290	—	714,324	37%	6%	Self—funding
Other projects		18,363,719	66,765,404	(79,627,710)	5,501,413			
		<u>1,051,916,065</u>	<u>480,824,728</u>	<u>(816,903,415)</u>	<u>715,837,378</u>			

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

(14) Construction in progress (Cont'd)

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

For the six months ended 30 June 2015, there is no capitalised borrowing costs of construction in process in the Group (six months ended 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).

(b) Provision for impairment

As at 30 June 2015, there is no provision for impairment of construction in process accrued or written off.

(15) Fixed assets pending for disposal

	30 June 2015 (unaudited)	31 December 2014
Machinery and equipments	<u>19,457,579</u>	<u>17,965,978</u>

(16) Intangible assets

	Land use rights	Patents	Proprietary	Marketing network	Others	Total
Cost						
31 December 2014	2,030,358,583	415,988,313	18,629,100	974,935,670	296,806,879	3,736,718,545
Increase in current period						
— Purchase (unaudited)	104,194,998	—	—	—	14,183,574	118,378,572
30 June 2015(unaudited)	2,134,553,581	415,988,313	18,629,100	974,935,670	310,990,453	3,855,097,117
Accumulated amortisation						
31 December 2014	(319,866,688)	(171,126,326)	(18,629,100)	(346,510,942)	(100,001,213)	(956,134,269)
Increase in current period						
— Amortisation (unaudited)	(21,520,992)	(15,865,742)	—	(49,072,402)	(13,953,822)	(100,412,958)
30 June 2015(unaudited)	(341,387,680)	(186,992,068)	(18,629,100)	(395,583,344)	(113,955,035)	(1,056,547,227)
Net book value						
30 June 2015(unaudited)	1,793,165,901	228,996,245	—	579,352,326	197,035,418	2,798,549,890
31 December 2014	1,710,491,895	244,861,987	—	628,424,728	196,805,666	2,780,584,276

For the six months ended 30 June 2015, amortisation of intangible assets amount to RMB100,412,958, which is recognised in profit or loss for the current period (Six months ended 30 June 2014: RMB94,135,278, which is recognised in profit or loss for the current period).

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

(16) Intangible assets (Cont'd)

As at 30 June 2015, there are no intangible assets pledged as collateral for bank borrowings (31 December 2014: nil).

(a) As at 30 June 2015, the relevant legal procedures for certificates application of the Group's land use rights with carrying value of approximately RMB52,529,000 (31 December 2014: RMB53,339,000) 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 2015, 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 RMB31,951,000 as at 30 June 2015 (31 December 2014: RMB32,642,000). The Company's directors consider that there is no significant adverse impact on the operations of the Group.

(b) The land usage right is located in the mainland of China, between 10 to 50 years.

(17) Goodwill

	31 December 2014	Increase in current period (unaudited)	Decrease in current period (unaudited)	30 June 2015 (unaudited)
Goodwill —				
Immense Brewery Company	958,868,617	—	—	958,868,617
Lulansa Brewery	227,026,482	—	—	227,026,482
Huanan Region — Nanning Company	130,895,740	—	—	130,895,740
Dongnan Region — Fuzhou Company/Xiamen Company/Zhangzhou Company/Dongnan Sales Company	114,031,330	—	—	114,031,330
Huabei Region — Three Ring Company/Beifang Sales Company	24,642,782	—	—	24,642,782
Others	49,049,770	—	—	49,049,770
	<u>1,504,514,721</u>	—	—	1,504,514,721
<i>Less: provision for impairment (a) —</i>				
Immense Brewery Company	—	—	—	—
Lulansa Brewery	—	—	—	—
Huanan Region — Nanning Company	(130,895,740)	—	—	(130,895,740)
Dongnan Region — Fuzhou Company/Xiamen Company/Zhangzhou Company/Dongnan Sales Company	—	—	—	—
Huabei Region — Three Ring Company/Beifang Sales Company	(24,642,782)	—	—	(24,642,782)
Others	(41,872,217)	—	—	(41,872,217)
	<u>(197,410,739)</u>	—	—	(197,410,739)
	<u>1,307,103,982</u>	<u>—</u>	<u>—</u>	<u>1,307,103,982</u>

(17) 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 2015 (unaudited)	31 December 2014
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 is able to reflect the risks specific to related asset groups and groups of asset groups. The above assumptions are used to assess the recoverable amount of each asset group and group of asset groups.

(18) Long-term prepaid expenses

	31 December 2014	Increase in current period (unaudited)	Amortisation in current period (unaudited)	30 June 2015 (unaudited)
Decoration and renovation expenses	13,750,016	2,995,935	(2,123,676)	14,622,275
Gardening expenses	6,483,763	3,079,290	(2,289,312)	7,273,741
Factory hardening expenses	4,360,573	3,688,755	(882,494)	7,166,834
Rental charges	3,888,157	630,898	(684,203)	3,834,852
Occupancy expenses	1,600,000	—	(80,000)	1,520,000
Others	<u>2,492,008</u>	<u>772,104</u>	<u>(676,868)</u>	<u>2,587,244</u>
	<u>32,574,517</u>	<u>11,166,982</u>	<u>(6,736,553)</u>	<u>37,004,946</u>

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

(19) Deferred tax assets and deferred tax liabilities

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

	30 June 2015 (unaudited)		31 December 2014	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deductible losses	106,687,488	26,671,872	59,591,708	14,897,927
Provision for assets impairment	18,829,556	4,707,389	17,615,072	4,403,768
Deferred government grants	29,183,500	7,295,875	30,055,740	7,513,935
Elimination of intra-group unrealised profit	34,296,416	8,574,104	117,046,284	29,261,571
Accruals of expenses	3,327,375,056	831,843,764	2,672,649,440	668,162,360
	3,516,372,016	879,093,004	2,896,958,244	724,239,561
Including:			30 June 2015 (unaudited)	31 December 2014
Amount of reversal within 1 year (Including 1 year)			782,967,476	648,383,844
Amount of reversal beyond 1 year			96,125,528	75,855,717
			879,093,004	724,239,561

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

	30 June 2015 (unaudited)		31 December 2014	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combinations not under common control	580,083,888	145,020,972	624,870,956	156,217,739
The difference between carrying amount and tax base resulted from government grants charged in profit or loss of the current year	22,371,012	5,592,753	8,457,308	2,114,327
Depreciation of fixed assets	21,624,028	5,406,007	22,356,652	5,589,163
	624,078,928	156,019,732	655,684,916	163,921,229
Including:			30 June 2015 (unaudited)	31 December 2014
Amount of reversal within 1 year (Including 1 year)			25,530,169	30,843,169
Amount of reversal beyond 1 year			130,489,563	133,078,060
			156,019,732	163,921,229

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

(19) 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 2015 (unaudited)	31 December 2014
Deductible temporary differences	345,150,311	349,367,033
Deductible losses	1,568,855,462	1,638,556,236
	<u>1,914,005,773</u>	<u>1,987,923,269</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 RMB392,214,000 (31 December 2014: RMB409,639,000) arising from the accumulated losses that can set off against taxable incomes under tax laws in the five-year period from 2016 to 2020. 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 RMB86,288,000 (31 December 2014: RMB87,342,000) 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 2015 (unaudited)	31 December 2014
2015	—	181,246,239
2016	279,962,480	283,673,297
2017	347,894,047	352,640,046
2018	369,692,769	371,328,914
2019	356,348,384	449,667,740
2020	214,957,782	—
	<u>1,568,855,462</u>	<u>1,638,556,236</u>

- (e) Offsetted of deferred tax assets and liabilities:

	30 June 2015 (unaudited)		31 December 2014	
	Offsetting amount	Net amounts	Offsetting amount	Net amounts
Deferred tax assets	10,954,260	868,138,744	5,453,489	718,786,072
Deferred tax liabilities	10,954,260	145,065,472	5,453,489	158,467,740

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

(20) Provision for asset impairment

	31 December 2014	Increase in current period (unaudited)	Decrease in current period		30 June 2015 (unaudited)
			Reversal (unaudited)	Write-off (unaudited)	
Provision for bad debts	267,846,491	623,015	(925,305)	(653)	267,543,588
Including:					
Provision for bad debts of accounts receivable	199,082,864	44,918	(633,542)	(653)	198,493,587
Provision for bad debts of other receivables	68,763,627	578,097	(291,763)	—	69,049,961
Provision for decline in value of inventories	13,317,422	—	(70,221)	(176,617)	13,070,584
Provision for impairment of available-for-sale financial assets	8,653,179	—	—	—	8,653,179
Provision for impairment of long-term equity investments	1,220,000	—	—	—	1,220,000
Provision for impairment of fixed assets	508,605,804	1,236,712	—	(62,615,875)	447,226,641
Provision for impairment of investment properties	246,160	—	—	—	246,160
Provision for impairment of goodwill	197,410,739	—	—	—	197,410,739
	<u>997,299,795</u>	<u>1,859,727</u>	<u>(995,526)</u>	<u>(62,793,145)</u>	<u>935,370,851</u>

(21) Other non-current assets

	30 June 2015 (unaudited)	31 December 2014
Prepayments for construction and equipments	<u>142,682,754</u>	<u>76,626,751</u>

(22) Short-term borrowings

Classification of short-term borrowings

	Currency	30 June 2015 (unaudited)	31 December 2014
Unsecured loan (i)	HKD	303,777,078	27,168,683
Entrusted loan (ii)	RMB	44,844,992	107,960,037
Rediscounted bills (iii)	RMB	—	31,175,675
Guaranteed loan (iv)	HKD	—	266,648,200
		<u>348,622,070</u>	<u>432,952,595</u>

(22) Short-term borrowings (Cont'd)

Classification of short-term borrowings (Cont'd)

- (i) It represents borrowings of RMB266,546,800 (Original foreign currency: HKD338,000,000) to Hong Kong Company, a subsidiary of the Company, provided by the Bank of China Ltd Macau branch and borrowings of RMB37,230,278 (Original foreign currency: HKD47,210,000) to Shenzhen Tsingtao Brewery Asahi Co., Ltd. ("Shenzhen Asahi"), a subsidiary of the Company, provided by the Bank of Tokyo-Mitsubishi UFJ (China), Ltd. ("BTMU China") (31 December 2014: borrowings of RMB27,168,683 (Original foreign currency: HKD34,440,000) to Shenzhen Asahi provided by BTMU China).
- (ii) As at 30 June 2015, it represents borrowings entrusted to Shanghai Market Service and The Prince Sales by Suntory Company through banks, amounting to RMB18,050,795 and RMB26,794,197 (31 December 2014, it represents borrowings entrusted to Shanghai Market Service and The Prince Sales by Suntory Company through banks, amounting to RMB65,954,812 and RMB42,005,225) (Note 7(5)).
- (iii) As at 31 December 2014, it mainly represented the rediscounted acceptance notes with the PBOC by Finance Company.
- (iv) As at 31 December 2014, it represents the borrowings to Hong Kong company provided by the Bank of Communications Ltd Hong Kong branch, which is guaranteed by the Bank of Communications Ltd Qingdao branch through establishing the guaranteed letter, and the Company provide RMB291,000,000 as the counter guarantee, which has been repaid in May 2015 at maturity.

As at 30 June 2015, the weighted average interest rate of short-term borrowings is between 1.49%-3.30% annually (31 December 2014: 2.25%-3.30%).

(23) Notes payable

	30 June 2015 (unaudited)	31 December 2014
Trade acceptance notes	23,517,602	43,043,268
Bank acceptance notes	80,899,174	48,704,857
	<u>104,416,776</u>	<u>91,748,125</u>

Other cash balances of RMB2,927,127 (31 December 2014: RMB3,701,400) are pledged as collateral for insurance of bank acceptance notes (Note 4(1)).

As at 30 June 2015, all notes payable are due within six months.

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

(24) Accounts payable

	30 June 2015 (unaudited)	31 December 2014
Payable for materials purchase	2,756,526,340	1,711,096,325
Payable for beer purchase from related parties (<i>Note 7(5)</i>)	1,056,993,613	742,975,403
Payable for promotional goods	49,067,168	38,999,836
Others	1,334,768	1,097,375
	<u>3,863,921,889</u>	<u>2,494,168,939</u>

(a) As at 30 June 2015, accounts payable over 1 year with carrying amount of RMB44,233,345 (31 December 2014: RMB38,777,173) are mainly payables for materials purchase, for which final settlement has not yet been completed.

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

	30 June 2015 (unaudited)	31 December 2014
Within 1 year	3,819,688,544	2,455,391,766
1 to 2 years	19,215,819	13,592,341
2 to 3 years	7,168,368	8,486,995
Over 3 years	17,849,158	16,697,837
	<u>3,863,921,889</u>	<u>2,494,168,939</u>

(25) Advances from customers

	30 June 2015 (unaudited)	31 December 2014
Advances on sales of beer	<u>647,086,762</u>	<u>787,924,958</u>

As at 30 June 2015, advances from customers over 1 year with carrying amount of approximately RMB12,624,492 (31 December 2014: RMB11,066,878) 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.

(26) Employee benefits payable

	30 June 2015 (unaudited)	31 December 2014
Short-term employee benefits (<i>a</i>)	817,469,143	729,256,984
Defined contribution plans (<i>b</i>)	26,647,013	24,219,212
Termination benefits (<i>c</i>)	92,245,063	98,706,409
Defined benefit obligations (<i>d</i>)	14,231,744	14,486,043
	<u>950,592,963</u>	<u>866,668,648</u>

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

(26) Employee benefits payable (Cont'd)

(a) Short-term employee benefits

	31 December 2014	Increase in current period (unaudited)	Decrease in current period (unaudited)	30 June 2015 (unaudited)
Wages and salaries, bonus, allowances and subsidies	483,278,751	1,406,038,192	(1,355,050,984)	534,265,959
Staff welfare	87,587	76,223,112	(73,504,950)	2,805,749
Social security contributions	14,257,421	108,847,630	(107,604,311)	15,500,740
Including: Medical insurance	10,716,798	89,342,996	(88,647,239)	11,412,555
Work injury insurance	1,530,014	10,457,608	(10,117,788)	1,869,834
Maternity insurance	2,010,609	9,047,026	(8,839,284)	2,218,351
Housing funds	17,423,853	109,510,393	(109,391,917)	17,542,329
Labour union funds and employee education funds	214,209,372	64,981,095	(31,836,101)	247,354,366
	<u>729,256,984</u>	<u>1,765,600,422</u>	<u>(1,677,388,263)</u>	<u>817,469,143</u>

(b) Defined contribution plans

	31 December 2014	Increase in current period (unaudited)	Decrease in current period (unaudited)	30 June 2015 (unaudited)
Basic pensions	20,044,155	204,192,369	(202,462,331)	21,774,193
Unemployment insurance	4,175,057	13,450,494	(12,752,731)	4,872,820
	<u>24,219,212</u>	<u>217,642,863</u>	<u>(215,215,062)</u>	<u>26,647,013</u>

(c) Termination benefits

	30 June 2015 (unaudited)	31 December 2014
Early retirement benefits payable (due within one year) (Note 4(34))	90,923,470	97,013,711
Other termination benefits (i)	<u>1,321,593</u>	<u>1,692,698</u>
	<u>92,245,063</u>	<u>98,706,409</u>

(i) For the six months ended 30 June 2015, the Group's other termination benefits paid for termination of the employment relationship is RMB6,503,831, because of subsidiaries' relocation and other events.

(d) Defined benefit obligations

	30 June 2015 (unaudited)	31 December 2014
Supplemental retirement benefits (due within one year) (Note 4(34))	<u>14,231,744</u>	<u>14,486,043</u>

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

(27) Taxes payable

	30 June 2015 (unaudited)	31 December 2014
Enterprise income tax	215,513,009	113,240,519
Consumption tax	202,187,409	59,375,803
VAT	184,710,795	16,554,579
City maintenance and construction tax	30,945,955	5,609,330
Education surcharge	24,800,279	6,439,127
Business tax	9,547,773	4,664,057
Others	54,854,085	43,312,123
	<u>722,559,305</u>	<u>249,195,538</u>

(28) Dividends payable

	30 June 2015 (unaudited)	31 December 2014
Dividends payable to common shareholders	313,161,128	—
Dividends payable to abroad shareholders	294,781,130	—
Dividends payable to minority shareholders of subsidiary companies	1,137,929	—
	<u>609,080,187</u>	<u>—</u>

(29) Other payables

	30 June 2015 (unaudited)	31 December 2014
Accruals for marketing expenses	2,109,682,992	1,838,126,307
Guarantee deposits	828,273,248	850,600,819
Payables to vendors of construction, machinery and equipment	630,523,521	770,944,679
Accruals for transportation expenses	438,995,212	122,058,687
Accruals for advertising expenses	168,491,166	79,551,835
Deposits of Financial Company from related party (i)	145,987,143	37,190,491
Accruals for water, electricity and steam expenses	63,750,213	35,344,796
Accruals for labour expenses	63,739,892	48,623,815
Accruals for general and administrative expenses	46,195,228	52,915,645
Investment payable (ii)	30,450,000	125,000,000
Withholding social expenses for staff	22,046,980	11,334,634
Others	359,510,515	327,620,342
	<u>4,907,646,110</u>	<u>4,299,312,050</u>

- (i) It represents deposits of Financial Company from associates of Manufacturing Company, Songjiang Manufacturing, Suqian Company, Yangzhou Company, Pengcheng Company, Xuzhou Company and Yantai Asahi.
- (ii) As at 30 June 2015, the investment payables include unpaid equity investment of Lulansu Brewery of RMB20,000,000, minority shareholders' equity of Tsingtao Brewery (Hanzhong) Co., Ltd. ("Hanzhong Company") of RMB5,450,000 (Note 4(36)) and unpaid equity investment of Hebei Jiahe company of RMB5,000,000.

As at 30 June 2015, other payables over 1 year with carrying amount of RMB462,812,619 (31 December 2014: RMB555,132,800) are mainly liabilities incurred on acquisition of subsidiaries, payables to vendors of construction, machinery and equipments.

(30) Current portion of non-current liabilities

	30 June 2015 (unaudited)	31 December 2014
Current portion of long-term borrowings (a)	<u>1,431,387</u>	<u>1,561,421</u>

(a) Current portion of long-term borrowings

	Currency	30 June 2015 (unaudited)	31 December 2014
Guaranteed (Note 4(31))	EUR	1,076,779	1,168,580
Guaranteed (Note 4(31))	DKK	<u>354,608</u>	<u>392,841</u>
		<u>1,431,387</u>	<u>1,561,421</u>

As at 30 June 2015, there are no overdue borrowings (31 December 2014: nil). Guarantee details please refer to Note 4(31).

(31) Long-term borrowings

	Currency	30 June 2015 (unaudited)	31 December 2014
Guaranteed (i)	EUR	513,455	557,231
Guaranteed (ii)	DKK	<u>1,862,800</u>	<u>2,227,500</u>
		<u>2,376,255</u>	<u>2,784,731</u>

As at 30 June 2015, guaranteed long-term borrowings include:

- (i) Bank guaranteed borrowing of RMB1,590,234 (Original foreign currency: EUR231,479) (31 December 2014: RMB1,725,811 (Original foreign currency: EUR231,479)) 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 RMB1,076,779 (31 December 2014: RMB1,168,580);
- (ii) Bank guaranteed borrowing of RMB2,217,408 (Original foreign currency: DKK2,380,726) (31 December 2014: RMB2,620,341 (Original foreign currency: DKK2,587,991)) 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 354,608 (31 December 2014: RMB392,841).

As at 30 June 2015 and 31 December 2014, the long-term borrowings are all interest-free loan.

(34) Long-term employee benefits payable

	30 June 2015 (unaudited)	31 December 2014
Early retirement benefits (a)	382,794,068	374,294,592
Supplemental retirement benefits (b)	234,428,607	228,356,138
	617,222,675	602,650,730
<i>Less:</i> Payable within one year	(105,155,214)	(111,499,754)
	512,067,461	491,150,976

(a) Early retirement benefits

Some employees of the Group have been early retired. As at the balance sheet date, the main actuarial assumptions used in estimating the early retirement benefits payable by the Group are as follows:

	30 June 2015 (unaudited)	31 December 2014
Discount rate (Yield-to-maturity of the government bond with the same term and fixed interest rate)	1.74% - 4.03%	3.26% - 4.10%

Early retirement benefits recognised in profit or loss for the current period:

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
General and administrative expenses	55,512,512	30,069,231
Financial expenses	6,931,308	8,654,307

(b) Supplemental retirement benefits

Supplemental retirement benefits are provided to those retired employees who met certain criteria and the benefit plan were approved by Board's meeting. The benefits they can receive depend on their position and seniority at the time of retirement. Such defined benefit obligations were calculated by the external independent actuary Towers Watson & Co., using the projected unit credit method.

(i) Supplemental retirement benefits obligation of the Group:

	30 June 2015 (unaudited)	31 December 2014
Defined benefit obligation	234,428,607	228,356,138
<i>Less:</i> fair value of plan assets	—	—
Defined benefit obligation liabilities	234,428,607	228,356,138

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

(34) Long-term employee benefits payable (Cont'd)

(b) Supplemental retirement benefits (Cont'd)

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

	Present value of the defined benefit obligation
As at 1 January 2015	228,356,138
Amount recognised in profit or loss in current period	
— Service cost (unaudited)	9,268,922
— Interest cost on the net defined benefit obligation (unaudited)	4,139,508
Payment (unaudited)	<u>(7,335,961)</u>
As at 30 June 2015 (unaudited)	<u>234,428,607</u>

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

	30 June 2015 (unaudited)	31 December 2014
Discount rate	<u>3.75%</u>	<u>3.75%</u>

Mortality refers to China Life Insurance Mortality Table (2000-2003).

(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 2.59%	Increase by 2.71%

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 (31 December 2014: nil).

(vi) The weighted average duration of the defined benefit obligation is 10.6 years (31 December 2014: 10.6 years).

(vii) There are no separate trustee-administered assets to reimburse the expenditure of the defined benefit obligation in the Group (31 December 2014: nil).

(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.

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

(35) Share capital

	31 December 2014	Current period movement		30 June 2015 (unaudited)
		Others (unaudited)	Subtotal (unaudited)	
Shares with unlimited sales conditions —				
RMB-denominated ordinary shares	695,913,617	—	—	695,913,617
Foreign shares listed overseas	655,069,178	—	—	655,069,178
	<u>1,350,982,795</u>	<u>—</u>	<u>—</u>	<u>1,350,982,795</u>
	31 December 2013	Current year additions and reductions		30 June 2014 (unaudited)
		Others (unaudited)	Subtotal (unaudited)	
Shares with unlimited sales conditions —				
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>

(36) Capital surplus

	31 December 2014	Increase in current period (unaudited)	Decrease in current period (unaudited)	30 June 2015 (unaudited)
Share premium	3,992,428,160	—	—	3,992,428,160
Other capital surplus —	86,970,991	(5,652,859)	—	81,318,132
Share of changes in equity other than comprehensive income and profit distribution of investees accounted for using the equity method	(9,120,011)	—	—	(9,120,011)
Transfer of capital surplus recognised under the previous accounting system	91,701,228	—	—	91,701,228
Others (i)	4,389,774	(5,652,859)	—	(1,263,085)
	<u>4,079,399,151</u>	<u>(5,652,859)</u>	<u>—</u>	<u>4,073,746,292</u>

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

(36) Capital surplus (Cont'd)

	31 December 2013	Increase in current period (unaudited)	Decrease in current period (unaudited)	30 June 2014 (unaudited)
Share premium	3,992,428,160	—	—	3,992,428,160
Other capital surplus —	86,970,991	—	—	86,970,991
Share of changes of equity other than comprehensive income and profits distribution of investees accounted for using the equity method	(9,120,011)	—	—	(9,120,011)
Transfer of capital surplus recognised under the previous accounting system	91,701,228	—	—	91,701,228
Others	4,389,774	—	—	4,389,774
	<u>4,079,399,151</u>	<u>—</u>	<u>—</u>	<u>4,079,399,151</u>

- (i) According to resolution at the Board of Directors' meeting, the Company purchased 34% non-controlling interests by RMB27,250,000 from minority shareholders of Hanzhong Company, a subsidiary of the Company. Equity transfer procedures have been completed in February 2015. The difference of RMB5,712,344 between the increase in the cost of long-term equity investments as a result of acquisition of non-controlling 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 has been adjusted against the capital surplus. As of 30 June 2015, the Company has paid RMB21,800,000 for equity transfer, and RMB5,450,000 has not been paid.

Hanzhong Company, purchased 34% non-controlling interests by RMB210,000 from Hansheng Commerce Co., Ltd.'s minority shareholders. Equity transfer procedures have been completed in March 2015. The difference of RMB59,485 between the increase in the cost of long-term equity investments as a result of acquisition of non-controlling 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 has been recognised in the capital surplus. As of 30 June 2015, equity transfer amount has been fully paid.

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

(38) Surplus reserve

	31 December 2014	Increase in current period (unaudited)	Decrease in current period (unaudited)	30 June 2015 (unaudited)
Statutory surplus reserve	<u>1,216,339,469</u>	<u>—</u>	<u>—</u>	<u>1,216,339,469</u>
	31 December 2013	Increase in current period (unaudited)	Decrease in 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>

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.

(39) General reserve

	31 December 2014	Increase in current period (unaudited)	Decrease in current period (unaudited)	30 June 2015 (unaudited)
General reserve	<u>66,981,927</u>	<u>—</u>	<u>—</u>	<u>66,981,927</u>
	31 December 2013	Increase in current period (unaudited)	Decrease in current period (unaudited)	30 June 2014 (unaudited)
General reserve	<u>80,642,253</u>	<u>—</u>	<u>—</u>	<u>80,642,253</u>

Pursuant to Caijin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions" issued by the Ministry of Finance, Finance Company, a subsidiary of the Company, appropriates general reserve by 1.2% of the ending balance of the risk assets, based on its risk consideration.

(40) Undistributed profits

	Six months ended 30 June 2015 Amount (unaudited)	Six months ended 30 June 2014 Amount (unaudited)
Undistributed profits at the beginning of the period	8,663,818,498	7,424,872,728
Add: Net profit attributable to shareholders of the Company for the current period	1,198,721,948	1,404,661,148
Less: Ordinary shares dividend payable	(607,942,258)	(607,942,258)
Undistributed profits at the end of the period	<u>9,254,598,188</u>	<u>8,221,591,618</u>

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

(40) Undistributed profits (Cont'd)

As at 30 June 2015, included in the undistributed profits, RMB695,309,548 is subsidiaries' surplus reserve attributable to the Company (31 December 2014: RMB695,309,548).

In accordance with the resolution at the Annual General Meeting on 16 June 2015, 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 (2014: 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). As at 30 June 2015, the dividend has not been paid yet.

(41) Revenue and cost of sales

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Revenue from main operation (a)	15,842,763,003	16,730,266,832
Revenue from other operations (b)	223,831,118	227,801,220
	<u>16,066,594,121</u>	<u>16,958,068,052</u>
	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Cost of main operation (a)	(9,680,116,688)	(9,998,223,382)
Cost of other operations (b)	(142,288,189)	(146,824,873)
	<u>(9,822,404,877)</u>	<u>(10,145,048,255)</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 2015 (unaudited)		Six months ended 30 June 2014 (unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sales of Beer	<u>15,842,763,003</u>	<u>(9,680,116,688)</u>	<u>16,730,266,832</u>	<u>(9,998,223,382)</u>

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

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

(b) Revenue and cost of other operations

	Six months ended 30 June 2015 (unaudited)		Six months ended 30 June 2014 (unaudited)	
	Revenue from other operations	Cost of other operations	Revenue from other operations	Cost of other operations
Sale of materials and scraps	44,636,780	(45,798,454)	44,164,778	(45,427,782)
Sale of packaging materials	56,792,021	(16,043,768)	75,909,833	(35,980,915)
Transportation service	20,263,388	(20,857,294)	23,423,088	(25,330,436)
Others	102,138,929	(59,588,673)	84,303,521	(40,085,740)
	223,831,118	(142,288,189)	227,801,220	(146,824,873)

(42) Taxes and surcharges

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)	Tax basis
	Consumption tax	930,943,143	
City maintenance and construction tax	141,520,542	153,278,842	Note 3
Education surcharge	107,212,687	115,135,439	Note 3
Business tax	3,268,768	5,258,892	Note 3
Others	83,300	15,695	
	1,183,028,440	1,272,218,033	

(43) Expenses classified by nature

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
	Materials consumption	6,094,294,030
Employee benefit expense	2,054,528,547	1,881,433,646
Beer purchase	1,950,325,068	1,970,623,946
Promotion-related expenses	965,292,638	1,204,207,955
Transportation expenses and handling charges	810,158,579	800,196,858
Depreciation and amortisation expenses	487,423,873	457,310,036
Advertising and related expenses	293,505,738	453,866,289
Changes in inventories of finished goods, work in progress and material on consignment for further processing	241,973,046	294,706,828
Repair expenses	153,432,291	159,982,774
Administrative and business travel expenses	131,980,362	154,207,312
Service charges	93,573,048	88,630,273
Tax expenses	87,867,339	80,664,359
Amortisation expenses of package	65,744,703	82,333,391
Rental expenses	64,131,958	59,213,144
Others	116,443,128	129,029,490
Total cost, selling and distribution expenses and general and administrative expenses	13,610,674,348	14,216,353,319

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

(44) Financial expenses – net

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Interest expense	3,980,528	24,735,403
Including: Bank borrowings	3,920,036	4,992,813
Debentures payable	—	19,692,246
Discounted note	60,492	50,344
Less: Interest income	(169,919,562)	(211,977,314)
Exchange losses/(gains)	3,331,739	(662,085)
Unrecognised financing charge	11,070,816	8,654,307
Others	3,921,214	5,327,038
	<u>(147,615,265)</u>	<u>(173,922,651)</u>

As at 30 June 2015 and 31 December 2014, the Group's interest expenses by repayment term of bank borrowings and debentures payable are wholly repayable within five years.

(45) Investment income

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Income from long-term equity investment under equity method	24,127,694	35,087,117
Investment income from wealth management products of Financial Company	1,165,614	—
Others	299,998	(299,998)
	<u>25,593,306</u>	<u>34,787,119</u>

There is no significant restriction on recovery of investment income.

For the six months ended 30 June 2015 and 30 June 2014, investment income of the Group was from unlisted investments.

(46) Asset impairment losses

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Reversal of bad debts	(302,290)	(868,924)
Reversal of decline in the values of inventories	(70,221)	(161,900)
Impairment loss of fixed assets	1,236,712	—
	<u>864,201</u>	<u>(1,030,824)</u>

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

(47) Non-operating income

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Government grants (a)	274,651,110	214,819,804
Gain on unpaid debts	867,774	1,269,287
Penalty gains	489,222	347,418
Gain on disposal of non-current assets	479,332	1,370,513
Including: Gains on disposal of fixed assets	479,332	1,370,513
Others	<u>3,834,857</u>	<u>4,604,704</u>
	<u>280,322,295</u>	<u>222,411,726</u>

For six months ended 30 June 2015, all non-operating income has been recognised in non-recurring profit or loss.

(a) Details of government grants

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)	Note
Relocation compensation	118,705,513	69,004,419	Relocation compensation for manufacturing factories
Enterprise development and project support fund	113,541,285	105,728,164	Subsidies for enterprise development and project support
Tax return	3,684,913	12,742,384	Return of certain portion of tax paid
Others	<u>38,719,399</u>	<u>27,344,837</u>	
	<u>274,651,110</u>	<u>214,819,804</u>	

(48) Non-operating expenses

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Losses on disposal of non-current assets	74,677,547	15,646,360
Including: Losses on disposal of fixed assets	74,677,547	12,057,911
Losses on disposal of intangible assets	—	3,588,449
Compensation and overdue fine	761,955	511,000
Penalty losses	747,887	83,950
Public welfare donations	540,000	243,196
Others	<u>997,184</u>	<u>4,937,085</u>
	<u>77,724,573</u>	<u>21,421,591</u>

For the six months ended 30 June 2015, non-operating expenses are totally recognised in non-recurring profit or loss.

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

(49) Income tax expenses

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax	588,802,303	569,714,716
Current profits tax calculated according to tax law and related regulations in Hong Kong — Hong Kong profits tax	1,549,926	1,231,799
Current profits supplemental tax calculated according to tax law and related regulations in Macau — Macau profits supplemental tax	691,636	693,982
Deferred income tax	<u>(162,754,940)</u>	<u>(129,169,874)</u>
	<u>428,288,925</u>	<u>442,470,623</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 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Total profit	<u>1,647,833,425</u>	<u>1,880,227,429</u>
Income tax expenses calculated at applicable tax rates	410,608,931	468,522,194
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	7,758,821	6,501,040
Income not subject to tax	(12,530,128)	(30,320,883)
Utilisation of previously unrecognised deferred tax assets	(38,999,410)	(39,887,467)
Tax impact for which no deferred tax asset was recognised	<u>61,450,711</u>	<u>37,655,739</u>
Income tax expenses	<u>428,288,925</u>	<u>442,470,623</u>

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

(50) 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 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	1,198,721,948	1,404,661,148
Weighted average number of ordinary shares outstanding	1,350,982,795	1,350,982,795
Basic earnings per share	0.887	1.040
Including:		
— Basic earnings per share relating to continuing operations	0.887	1.040

(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 2015 (Six months ended 30 June 2014: nil), diluted earnings per share equal to basic earnings per share.

(51) Notes to consolidated cash flow statement

(a) Cash received relating to other operating activities

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Deposits	191,277,832	359,778,016
Government grants	177,607,853	145,252,457
Income from sales of materials and scraps	132,977,276	126,540,676
Deposits of Finance Company from related party	108,744,145	107,678,109
Others	124,634,746	125,327,931
	735,241,852	864,577,189

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

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

(b) Cash paid relating to other operating activities

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Transportation expenses	558,094,280	716,188,676
Marketing and promotion expenses	324,126,940	388,400,779
Advertising expenses	240,857,982	467,353,098
Deposits	197,052,027	121,324,962
Administrative expense	123,281,987	133,122,027
Others	218,921,049	174,597,289
	<u>1,662,334,265</u>	<u>2,000,986,831</u>

(c) Cash received relating to other investing activities

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Interest income of Finance Company	192,079,481	224,267,090
Government compensation for relocation and expansion projects	181,849,027	117,829,050
Receipt of tender deposits, etc.	8,466,018	6,783,059
	<u>382,394,526</u>	<u>348,879,199</u>

(d) Cash paid relating to other investing activities

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Deposit reserve of Finance Company	189,760,000	87,630,000
Payment of tender deposits, etc.	12,290,468	16,331,235
	<u>202,050,468</u>	<u>103,961,235</u>

(e) Cash received relating to other financing activities

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Withdraw of borrowing deposit	291,000,000	—
Interest of borrowing deposit	13,095,000	—
	<u>304,095,000</u>	<u>—</u>

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

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

(f) Cash paid relating to other financing activities

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Loan Margin	—	291,000,000
Others	<u>1,057,823</u>	<u>791,653</u>
	<u><u>1,057,823</u></u>	<u><u>291,791,653</u></u>

(52) Supplementary information to consolidated cash flow statements

(a) Supplementary information to consolidated cash flow statements

Reconciliation from net profit to cash flows from operating activities:

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Net profit	1,219,544,500	1,437,756,806
<i>Add:</i> Provisions for asset impairment	864,201	(1,030,824)
Depreciation of fixed assets and investment properties	380,274,362	357,249,350
Amortisation of intangible assets	100,412,958	94,135,278
Amortisation of long-term prepaid expenses	6,736,553	5,925,408
Losses on disposal of fixed assets and intangible assets	74,198,215	14,275,847
Financial expenses	(145,999,216)	(185,952,267)
Investment income	(25,593,306)	(34,787,119)
Increase in deferred tax assets	(149,352,672)	(118,521,699)
Decrease in deferred tax liabilities	(13,402,268)	(10,648,175)
Decrease in inventories	476,170,659	424,435,439
Decrease/(increase) in operating receivables	919,948	(87,510,201)
Increase in operating payables	<u>2,496,345,404</u>	<u>2,080,984,587</u>
Net cash flows from operating activities	<u><u>4,421,119,338</u></u>	<u><u>3,976,312,430</u></u>

(b) Net increase in cash and cash equivalent

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Cash at the end of the period (c)	8,633,188,172	8,447,182,016
<i>Less:</i> Cash at the beginning of the period	<u>(5,266,389,764)</u>	<u>(7,394,904,648)</u>
Net increase in cash	<u><u>3,366,798,408</u></u>	<u><u>1,052,277,368</u></u>

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

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

(c) Cash and cash equivalent

	30 June 2015 (unaudited)	30 June 2014 (unaudited)
Cash (Note 4(1))	8,633,188,172	8,447,182,016
Including: Cash on hand	551,175	447,732
Cash at bank that can be readily drawn on demand	8,632,636,997	8,446,734,284
Cash at end of period	<u>8,633,188,172</u>	<u>8,447,182,016</u>

(53) Foreign currency items

	30 June 2015 (unaudited)		
	Foreign currency amount	Currency rate	RMB amount
Cash at bank and cash on hand —			
US dollar	14,751,032	6.1136	90,181,909
<i>HK dollar</i>	65,236,312	0.7886	51,445,356
Macau Pataca	26,447,920	0.7778	20,571,192
Euro	2,583,255	6.8699	17,746,704
Accounts receivable —			
HK dollar	47,994,027	0.7886	37,848,090
US dollar	3,187,121	6.1136	19,484,783
<i>Euro</i>	2,104,709	6.8699	14,459,140
Macau Pataca	5,252,115	0.7778	4,085,095
Canadian dollar	307,153	4.9232	1,512,176
Other receivables —			
US dollar	11,074,895	6.1136	67,707,477
HK dollar	1,984,841	0.7886	1,565,246
Short-term borrowing —			
HK dollar	385,210,000	0.7886	303,777,078
Other payables —			
HK dollar	8,676,377	0.7886	6,842,191
US dollar	389,051	6.1136	2,378,502
Macau Pataca	147,165	0.7778	114,465
Current portion of non-current liabilities —			
Euro	156,739	6.8699	1,076,779
Danish Kroner	380,726	0.9314	354,608
Long-term borrowing —			
Danish Kroner	2,000,000	0.9314	1,862,800
Euro	74,740	6.8699	513,455

5. INTERESTS IN OTHER ENTITIES

(1) Interests in subsidiaries

(a) The structure of the Group

Name	Place of main operation	Place of registration	Nature of business	Share proportion		Acquisition method
				Directly	Indirectly	
Shenzhen Tsingtao Brewery Huanan Holding Co., Ltd. ("Huanan Holding Company")	Shenzhen, the PRC	Shenzhen, the PRC	Finance	100%	—	Establishment or investment
Tsingtao Brewery (Zhuhai) Co., Ltd. ("Zhuhai Company")	Zhuhai, the PRC	Zhuhai, the PRC	Manufacturing	—	100%	Establishment or investment
Tsingtao Brewery (Huangshi) Co., Ltd. ("Huangshi Company")	Huangshi, the PRC	Huangshi, the PRC	Manufacturing	97.18%	2.82%	Establishment or investment
Tsingtao Brewery (Yingcheng) Co., Ltd. ("Yingcheng Company")	Yingcheng, the PRC	Yingcheng, the PRC	Manufacturing	89.91%	10.09%	Establishment or investment
Shenzhen Huanan Tsingtao Brewery Sales Co., Ltd. ("Huanan Sales Company")	Guangdong, the PRC	Shenzhen, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery (Changsha) Co., Ltd. ("Changsha Company")	Changsha, the PRC	Changsha, the PRC	Manufacturing	70%	30%	Establishment or investment
Tsingtao Brewery Huadong Holding Co., Ltd. ("Huadong Holding Company")	Shanghai, the PRC	Shanghai, the PRC	Finance	100%	—	Establishment or investment
Tsingtao Brewery Huadong Shanghai Sales Co., Ltd. ("Shanghai Sales Company")	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	97.01%	2.99%	Establishment or investment
Tsingtao Brewery Huadong Nanjing Sales Co., Ltd. ("Nanjing Sales Company") (ii)	Jiangsu, the PRC	Nanjing, the PRC	Wholesale and retail sale	—	50%	Establishment or investment
Tsingtao Brewery (Wuhu) Co., Ltd. ("Wuhu Company")	Wuhu, the PRC	Wuhu, the PRC	Manufacturing	89.04%	10.96%	Establishment or investment
Tsingtao Brewery (Maanshan) Co., Ltd. ("Maanshan Company")	Maanshan, the PRC	Maanshan, the PRC	Manufacturing	94.12%	5.58%	Establishment or investment
Tsingtao Brewery (Shouguang) Co., Ltd. ("Shouguang Company")	Shouguang, the PRC	Shouguang, the PRC	Manufacturing	99%	—	Establishment or investment
Tsingtao Brewery (Weifang) Co., Ltd. ("Weifang Company")	Weifang, the PRC	Weifang, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Xuzhou) Huaihai Sales Co., Ltd. ("Huaihai Sales Company") (ii)	Jiangsu, the PRC	Xuzhou, the PRC	Wholesale and retail sale	—	50%	Establishment or investment
Tsingtao Brewery (Xuecheng) Co., Ltd. ("Xuecheng Company")	Xuecheng, the PRC	Xuecheng, the PRC	Manufacturing	—	85%	Establishment or investment
Tsingtao Brewery (Tengzhou) Co., Ltd. ("Tengzhou Company")	Tengzhou, the PRC	Tengzhou, the PRC	Manufacturing	76.65%	23.35%	Establishment or investment
Tsingtao Brewery (Heze) Co., Ltd. ("Heze Company")	Heze, the PRC	Heze, the PRC	Manufacturing	93.08%	6.92%	Establishment or investment

5. INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in subsidiaries (Cont'd)

(a) The structure of the Group (Cont'd)

Name	Place of main operation	Place of registration	Nature of business	Share proportion		Acquisition method
				Directly	Indirectly	
Tsingtao Brewery (Taierzhuang) Malt Co., Ltd. ("Taierzhuang Malt")	Taierzhuang, the PRC	Taierzhuang, the PRC	Manufacturing	—	100%	Establishment or investment
Langfang Company	Langfang, the PRC	Langfang, the PRC	Manufacturing	80.80%	19.20%	Establishment or investment
Tsingtao Brewery Xi'an Han's Group Co., Ltd. ("Xi'an Company")	Shanxi, the PRC	Xi'an, the PRC	Manufacturing & Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery Hansi Baoji Co., Ltd. ("Hansi Baoji")	Baoji, the PRC	Baoji, the PRC	Manufacturing	—	100%	Establishment or investment
Tsingtao Brewery (Anshan) Co., Ltd. ("Anshan Company")	Anshan, the PRC	Anshan, the PRC	Manufacturing	60%	—	Establishment or investment
Tsingtao Brewery (Xingkaihu) Co., Ltd. ("Xingkaihu Company")	Jixi, the PRC	Jixi, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Mishan) Co., Ltd. ("Mishan Company")	Mishan, the PRC	Mishan, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Harbin) Co., Ltd. ("Harbin Company")	Harbin, the PRC	Harbin, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery Import/Export Co., Ltd. ("Import/Export Company")	Qingdao, the PRC	Qingdao, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery (Pingyuan) Co., Ltd. ("Pingyuan Company")	Pingyuan, the PRC	Pingyuan, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Rizhao) Co., Ltd. ("Rizhao Company")	Rizhao, the PRC	Rizhao, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Luzhou) Co., Ltd. ("Luzhou Company")	Luzhou, the PRC	Luzhou, the PRC	Manufacturing	95%	—	Establishment or investment
Tsingtao Brewery (Taizhou) Co., Ltd. ("Taizhou Company")	Taizhou, the PRC	Taizhou, the PRC	Manufacturing	86.43%	13.57%	Establishment or investment
Hong Kong Company	Hong Kong, the PRC	Hong Kong, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Hanzhong Company	Hanzhong, the PRC	Hanzhong, the PRC	Manufacturing	34%	66%	Establishment or investment
Beifang Sales Company	Beijing, the PRC	Beijing, the PRC	Wholesale and retail sale	95%	5%	Establishment or investment
Qingdao Guangrunlong Logistics Co., Ltd. ("Guangrunlong Logistics")	Shandong, the PRC	Qingdao, the PRC	Logistics	100%	—	Establishment or investment
Tsingtao Brewery (Xiamen) Co., Ltd. ("Xiamen Company")	Xiamen, the PRC	Xiamen, the PRC	Manufacturing	—	100%	Establishment or investment
Xiamen Tsingtao Brewery Dongnan Sales Co., Ltd. ("Dongnan Sales Company")	Fujian, the PRC	Xiamen, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery (Jinan) Co., Ltd. ("Jinan Company")	Jinan, the PRC	Jinan, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Chengdu) Co., Ltd. ("Chengdu Company")	Chengdu, the PRC	Chengdu, the PRC	Manufacturing	100%	—	Establishment or investment

5. INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in subsidiaries (Cont'd)

(a) The structure of the Group (Cont'd)

Name	Place of main operation	Place of registration	Nature of business	Share proportion		Acquisition method
				Directly	Indirectly	
Tsingtao Brewery (Yulin) Co., Ltd. ("Yulin Company")	Yulin, the PRC	Yulin, the PRC	Manufacturing	—	100%	Establishment or investment
Tsingtao Brewery Chengyang Sales Co., Ltd. ("Chengyang Sales Company")	Qingdao, the PRC	Qingdao, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery Chenzhou Sales Co., Ltd. ("Chenzhou Sales Company")	Chenzhou, the PRC	Chenzhou, the PRC	Wholesale and retail sale	—	100%	Establishment or investment
Machinery and Equipment Company	Qingdao, the PRC	Qingdao, the PRC	Construction	—	100%	Establishment or investment
Tsingtao Brewery (Shijiazhuang) Co., Ltd. ("Shijiazhuang Company")	Shijiazhuang, the PRC	Shijiazhuang, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Taiyuan) Co., Ltd. ("Taiyuan Company")	Taiyuan, the PRC	Taiyuan, the PRC	Manufacturing	100%	—	Establishment or investment
Finance Company	Qingdao, the PRC	Qingdao, the PRC	Financing	100%	—	Establishment or investment
Tsingtao Brewery Sifang Sales Co., Ltd. ("Sifang Sales Company")	Qingdao, the PRC	Qingdao, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery (Jieyang) Co., Ltd. ("Jieyang Company")	Jieyang, the PRC	Jieyang, the PRC	Manufacturing	75%	—	Establishment or investment
Tsingtao Brewery (Shaoguan) Co., Ltd. ("Shaoguan Company")	Shaoguan, the PRC	Shaoguan, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Hainan) Co., Ltd. ("Hainan Company")	Chengmai, the PRC	Chengmai, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery Shibe Sales Co., Ltd. ("Shibe Sales Company")	Qingdao, the PRC	Qingdao, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery (Jiujiang) Co., Ltd. ("Jiujiang Company")	Jiujiang, the PRC	Jiujiang, the PRC	Manufacturing	90%	—	Establishment or investment
Tsingtao Brewery Pingdu Sales Co., Ltd. ("Pingdu Sales Company")	Qingdao, the PRC	Qingdao, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Shanghai Tsingtao Brewery Sales Co., Ltd. ("New Shanghai Sales")(ii)	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	—	50%	Establishment or investment
Tsingtao Brewery (Xuzhou) Enterprise Management Service Co., Ltd. ("Xuzhou Enterprise Management")	Xuzhou, the PRC	Xuzhou, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery (Luoyang) Co., Ltd. ("Luoyang Company")	Luoyang, the PRC	Luoyang, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery Sutony (Shanghai) Sales Co., Ltd. ("Sales Company")(i)	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	50%	—	Establishment or investment
Qingdao Hongjiweiye Investment Co., Ltd. (Hongjiweiye)	Qingdao, the PRC	Qingdao, the PRC	Finance service	100%	—	Establishment or investment
Zhangjiakou Company	Zhangjiakou, the PRC	Zhangjiakou, the PRC	Manufacturing	100%	—	Establishment or investment

5. INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in subsidiaries (Cont'd)

(a) The structure of the Group (Cont'd)

Name	Place of main operation	Place of registration	Nature of business	Share proportion		Acquisition method
				Directly	Indirectly	
Tsingtao Brewery (Sanshui) Co., Ltd. ("Sanshui Company")	Sanshui, the PRC	Sanshui, the PRC	Manufacturing	—	75%	Business combination not under common control
Tsingtao Brewery (Chenzhou) Co., Ltd. ("Chenzhou Company")	Chenzhou, the PRC	Chenzhou, the PRC	Manufacturing	88.80%	11.20%	Business combination not under common control
Shenzhen Asahi	Shenzhen, the PRC	Shenzhen, the PRC	Manufacturing	51%	—	Business combination not under common control
Tsingtao Brewery (Nanning) Co., Ltd. ("Nanning Company")	Nanning, the PRC	Nanning, the PRC	Manufacturing	—	75%	Business combination not under common control
Beijing Tsingtao Brewery Three Ring Co., Ltd ("Three Ring Company")	Beijing, the PRC	Beijing, the PRC	Manufacturing	29%	25%	Business combination not under common control
Beijing Five Star Tsingtao Brewery Co., Ltd. ("Five Star Company")	Beijing, the PRC	Beijing, the PRC	Manufacturing	37.64%	25%	Business combination not under common control
Tsingtao Brewery (Weinan) Co., Ltd. ("Weinan Company")	Weinan, the PRC	Weinan, the PRC	Manufacturing	28%	72%	Business combination not under common control
Tsingtao Brewery (Gansu) Nongken Co., Ltd. ("Gansu Nongken Company")	Lanzhou, the PRC	Lanzhou, the PRC	Manufacturing	—	55.06%	Business combination not under common control
Tsingtao Brewery (Wuwei) Company Co., Ltd. ("Wuwei Company")	Wuwei, the PRC	Wuwei, the PRC	Manufacturing	—	99.72%	Business combination not under common control
Tsingtao Brewery (Rongcheng) Co., Ltd. ("Rongcheng Company")	Rongcheng, the PRC	Rongcheng, the PRC	Manufacturing	70%	—	Business combination not under common control

5. INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in subsidiaries (Cont'd)

(a) The structure of the Group (Cont'd)

Name	Place of main operation	Place of registration	Nature of business	Share proportion		Acquisition method
				Directly	Indirectly	
Tsingtao Brewery (Suizhou) Company Limited ("Suizhou Company")	Suizhou, the PRC	Suizhou, the PRC	Manufacturing	—	90%	Business combination not under common control
Tsingtao Brewery (Fuzhou) Co., Ltd. ("Fuzhou Company")	Fuzhou, the PRC	Fuzhou, the PRC	Manufacturing	—	100%	Business combination not under common control
Tsingtao Brewery (Zhangzhou) Co., Ltd. ("Zhangzhou Company")	Zhangzhou, the PRC	Zhangzhou, the PRC	Manufacturing	—	90%	Business combination not under common control
Construction Company	Qingdao, the PRC	Qingdao, the PRC	Construction	100%	—	Business combination not under common control
Tsingtao Brewery (Penglai) Co., Ltd. ("Penglai Company")	Penglai, the PRC	Penglai, the PRC	Manufacturing	80%	—	Business combination not under common control
Tsingtao Brewery Cultural Communication Co., Ltd. ("Cultural Communication Company")	Qingdao, the PRC	Qingdao, the PRC	Manufacturing	100%	—	Business combination not under common control
Tsingtao Brewery Beverage Co., Ltd. ("Beverage Company")	Qingdao, the PRC	Qingdao, the PRC	Manufacturing	100%	—	Business combination not under common control
Baotuquan Company	Jinan, the PRC	Jinan, the PRC	Wholesale and retail sale	100%	—	Business combination not under common control
Immense Brewery company	Shandong, the PRC	Mengyin, the PRC	Manufacturing	75%	25%	Business combination not under common control
Tsingtao Brewery (Hangzhou) Co., Ltd. ("Hangzhou Company")	Jiande, the PRC	Jiande, the PRC	Manufacturing	80%	—	Business combination not under common control

5. INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in subsidiaries (Cont'd)

(a) The structure of the Group (Cont'd)

Name	Place of main operation	Place of registration	Nature of business	Share proportion		Acquisition method
				Directly	Indirectly	
Macau Company	Macau, the PRC	Macau, the PRC	Wholesale and retail sale	—	60%	Business combination not under common control
Shanghai Market Service (ii)	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	—	50%	Business combination not under common control
The Prince Sales (ii)	Jiangsu, the PRC	LianYungang, the PRC	Wholesale and retail sale	—	50%	Business combination not under common control
Lulansa Brewery	Zibo, the PRC	Zibo, the PRC	Manufacturing	55%	—	Business combination not under common control
Equipment Manufacture	Qingdao, the PRC	Qingdao, the PRC	Manufacturing	—	100%	Business combination not under common control

(i) The Company's percentage of equity interests is 50%, while the voting rate is 55.56%. All operating activities decisions are made by the board of directors, and only when at least half of the directors agree, the decisions could be made. There are 9 directors in total in Sales Company, 5 directors are from the Company, and so the Company has control over Sales Company.

(ii) Nanjing Sales Company, Huaihai Sales Company, New Shanghai Sale, Shanghai Market Service and The Prince Sales, are all wholly owned subsidiaries of the Sales Company.

As at 30 June 2015, there is no debenture issued by the subsidiaries of the Company.

The Group has no restrictions both on use of group assets and payoff of the group liabilities.

5. INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in subsidiaries (Cont'd)

(b) Subsidiaries with material non-controlling interests

Name of subsidiaries	Share proportion of non-controlling interests	Non-controlling interests for the six months ended 30 June 2015 (unaudited)	Total proposed dividend in the six months ended 30 June 2015 attributable to the minority shareholders (unaudited)	Non-controlling interests as at 30 June 2015 (unaudited)
Shenzhen Asahi Sales Company (i)	49%	28,527,173	(48,608,000)	206,202,506
	50%	(64,684,538)	—	(662,503,310)

Summarised financial information of non-wholly owned subsidiaries in this year is as follows:

	As at 30 June 2015 (unaudited)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Asahi Sales Company (i)	140,867,715	601,010,113	741,877,828	(315,275,119)	(5,635,781)	(320,910,900)
	280,668,395	76,520,349	357,188,744	(1,668,291,579)	(13,903,785)	(1,682,195,364)

	As at 31 December 2014					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Asahi Sales Company (i)	111,534,533	606,751,298	718,285,831	(250,048,220)	(6,275,423)	(256,323,643)
	135,704,411	80,215,894	215,920,305	(1,396,750,346)	(14,807,503)	(1,411,557,849)

	six months ended 30 June 2015 (unaudited)			
	Revenue	Net profit/(loss)	Other comprehensive income	Cash flows from operating activities
Shenzhen Asahi Sales Company (i)	528,312,505	58,204,740	58,204,740	108,136,632
	1,482,452,521	(129,369,076)	(129,369,076)	124,912,450

	six months ended 30 June 2014 (unaudited)			
	Revenue	Net profit/(loss)	Other comprehensive income	Cash flows from operating activities
Shenzhen Asahi Sales Company (i)	594,497,371	57,483,711	57,483,711	87,135,477
	1,769,926,063	(114,343,366)	(114,343,366)	157,342,809

Financial information above doesn't include the offset amount in the Group.

- (i) Financial statements of Sales Company are the consolidated financial data with its subsidiaries Nanjing Sales Company, Huaihai Sales Company, New Shanghai Sale, Shanghai Market Service and The Prince Sales.

5. INTERESTS IN OTHER ENTITIES (CONT'D)

(2) Interests in Joint Ventures and Associates

(a) Basic information of significant Joint Ventures and Associates

	Place of main operation	Place of registration	Nature of business	Strategic impact on the Group	Share proportion	
					Directly	Indirectly
Joint Ventures-						
Hebei Jiahe Company	Shijiazhuang, the PRC	Shijiazhuang, the PRC	Manufacturing	Yes	50%	—
Associates-						
Manufacturing Company	Shanghai, the PRC	Shanghai, the PRC	Manufacturing	Yes	50%	—
			Wholesale and retail sale			
Yantai Asahi	Yantai, the PRC	Yantai, the PRC	Manufacturing	Yes	39%	—
Zhaoshang	Qingdao, the PRC	Qingdao, the PRC	Logistics	Yes	30%	—
Logistics						
Liaoning	Shenyang, the PRC	Shenyang, the PRC	Wholesale and retail sale	Yes	30%	—
Shenqing						
European Company	France	France	Wholesale and retail sale	Yes	—	40%

The equity investment above is accounted for using the equity method.

(b) Summarised financial information of joint venture

	Hebei Jiahe Company	
	30 June 2015 (unaudited)	31 December 2014
Current assets	75,234,231	47,019,370
Including: cash and cash equivalent	17,176,924	1,680,356
Non-current assets	122,077,091	124,975,094
Total assets	197,311,322	171,994,464
Current liabilities	(97,638,917)	(94,516,051)
Total liabilities	(97,638,917)	(94,516,051)
Total equity attributable to shareholders	99,672,405	77,478,413
Adjusted fair value of the identifiable net assets when obtained	130,170,231	136,899,089
Adjusted total equity attributable to shareholders	229,842,636	214,377,502
The share of net assets calculated based on the shareholding proportion (i)	114,921,318	107,188,751
Adjusting event-goodwill	113,928,609	113,928,609
Investment on joint venture measured at the carrying amount	228,849,927	221,117,360

There is no quoted market price for the investment to joint venture of the Company.

5. INTERESTS IN OTHER ENTITIES (CONT'D)

(2) Interests in Joint Ventures and Associates (Cont'd)

(b) Summarised financial information of joint ventures (Cont'd)

	Hebei Jiahe Company	
	six months ended 30 June 2015 (unaudited)	From acquisition date to 30 June 2014 (unaudited)
Revenue	219,254,891	115,608,809
Financial expenses	1,185,378	(9,567)
Income tax expense	2,902,104	—
Net profit/(loss)	22,193,992	(5,400,398)
Total comprehensive income	22,193,992	(5,400,398)
Dividends distribution from Joint Ventures in current year	—	—

- (i) The share of the net asset of joint venture was calculated by the share proportion of the Group, based on the equity attributable to shareholders of the Company in the consolidated financial statement of the associate, adjusted accordingly to the fair value of the identifiable assets and liabilities of the joint ventures at the acquisition date and conformed to accounting policies of the Group.

(c) Summarised financial information of associates

	30 June 2015 (unaudited)					31 December 2014				
	Manufacturing Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shengqing	European Company	Manufacturing Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shengqing	European Company
Current assets	1,624,314,129	270,820,717	157,844,100	46,726,870	20,652,071	1,240,522,099	262,904,813	131,874,742	51,095,628	26,416,613
Including: cash and cash equivalent	154,024,597	78,689,458	1,439,917	13,361,321	7,381,783	47,155,477	31,090,597	1,279,025	11,198,256	5,074,043
Non-current assets	2,431,806,142	201,767,387	7,568,720	4,240,175	169,508	2,449,674,233	166,191,009	5,471,348	4,108,502	183,438
Total assets	4,056,120,271	472,588,104	165,412,820	50,967,045	20,821,579	3,690,196,332	429,095,822	137,346,090	55,204,130	26,600,051
Current liabilities	(1,463,599,486)	(204,914,634)	(87,543,037)	(42,721,361)	(15,395,418)	(1,093,886,116)	(145,916,544)	(59,335,082)	(46,514,172)	(22,390,263)
Non-current liabilities	(411,430,741)	—	(10,632,259)	—	—	(423,875,953)	(157,439)	(10,632,259)	—	—
Total liabilities	(1,875,030,227)	(204,914,634)	(98,175,296)	(42,721,361)	(15,395,418)	(1,517,762,069)	(146,073,983)	(69,967,341)	(46,514,172)	(22,390,263)
Non-controlling interests	23,458,699	—	—	—	—	24,604,928	—	—	—	—
Total equity attributable to shareholders of the company	2,157,631,345	267,673,470	67,237,524	8,245,684	5,426,161	2,147,829,335	283,021,839	67,378,749	8,689,958	4,209,788
Adjusted fair value of the identifiable net assets when obtained	96,930,099	43,538,500	—	—	—	98,923,187	45,468,498	—	—	—

5. INTERESTS IN OTHER ENTITIES (CONT'D)

(2) Interests in Joint Ventures and Associates (Cont'd)

(c) Summarised financial information of associates (Cont'd)

	30 June 2015 (unaudited)					31 December 2014				
	Manufacturing Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company	Manufacturing Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company
Adjusted total equity attributable to shareholders of the company	2,254,561,444	311,211,970	67,237,524	8,245,684	5,426,161	2,246,752,522	328,490,337	67,378,749	8,689,958	4,209,788
The share of net assets calculated based on the shareholding proportion (i)	1,127,280,722	121,372,668	20,171,258	2,473,705	2,170,464	1,123,376,261	128,111,231	20,213,625	2,606,987	1,683,915
Adjusting items										
— Goodwill	38,540,092	9,640,679	—	—	—	38,540,092	9,640,679	—	—	—
— unrealized profits of internal transaction	(9,495,329)	(299,173)	—	—	—	(9,027,775)	—	—	—	—
Investment on Associates measured at the carrying amount	<u>1,156,325,485</u>	<u>130,714,174</u>	<u>20,171,258</u>	<u>2,473,705</u>	<u>2,170,464</u>	<u>1,152,888,578</u>	<u>137,751,910</u>	<u>20,213,625</u>	<u>2,606,987</u>	<u>1,683,915</u>

There is no quoted market price for the investment to associates of the Company.

	six months ended 30 June 2015 (unaudited)					six months ended 30 June 2014 (unaudited)				
	Manufacturing Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company	Manufacturing Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company
Revenue	1,268,949,248	362,660,324	146,378,399	73,017,046	33,947,093	1,450,857,480	407,199,168	153,124,575	104,951,808	51,414,722
Net profits/(loss)	8,655,781	23,910,044	9,577,512	(444,274)	1,532,983	46,062,439	32,172,516	10,242,129	(333,412)	2,781,679
Other comprehensive income	—	—	—	—	(316,610)	—	—	—	—	104,032
Total comprehensive income	8,655,781	23,910,044	9,577,512	(444,274)	1,216,373	46,062,439	32,172,516	10,242,129	(333,412)	2,885,711
Non-controlling interests	(1,146,229)	—	—	—	—	954,755	—	—	—	—
Total comprehensive income attributable to shareholders of the company	<u>9,802,010</u>	<u>23,910,044</u>	<u>9,577,512</u>	<u>(444,274)</u>	<u>1,216,373</u>	<u>45,107,684</u>	<u>32,172,516</u>	<u>10,242,129</u>	<u>(333,412)</u>	<u>2,885,711</u>
Dividend distributed from Associate current year	—	—	(2,915,621)	—	—	—	(15,097,173)	—	—	—

(i) The share of the net asset of associates was calculated by the share proportion of the Group, based on the equity attributable to shareholders of the Company in the consolidated financial statement of the associate, adjusted accordingly to the fair value of the identifiable assets and liabilities of the associates at the acquisition date and conformed to accounting policies of the Group.

(d) As at 30 June 2015, the Group's joint venture and associates have no excess losses.

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.

(a) Segment information as at and for the six months ended 30 June 2015 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	8,296,585,345	2,238,920,635	2,401,220,007	1,580,401,299	1,316,917,613	229,342,778	3,206,444	—	—	16,066,594,121
Inter-segment revenue	1,293,991,664	216,979,048	769,506,380	99,396,078	55,267,802	63,472,882	20,701,557	—	(2,519,315,411)	—
Cost of sales	(6,008,938,633)	(1,538,122,029)	(2,167,616,565)	(1,477,829,723)	(919,250,034)	(209,100,497)	(354,169)	(349,154)	2,499,155,927	(9,822,404,877)
Selling and distribution expenses	(1,670,846,404)	(434,177,230)	(305,760,579)	(318,346,819)	(363,418,762)	(58,982,287)	—	—	—	(3,151,532,081)
Interest income	15,857,261	9,081,304	23,439,584	778,324	4,312,725	596,999	153,810,006	30,249,380	(68,206,021)	169,919,562
Interest expenses	(7,697,889)	(2,356,287)	(12,310,653)	(5,600,649)	(4,529,286)	(3,058,710)	(71,890,610)	—	103,463,556	(3,980,528)
Share of profit of associates and a joint venture	—	—	—	—	—	—	—	24,127,694	—	24,127,694
Asset impairment reversal / (losses)	75,724	116,947	54,527	150,000	(1,242,518)	7,222	(5,349,486)	(6,103)	5,329,486	(864,201)
Depreciation and amortisation	(224,159,469)	(101,658,846)	(87,052,611)	(11,618,567)	(37,736,872)	(1,094,549)	(579,262)	(23,523,697)	—	(487,423,873)
Total profit	1,191,362,583	220,370,113	376,463,218	(158,165,339)	2,855,103	15,688,720	93,967,883	(115,688,700)	20,979,844	1,647,833,425
Income tax expenses	(260,849,060)	(55,841,843)	(85,858,108)	6,602,966	1,135,359	(3,020,662)	(24,081,739)	—	(6,375,838)	(428,288,925)
Net profit	930,513,523	164,528,270	290,605,110	(151,562,373)	3,990,462	12,668,058	69,886,144	(115,688,700)	14,604,006	1,219,544,500
Total assets	11,145,270,102	4,771,097,252	5,852,785,386	629,580,684	2,141,871,199	362,752,580	10,201,492,134	7,013,541,200	(11,565,362,840)	30,553,027,697
Total liabilities	6,431,706,578	1,967,507,057	4,317,295,232	1,811,396,331	1,109,213,449	513,535,259	9,154,774,030	993,637,482	(11,553,409,972)	14,745,655,446
Long-term equity investments in associates and a joint venture	—	—	—	—	—	—	—	1,540,705,013	—	1,540,705,013
Additions to non-current assets other than long-term equity investments	230,300,551	104,099,554	358,763,420	10,699,116	46,291,949	1,197,972	290,000	18,415,367	(16,012,521)	754,045,408

6. SEGMENT INFORMATION (CONT'D)

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

	Shandong Region	Huonan 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)	—
Cost of sales	(6,028,094,022)	(1,641,044,452)	(2,238,972,528)	(1,786,690,445)	(1,064,504,965)	(251,084,832)	—	(208,706)	2,865,551,685	(10,145,048,255)
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 a joint venture	—	—	—	—	—	—	—	35,087,117	—	35,087,117
Asset impairment reversal/(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	(208,698,568)	(96,416,256)	(80,587,608)	(11,317,322)	(37,219,204)	(1,103,680)	(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	223,265,987	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	83,557,321	—	923,438,143

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 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Revenue from external customers		
Domestic	15,823,149,740	16,703,408,438
In Hong Kong and Macau	115,709,039	126,701,716
In other countries/geographical areas	127,735,342	127,957,898
	16,066,594,121	16,958,068,052
Total non-current assets		
Domestic	16,036,063,153	15,850,526,330
In Hong Kong and Macau	11,156,368	11,993,127
	16,047,219,521	15,862,519,457

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 5(1).

(2) Information of joint ventures and associates

Except the information of joint ventures and associates disclosed in Note 5, the other information of associates is as follows:

	Place of operating	Place of registration	Nature of business	Strategic influence on the Group	Equity interest (%)	
					Direct	Indirect
Associates (i)- Songjiang Manufacturing	Shanghai the PRC	Shanghai the PRC	Producing & trading of beer and wine etc.	Yes	—	50%
Pengcheng Company	Xuzhou the PRC	Xuzhou the PRC	Producing & trading of beer and wine etc.	Yes	—	50%
Yangzhou Company	Yangzhou the PRC	Yangzhou the PRC	Producing & trading of beer and wine etc.	Yes	—	50%
Xuzhou Company	Xuzhou the PRC	Xuzhou the PRC	Producing & trading of beer and wine etc.	Yes	—	50%
Suqian Company	Suqian the PRC	Suqian the PRC	Producing & trading of beer and wine etc.	Yes	—	50%
Suntory Brewery (Kunshan) Company Limited ("Suntory Kunshan")	Suzhou the PRC	Suzhou the PRC	Producing & trading of beer and wine etc.	Yes	—	50%
Suntory Brewery (Shanghai) Company Limited ("Suntory Shanghai")	Shanghai the PRC	Shanghai the PRC	Producing & trading of beer and wine etc.	Yes	—	50%
Suntory Brewery (Guangming) Company Limited ("Suntory Guangming")	Shanghai the PRC	Shanghai the PRC	Producing & trading of beer and wine etc.	Yes	—	50%
Suntory Jiangsu	Lianyungang the PRC	Lianyungang the PRC	Producing & trading of beer and wine etc.	Yes	—	50%

(i) The companies above are all subsidiaries of Manufacturing Company, an associate of the Company.

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

(3) Information of other related parties

	Relationship with the Group
Tsingtao Brewery Group Co., Ltd. (“TB Group Company”)	Shareholder of the Company
Asahi Breweries, Ltd. (“Asahi Breweries”)	Same shareholder of the Company
Asahi Beer (China) Investment Co., Ltd. (“Asahi Investment”)	Same shareholder of the Company
Suntory Company	Minority shareholder of the Subsidiary

(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	Six months ended
			30 June 2015 (unaudited)	30 June 2014 (unaudited)
			Amount	Amount
Songjiang Manufacturing	Purchase of beer and materials	Mutually-agreed prices and approval by board of directors	388,501,789	423,760,568
Yantai asahi	Purchase of beer	Mutually-agreed prices and approval by board of directors	360,166,920	401,151,566
Hebei Jiahe Company	Purchase of beer	Mutually-agreed prices	216,240,317	113,540,484
Suntory Shanghai	Purchase of beer	Mutually-agreed prices and approval by board of directors	189,036,279	215,166,222
Suntory Kunshan	Purchase of beer	Mutually-agreed prices and approval by board of directors	188,722,024	209,744,081
Zhaoshang Logistics	Purchase logistics service (including paid on behalf)	Mutually-agreed prices	154,037,755	101,717,863
Pengcheng Company	Purchase of beer	Mutually-agreed prices and approval by board of directors	131,723,781	190,667,363
Suntory Jiangsu	Purchase of beer and materials	Mutually-agreed prices and approval by board of directors	99,725,071	92,031,268
Yangzhou Company	Purchase of beer and materials	Mutually-agreed prices and approval by board of directors	85,941,895	88,507,421
Xuzhou Company	Purchase of beer	Mutually-agreed prices and approval by board of directors	85,145,363	107,469,686
Suqian Company	Purchase of beer	Mutually-agreed prices and approval by board of directors	73,341,950	91,122,348
Suntory Guangming	Purchase of beer	Mutually-agreed prices and approval by board of directors	7,817,921	12,136,458

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	Six months ended
			30 June 2015 (unaudited)	30 June 2014 (unaudited)
			Amount	Amount
Liaoning Shenqing	Sale of beer	Mutually-agreed prices	79,933,650	97,908,293
European Company	Sale of beer	Mutually-agreed prices	26,718,681	41,400,533
Asahi Breweries	Sale of beer	Mutually-agreed prices and approval by board of directors	11,499,529	10,940,934
Songjiang manufacturing	Sale of materials	Mutually-agreed prices	8,663,159	10,153,437
Asahi Investment	Sale of beer	Mutually-agreed prices and approval by board of directors	2,602,074	2,850,731
Songjiang manufacturing	Provide engineering and equipment installation services	Mutually-agreed prices	1,820,085	—
Pengcheng Company	Sale of materials	Mutually-agreed prices	1,192,699	3,871,134
Yantai Asahi	Sale of materials	Mutually-agreed prices	337,792	5,159,664
Pengcheng Company	Provide engineering and equipment installation services	Mutually-agreed prices	213,675	—
Yangzhou Company	Sale of materials	Mutually-agreed prices	4,969	389,005
Xuzhou Company	Sale of materials	Mutually-agreed prices	4,615	134,050
Yangzhou Company	Provide engineering and equipment installation services	Mutually-agreed prices	—	3,494,892
Suqian Company	Sale of materials	Mutually-agreed prices	—	159,087
Suntory Shanghai	Sale of materials	Mutually-agreed prices	—	44,957

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

(4) Related party transactions (Cont'd)

(c) Royalty fee of brand

Name of related party	Nature of transaction	Pricing policies and procedures for decision-making	Six months ended	Six months ended
			30 June 2015 (unaudited)	30 June 2014 (unaudited)
			Amount	Amount
Songjiang manufacturing	Royalty fee of brand	Mutually-agreed prices	4,831,310	5,298,602
Pengcheng Company	Royalty fee of brand	Mutually-agreed prices	1,270,302	1,765,422
Yangzhou Company	Royalty fee of brand	Mutually-agreed prices	959,428	963,771
Xuzhou Company	Royalty fee of brand	Mutually-agreed prices	747,396	933,936
Suqian Company	Royalty fee of brand	Mutually-agreed prices	693,529	857,639
Suntory Jiangsu	Royalty fee of brand	Mutually-agreed prices	129,829	51,105

(d) Entrusted funds from related parties

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Suntory Company	337,484,320	199,503,967

(e) Repayment funds to related parties

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Suntory Company	400,599,365	311,159,758

(f) Deposits increased

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Yantai Asahi	432,635,013	367,802,314
Songjiang manufacturing	338,186,416	431,293,763
Pengcheng company	115,237,789	204,691,822
Manufacturing company	89,514,956	53,558,202
Yangzhou company	78,912,113	89,626,343
Suqian company	76,486,288	109,576,964
Xuzhou company	68,285,442	88,479,523
	<u>1,199,258,017</u>	<u>1,345,028,931</u>

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

(4) Related party transactions (Cont'd)

(g) Payment of interest

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Suntory Company	1,268,510	851,097
Songjiang manufacturing	127,985	61,526
Yantai Asahi	67,497	18,475
Yangzhou Company	46,932	38,577
Pengcheng Company	34,295	86,000
Xuzhou Company	10,940	21,465
Suqian Company	8,527	22,082
Manufacturing Company	5,486	20,292
	<u>1,570,172</u>	<u>1,119,514</u>

(h) Service charge to related parties

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Songjiang manufacturing	8,381	12,255
Yantai Asahi	5,016	3,618
Pengcheng Company	2,783	5,369
Suqian Company	1,605	3,357
Xuzhou Company	1,410	2,373
Yangzhou Company	1,034	2,203
Manufacturing Company	79	974
	<u>20,308</u>	<u>30,149</u>

(i) Remuneration of key management

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Remuneration of key management	<u>3,677,000</u>	<u>6,038,475</u>

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

(5) Receivables from and payables to related parties

Receivables from related parties:

	30 June 2015 (unaudited)		31 December 2014	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable (Note 4(3))				
European Company	13,471,419	—	14,042,337	—
Beijing Sales Company	11,245,784	(11,245,784)	11,245,784	(11,245,784)
Guangzhou General Agency	6,959,690	(6,959,690)	7,559,690	(7,559,690)
Asahi Breweries	2,194,252	—	1,875,403	—
Asahi Investment	918,477	—	334,369	—
Songjiang Manufacturing	14,262	—	8,057,140	—
	<u>34,803,884</u>	<u>(18,205,474)</u>	<u>43,114,723</u>	<u>(18,805,474)</u>

	30 June 2015 (unaudited)		31 December 2014	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Other Receivable (Note 4(4))				
Suqian Company	25,037,184	—	25,511,113	—
Yangzhou Company	14,129,271	—	19,697,470	—
Suntory Jiangsu	13,143,219	—	5,440,807	—
Songjiang Manufacturing	9,743,941	—	14,081,877	—
Pengcheng Company	2,527,186	—	3,358,686	—
Xuzhou Company	871,816	—	1,702,337	—
	<u>65,452,617</u>	<u>—</u>	<u>69,792,290</u>	<u>—</u>

Advances to suppliers (Note 4(5))

Yangzhou Company	2,000,000	—	—	—
Suntory Jiangsu	1,446,791	—	1,446,791	—
Pengcheng Company	—	—	2,000,000	—
	<u>3,446,791</u>	<u>—</u>	<u>3,446,791</u>	<u>—</u>

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

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

Payables to related parties:

	30 June 2015 (unaudited)	31 December 2014
Accounts payable (Note 4(24))		
Songjiang Manufacturing	335,239,545	266,147,466
Suntory Kunshan	282,058,962	230,442,454
Yantai Asahi	110,432,619	102,562,149
Pengcheng Company	104,981,521	66,890,582
Suntory Shanghai	75,298,224	25,413,423
Suntory Jiangsu	44,901,333	18,076,499
Xuzhou Company	29,034,039	4,656,471
Yangzhou Company	28,457,141	16,452,019
Hebei jiahe Company	24,570,366	1,098,481
Suqian Company	19,805,930	10,692,196
Suntory Guangming	2,213,933	543,663
	<u>1,056,993,613</u>	<u>742,975,403</u>
	30 June 2015 (unaudited)	31 December 2014
Other payables (Note 4 (29))		
Zhaoshang Logistics	86,546,320	39,467,925
Suntory Shanghai	53,022,289	41,872,594
Yantai Asahi	51,308,852	12,375,031
Suntory Kunshan	45,027,365	33,303,009
Songjiang manufacturing	43,790,421	5,296,230
Pengcheng company	24,441,144	6,888,087
Manufacturing Company	12,226,015	513,159
Suntory Jiangsu	9,161,864	—
Suqian company	7,207,925	1,048,549
Suntory Guangming	6,651,712	4,154,033
Yangzhou company	5,747,999	9,551,506
Xuzhou company	1,698,260	1,528,060
	<u>346,830,166</u>	<u>155,998,183</u>
Interest payable		
Suntory Company	<u>76,918</u>	<u>252,829</u>
Advances from customers (Note 4(25))		
Liaoning Shenqing	<u>2,797,385</u>	<u>3,108,416</u>
Short-term borrowings (Note 4(22))		
Suntory Company	<u>44,844,992</u>	<u>107,960,037</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 impact of 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 2015 (unaudited)	31 December 2014
Buildings, machinery and equipment and intangible assets	<u>425,630,008</u>	<u>421,350,610</u>

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

	30 June 2015 (unaudited)	31 December 2014
Buildings, machinery and equipment and intangible assets	<u>2,381,298,912</u>	<u>2,100,066,328</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 2015 (unaudited)	31 December 2014
Within one year	12,474,434	13,480,278
Between 1 and 2 years	7,271,284	4,652,988
Between 2 and 3 years	<u>1,582,187</u>	<u>1,671,002</u>
	<u>21,327,905</u>	<u>19,804,268</u>

(3) Fulfilment of commitments for the previous period

The Group has fulfilled the capital expenditure commitments, operating lease and investment commitments as at 31 December 2014.

10. LEASE

For the six months ended 30 June 2015, there is no financing lease(six months ended 30 June 2014:nil), leases payments under operating leases recognised in profit or loss for the current year amount to RMB64,131,958 (six months ended 30 June 2014: RMB59,213,144).

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, and from some sales receipts settled by Dollar and Euro. As the balance of the borrowings denominated 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 2015 and 30 June 2014, the Group did not enter into any forward exchange contracts.

As at 30 June 2015 and 31 December 2014, the carrying amounts in RMB equivalent to the Group's assets and liabilities denominated in foreign currencies are summarised as below:

	30 June 2015 (unaudited)		
	HKD	Other foreign currencies	Total
Financial assets denominated in foreign currency —			
Cash at bank and on hand	51,445,356	128,499,805	179,945,161
Accounts receivable	37,848,090	39,541,194	77,389,284
Other receivable	1,565,246	67,707,477	69,272,723
	<u>90,858,692</u>	<u>235,748,476</u>	<u>326,607,168</u>
Financial liabilities denominated in foreign currency —			
Short-term borrowings	303,777,078	—	303,777,078
Other payables	6,842,191	2,492,967	9,335,158
Current portion of non-current liabilities	—	1,431,387	1,431,387
Long-term borrowings	—	2,376,255	2,376,255
	<u>310,619,269</u>	<u>6,300,609</u>	<u>316,919,878</u>

11. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

	31 December 2014		
	HKD	Other foreign currencies	Total
Financial assets denominated in foreign currency —			
Cash at bank and on hand	44,903,475	133,669,825	178,573,300
Accounts receivable	26,786,620	41,391,805	68,178,425
Other receivables	1,157,243	246,331	1,403,574
	<u>72,847,338</u>	<u>175,307,961</u>	<u>248,155,299</u>
Financial liabilities denominated in foreign currency —			
Short-term borrowings	293,816,883	—	293,816,883
Other payables	6,827,540	5,473,777	12,301,317
Current portion of non-current liabilities	—	1,561,421	1,561,421
Long-term borrowings	—	2,784,731	2,784,731
	<u>300,644,423</u>	<u>9,819,929</u>	<u>310,464,352</u>

As at 30 June 2015, if the currency had strengthened or weakened by 10% against the HKD while all other variables had been held constant, the Group's net profit for the year would have increased or decreased by approximately RMB2,792,000 (31 December 2014: RMB2,018,000), other comprehensive income would have increased or decreased by approximately RMB 18,253,000 (31 December 2014: RMB20,089,000).

(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 2015, in the Group's interest bearing debts, RMB-denominated and HKD-denominated with floating rates, amounting to RMB266,546,800 (31 December 2014: Nil), and RMB-denominated with fixed rates, amounting to RMB82,075,270 (31 December 2014: RMB432,952,595).

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.

For the six months ended 30 June 2015, 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 RMB721,000 (six months ended 30 June 2014: approximately RMB1,150,000).

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.

As at 30 June 2015, there is no significant overdue accounts receivable (31 December 2014: nil).

(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)

The financial assets and liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2015 (unaudited)				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	353,104,692	—	—	—	353,104,692
Notes payable	104,416,776	—	—	—	104,416,776
Accounts payable	3,863,921,889	—	—	—	3,863,921,889
Interests payable	825,840	—	—	—	825,840
Dividends receivable	609,080,187	—	—	—	609,080,187
Other payables	4,907,646,110	—	—	—	4,907,646,110
Current portion of non-current liabilities	1,431,387	—	—	—	1,431,387
Long-term borrowings	—	886,015	1,117,680	372,560	2,376,255
	9,840,426,881	886,015	1,117,680	372,560	9,842,803,136
	31 December 2014				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	437,244,412	—	—	—	437,244,412
Notes payable	91,748,125	—	—	—	91,748,125
Accounts payable	2,494,168,939	—	—	—	2,494,168,939
Interest payable	4,739,860	—	—	—	4,739,860
Other payables	4,299,312,050	—	—	—	4,299,312,050
Current portion of non-current liabilities	1,561,421	—	—	—	1,561,421
Long-term borrowings	—	962,231	1,215,000	607,500	2,784,731
	7,328,774,807	962,231	1,215,000	607,500	7,331,559,538

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

	30 June 2015 (unaudited)	31 December 2014
	Bank borrowings	Bank borrowings
Wholly repayable within five years	350,212,304	434,678,406
Wholly repayable beyond five years	2,217,408	2,620,341
	352,429,712	437,298,747

12. FAIR VALUE ESTIMATION

The level of fair value measurement is determined by the lowest level of inputs which has significant impact on fair value measurement, as a whole:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

(1) Persistent financial instruments measured at fair value

As at 30 June 2015 and 31 December 2014, persistent financial instruments measured at fair value are wealth management products of the Group(Note 4(9)(i)), which belong to Level 2.

The timing of transfers is determined at the date of the event or change in circumstances that caused the transfer. There were no transfers between level 1 and 2 during the year.

The fair value of wealth management products is determined by using valuation technique, as the financial instrument not trade in an active market. The valuation model was discounted cash flow, and the unobservable input was expected annual yield.

(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 2015, 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.

13. 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.

13. CAPITAL MANAGEMENT (CONT'D)

For the six months ended 30 June 2015, 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 2015 and 31 December 2014 were as follows:

	30 June 2015 (unaudited)	31 December 2014
Cash and cash equivalents	<u>8,633,188,172</u>	<u>5,266,389,764</u>
<i>Less:</i> Short-term borrowings	(348,622,070)	(432,952,595)
Current portion of non-current liabilities	(1,431,387)	(1,561,421)
Long-term borrowings	<u>(2,376,255)</u>	<u>(2,784,731)</u>
	<u>(352,429,712)</u>	<u>(437,298,747)</u>
Cash balance	<u>8,280,758,460</u>	<u>4,829,091,017</u>

14. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Accounts receivable

	30 June 2015 (unaudited)	31 December 2014
Accounts receivable	817,031,898	633,484,987
<i>Less:</i> provision for bad debts	<u>(67,881,719)</u>	<u>(68,483,026)</u>
	<u>749,150,179</u>	<u>565,001,961</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 2015 (unaudited)	31 December 2014
Within 6 months	748,646,549	560,528,612
6 months to 1 year	530,137	552,490
1 to 2 years	—	36,928
2 to 3 years	27,400	—
Over 3 years	<u>67,827,812</u>	<u>72,366,957</u>
	<u>817,031,898</u>	<u>633,484,987</u>

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

(1) Accounts receivable (Cont'd)

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

	30 June 2015 (unaudited)				31 December 2014			
	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	18,205,474	2.23%	(18,205,474)	100%	18,805,474	2.97%	(18,805,474)	100%
Subject to provision on the grouping basis								
Group B	701,392,574	85.85%	—	—	523,685,664	82.67%	—	—
Group C	97,433,850	11.92%	(49,676,245)	50.99%	90,993,849	14.36%	(49,677,552)	54.59%
	<u>817,031,898</u>	<u>100%</u>	<u>(67,881,719)</u>	<u>8.31%</u>	<u>633,484,987</u>	<u>100%</u>	<u>(68,483,026)</u>	<u>10.81%</u>

(c) As at 30 June 2015, 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
Beijing Sales Company	11,245,784	(11,245,784)	100%	Note 4(3)(c)
Guangzhou General Agency	6,959,690	(6,959,690)	100%	Note 4(3)(c)
	<u>18,205,474</u>	<u>(18,205,474)</u>		

(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 2015 (unaudited)			31 December 2014		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Amount	Ratio	Amount	Amount	Ratio
Within 6 months	47,253,975	—	—	40,772,967	—	—
6 months to 1 year	530,137	(26,507)	5%	552,490	(27,624)	5%
1 to 2 years	—	—	—	36,928	(18,464)	50%
2 to 3 years	27,400	(27,400)	100%	—	—	—
Over 3 years	49,622,338	(49,622,338)	100%	49,631,464	(49,631,464)	100%
	<u>97,433,850</u>	<u>(49,676,245)</u>	<u>50.99%</u>	<u>90,993,849</u>	<u>(49,677,552)</u>	<u>54.59%</u>

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

(1) Accounts receivable (Cont'd)

- (e) The amount of provision for bad debts is RMB26,319, the reversed amount is RMB627,626, the major reversed amount is as follows:

	Reason for reversal	Rationality of provision basis (unaudited)	Amount of reversal	Reversal method
Guangzhou General Agency	Partial collected in current period	The possibility of recovery is low in management's view	600,000	Bank deposits

- (f) As at 30 June 2015, there are no accounts receivable that are written off in current period (six months ended 30 June 2014:nil).

- (g) As at 30 June 2015, the five largest accounts receivable are analysed as follows:

	Amount (unaudited)	Provision for bad debts (unaudited)	% of total balance
Total amount of the five largest accounts receivable	357,911,647	—	43.81%

- (h) As at 30 June 2015, there are no accounts receivable derecognised due to transfer of financial assets (31 December 2014: nil).

(2) Other receivables

	30 June 2015 (unaudited)	31 December 2014
Receivables from subsidiaries	120,069,303	101,748,835
Deposits	82,356,100	7,983,219
Refund for prepayment of land use rights	17,441,647	17,441,647
Staff advances	14,083,800	20,983,452
Brand royalty (Note 4(4)(iii))	9,473,725	17,630,536
Others	22,258,104	20,715,998
	265,682,679	186,503,687
Less: provision for bad debts	(40,153,236)	(40,074,136)
	225,529,443	146,429,551

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

(2) Other receivables (Cont'd)

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

	30 June 2015 (unaudited)	31 December 2014
Within 6 months	163,907,656	117,505,784
6 months to 1 year	21,357,604	12,585,726
1 to 2 years	26,213,031	1,840,498
2 to 3 years	2,697	354,924
Over 3 years	54,201,691	54,216,755
	<u>265,682,679</u>	<u>186,503,687</u>

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

	<u>30 June 2015 (unaudited)</u>				<u>31 December 2014</u>			
	<u>Ending balance</u>		<u>Provision for bad debts</u>		<u>Ending balance</u>		<u>Provision for bad debts</u>	
	% 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	17,441,647	6.56%	(17,441,647)	100%	17,441,647	9.35%	(17,441,647)	100%
Subject to provision by groups								
Group A	1,661,000	0.63%	—	—	7,401,127	3.97%	—	—
Group B	120,069,303	45.19%	—	—	101,748,835	54.56%	—	—
Group C	<u>126,510,729</u>	<u>47.62%</u>	<u>(22,711,589)</u>	<u>17.95%</u>	<u>59,912,078</u>	<u>32.12%</u>	<u>(22,632,489)</u>	<u>37.78%</u>
	<u>265,682,679</u>	<u>100%</u>	<u>(40,153,236)</u>	<u>15.11%</u>	<u>186,503,687</u>	<u>100%</u>	<u>(40,074,136)</u>	<u>21.49%</u>

(c) As at 30 June 2015, 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:

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

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

(2) Other receivables (Cont'd)

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

	30 June 2015(unaudited)			31 December 2014		
	Ending balance		Provision for bad debts	Ending balance		Provision for bad debts
	Amount	Amount	Ratio	Amount	Amount	Ratio
Within 6 months	103,138,069	—	—	36,801,091	—	—
6 months to 1 year	387,400	(19,370)	5%	348,660	(17,433)	5%
1 to 2 years	586,082	(293,041)	50%	294,542	(147,271)	50%
2 to 3 years	2,697	(2,697)	100%	354,924	(354,924)	100%
Over 3 years	22,396,481	(22,396,481)	100%	22,112,861	(22,112,861)	100%
	<u>126,510,729</u>	<u>(22,711,589)</u>	<u>17.95%</u>	<u>59,912,078</u>	<u>(22,632,489)</u>	<u>37.78%</u>

- (e) The amount of provision for bad debts is RMB88,622, the reversed amount is RMB9,522.
- (f) As at 30 June 2015, there is no other receivables written off (30 June 2014, the written off other receivables are RMB2,659,769).
- (g) As at 30 June 2015, the five largest other receivables are analysed as follows:

	Nature	Amount (unaudited)	Ageing	% of total balance	provisions for bad debts (unaudited)
No.1	Guarantee deposits	67,707,477	Within 6 months	25.48%	—
Wuhu Company	Payment on behalf for recycled bottles	34,260,422	Within 2 years	12.90%	—
Suizhou Company	Payment on behalf for recycled bottles	20,307,334	Within 2 years	7.64%	—
Yingcheng Company	Payment on behalf for recycled bottles	16,755,743	Within 2 years	6.31%	—
Tsingtao Xianghong Shangwu Company Limited ("Xianghong Shangwu")	Payment on behalf for Social Security etc.	11,352,049	Within 2 years	4.27%	—
		<u>150,383,025</u>		<u>56.60%</u>	<u>—</u>

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

(3) Dividends receivable

	30 June 2015 (unaudited)	31 December 2014
Xi'an Company	228,000,000	—
Yantai Asahi	15,310,781	—
Huanan Sales Company	—	105,700,000
	<u>243,310,781</u>	<u>105,700,000</u>

(4) Long-term receivables

	31 December 2014			30 June 2015 (unaudited)
Entrusted loans to Subsidiaries (i)	<u>566,300,000</u>			<u>448,900,000</u>
		Increase in current period (unaudited)	Decrease in the current period (unaudited)	
Less: provisions for bad debts	<u>(227,100,000)</u>	—	—	<u>(227,100,000)</u>
	<u>339,200,000</u>			<u>221,800,000</u>

(i) Represents the entrusted loans to the subsidiaries provided by the Company through banks and Finance Company, which are unsecured RMB loans, with annual interest of 3.3%-5.4%. The interests are paid monthly.

(5) Long-term equity investments

	30 June 2015 (unaudited)	31 December 2014
Subsidiaries – unlisted (a)	8,604,793,804	8,560,450,508
Joint Ventures – unlisted (b)	228,849,927	221,117,360
Associates – unlisted (c)	<u>1,249,380,669</u>	<u>1,250,264,555</u>
	10,083,024,400	10,031,832,423
Less: Provision for impairment of long-term equity investments (d)	<u>(745,588,059)</u>	<u>(745,588,059)</u>
	<u>9,337,436,341</u>	<u>9,286,244,364</u>

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

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

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

(a) Subsidiaries

	Accounting treatment	Investment cost	31 December 2014	Increased investment (unaudited)	Decreased investment (unaudited)	30 June 2015 (unaudited)	Equity interest held	Voting rights held	Explanation of inconsistency of equity interest held and voting rights held	Provision for impairment (unaudited)	Cash dividends declared in current period (unaudited)
Shenzhen Asahi	Cost method	126,746,680	126,746,680	—	—	126,746,680	51%	51%	Not applicable	—	50,992,000
Chengzhou Company	Cost method	62,601,208	62,601,208	—	—	62,601,208	88.80%	88.80%	Not applicable	—	35,520,000
Huanan Sales Company	Cost method	45,070,000	45,070,000	—	—	45,070,000	100%	100%	Not applicable	—	300,000,000
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	—	738,000,000
Weinan Company	Cost method	14,000,000	14,000,000	—	—	14,000,000	28%	28%	Not applicable	—	—
Anshan Company	Cost method	30,000,000	30,000,000	—	—	30,000,000	60%	60%	Not applicable	—	—
Xingkaihu Company	Cost method	129,430,000	129,430,000	—	—	129,430,000	100%	100%	Not applicable	(129,430,000)	—
Mishan Company	Cost method	23,920,000	23,920,000	—	—	23,920,000	100%	100%	Not applicable	(23,920,000)	—
Harbin Company	Cost method	109,940,000	213,540,000	—	—	213,540,000	100%	100%	Not applicable	(109,940,000)	—
Penglu 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	—	—
Tsingtao Brewery Kai Fa Company Limited	Cost method	1,320,000	1,320,000	—	—	1,320,000	100%	100%	Not applicable	(1,320,000)	—
Taizhou Company	Cost method	60,000,000	60,000,000	—	—	60,000,000	86.43%	86.43%	Not applicable	—	—
Maanshan Company	Cost method	80,000,000	80,000,000	—	—	80,000,000	94.12%	94.12%	Not applicable	—	—
Xianghong Shangwu	Cost method	5,760,000	5,760,000	—	—	5,760,000	100%	100%	Not applicable	—	—
Dongnan Sales Company	Cost method	293,088,560	293,088,560	—	—	293,088,560	100%	100%	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	—	42,600,000
Guangrunlong Logistics	Cost method	16,465,405	16,465,405	—	—	16,465,405	100%	100%	Not applicable	—	—
Chengdu Company	Cost method	200,000,000	280,000,000	—	—	280,000,000	100%	100%	Not applicable	—	—
Cultural Communication Company	Cost method	5,290,000	5,290,000	—	—	5,290,000	100%	100%	Not applicable	—	40,000,000
Rizhao Company	Cost method	339,239,300	339,239,300	—	—	339,239,300	100%	100%	Not applicable	—	40,500,000
Weifang Company	Cost method	73,620,001	73,620,001	—	—	73,620,001	100%	100%	Not applicable	—	27,500,000
Pingyuan Company	Cost method	21,730,001	21,730,001	—	—	21,730,001	100%	100%	Not applicable	—	—
Construction Company	Cost method	2,490,000	2,490,000	—	—	2,490,000	100%	100%	Not applicable	—	30,000,000
Langfang Company	Cost method	79,090,000	79,090,000	—	—	79,090,000	80.80%	80.80%	Not applicable	—	—
Heze Company	Cost method	124,590,000	124,590,000	—	—	124,590,000	93.08%	93.08%	Not applicable	(51,301,600)	—
Tengzhou Company	Cost method	48,310,000	48,310,000	—	—	48,310,000	76.65%	76.65%	Not applicable	—	—
Tsingtao Brewery (Shanghai) Company Limited	Cost method	1,570,000	1,570,000	—	—	1,570,000	5%	5%	Not applicable	—	—
Wuhu Company	Cost method	94,290,000	144,290,000	—	—	144,290,000	89.04%	89.04%	Not applicable	—	—
Shanghai Sales Company	Cost method	47,300,000	97,300,000	—	—	97,300,000	97.01%	97.01%	Not applicable	(47,300,000)	—
Chengyang Sales Company	Cost method	8,000,000	8,000,000	—	—	8,000,000	100%	100%	Not applicable	—	—
Baotuan 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	300,000,000	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	—	—

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

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

(a) Subsidiaries (Cont'd)

	Accounting treatment	Investment cost	31 December 2014	Increased investment (unaudited)	Decreased investment (unaudited)	30 June 2015 (unaudited)	Equity interest held	Voting rights held	Explanation of inconsistency of equity interest held and voting rights held	Provision for impairment (unaudited)	Cash dividends declared in current period (unaudited)
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	—	—
Jiayang Company	Cost method	150,000,000	150,000,000	—	—	150,000,000	75%	75%	Not applicable	—	—
Beverage Company	Cost method	10,044,252	30,044,252	—	—	30,044,252	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	—	—
Yuzhou 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%	Not applicable	—	—
Sales Company (i)	Cost method	10,000,000	10,000,000	—	—	10,000,000	50%	55.56%	(i)	—	—
Hongjiweiye (ii)	Cost method	10,000,000	10,000,000	6,973,296	—	16,973,296	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	1,100,000	1,100,000	—	—	1,100,000	55%	55%	Not applicable	(1,100,000)	—
Zhangjiakou Company (iii)	Cost method	81,480,000	81,480,000	10,120,000	—	91,600,000	100%	100%	Not applicable	—	—
Lulansa Company	Cost method	317,374,000	317,374,000	—	—	317,374,000	55%	55%	Not applicable	—	—
Huangshi Company	Cost method	163,630,000	163,630,000	—	—	163,630,000	97.18%	97.18%	Not applicable	—	—
Yingcheng Company	Cost method	42,070,000	42,070,000	—	—	42,070,000	89.91%	89.91%	Not applicable	—	—
Hanzhong Company (iv)	Cost method	27,250,000	—	27,250,000	—	27,250,000	34%	34%	Not applicable	—	—
			<u>8,560,450,508</u>	<u>44,343,296</u>	<u>—</u>	<u>8,604,793,804</u>				<u>(744,368,059)</u>	<u>1,304,712,000</u>

(i) As stated in Note 5(1)(a)(i), the Company has control over Sales Company.

(ii) Hongjiweiye funded in June 2013, with registered capital of RMB200,000,000. According to a resolution at the Board of Directors, the Company increased investments to Hongjiweiye with two cases of land with the book value of RMB6,973,296.

(iii) Zhangjiakou Company was established in April 2014, with registered capital RMB200,000,000. The Company made a contribution of RMB10,120,000 to Zhangjiakou Company. As at 30 June 2015, the capital of Zhangjiakou Company is RMB91,600,000.

(iv) As stated in Note 4(36)(i), The Company purchased 34% minority interest of Hanzhong Company by RMB27,250,000.

(v) The investment changes of the Company to subsidiaries refer to Note 5.

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

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

(b) Joint venture

	Movements in current period (unaudited)				30 June 2015 (unaudited)	Equity interest held	Voting rights held	Provision for impairment (unaudited)
	31 December 2014	Increased Investment	Share of Profits using the equity method	Cash dividend declared				
Hebei Jiahe	<u>221,117,360</u>	<u>—</u>	<u>7,732,567</u>	<u>—</u>	<u>228,849,927</u>	50%	50%	<u>—</u>

Major financial information of joint venture please refers to Note 5(2)(b).

(c) Associates

	Movements in current period (unaudited)				30 June 2015 (unaudited)	Equity interest held	Voting rights held	Provision for impairment (unaudited)
	31 December 2014	Increased Investment	Share of Profits using the equity method	Cash dividend declared				
Manufacturing Company (i)	1,089,508,090	—	5,293,442	—	1,094,801,532	50%	44.44%	—
Yantai Asahi	136,715,853	—	9,309,102	(15,310,781)	130,714,174	39%	39%	—
Zhaoshang Logistic Company	20,213,625	—	2,873,254	(2,915,621)	20,171,258	30%	30%	—
Liaoning Shenqing Company	2,606,987	—	(133,282)	—	2,473,705	30%	30%	—
Others	<u>1,220,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,220,000</u>			<u>(1,220,000)</u>
	<u>1,250,264,555</u>	<u>—</u>	<u>17,342,516</u>	<u>(18,226,402)</u>	<u>1,249,380,669</u>			<u>(1,220,000)</u>

- (i) The net profit adjustment in current period under equity method is RMB5,293,442, of which RMB5,465,042 is calculated on the share of net profit realised by the Manufacturing Business invested by the Company at book value and by the holding interest of Suntory Shanghai, Suntory Kunshan, Suntory Kunshan, Suntory Guangming adjusted at fair value, RMB171,600 is investment loss from offset unrealised profits from internal transaction. Manufacturing Business invested by the Company is Tsingtao Brewery Shanghai Songjiang Co., Ltd. ("Songjiang Company"), a former subsidiary of the Company, which holds 100% equity interests in Yangzhou Company, Suqian Company, Pengcheng Company and 66% equity interests in Xuzhou Company. Songjiang Company changed its name to Manufacturing Company after the transaction.

The explanation of inconsistency of equity interest held and voting rights held in Manufacturing Company refers to Note 4(11)(b)(i).

- (ii) Summarised financial information of associates refers to Note 5(2)(c).

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

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

(c) Associates (Cont'd)

	30 June 2015 (unaudited)	31 December 2014
	Manufacturing Company	Manufacturing Company
Total equity attributable to shareholders	2,157,631,345	2,147,829,335
Adjusted fair value of the identifiable net assets when obtained	(46,081,531)	(47,209,605)
Adjusted total equity attributable to shareholders	2,111,549,814	2,100,619,730
Equity attributable to the Company	1,055,774,907	1,050,309,865
Adjusting events		
— Goodwill included in long-term equity investments	48,521,954	48,521,954
— Offset unrealised profits from internal transaction	(9,495,329)	(9,323,729)
Long-term equity investments	<u>1,094,801,532</u>	<u>1,089,508,090</u>

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

	31 December 2014	Increase in current period (unaudited)	Decrease in current period (unaudited)	30 June 2015 (unaudited)
Subsidiaries — unlisted company	(744,368,059)	—	—	(744,368,059)
Associates — unlisted company	(1,220,000)	—	—	(1,220,000)
	<u>(745,588,059)</u>	<u>—</u>	<u>—</u>	<u>(745,588,059)</u>

(6) Revenue and cost of sales

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Revenue from main operation	9,056,855,657	9,203,125,033
Revenue from other operations	762,387,669	792,497,739
	<u>9,819,243,326</u>	<u>9,995,622,772</u>
	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Cost of main operation	(6,566,209,483)	(6,826,208,242)
Cost of other operations	(745,305,763)	(778,311,774)
	<u>(7,311,515,246)</u>	<u>(7,604,520,016)</u>

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

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

(a) Revenue and cost of main operation

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

	Six months ended 30 June 2015 (unaudited)		Six months ended 30 June 2014 (unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sale of Beer	<u>9,056,855,657</u>	<u>(6,566,209,483)</u>	<u>9,203,125,033</u>	<u>(6,826,208,242)</u>

(b) Revenue and cost of other operations

	Six months ended 30 June 2015 (unaudited)		Six months ended 30 June 2014 (unaudited)	
	Revenue from other operations	Cost of other operations	Revenue from other operations	Cost of other operations
Sale of materials	747,376,111	(740,580,848)	775,900,004	(773,090,518)
Others	<u>15,011,558</u>	<u>(4,724,915)</u>	<u>16,597,735</u>	<u>(5,221,256)</u>
	<u>762,387,669</u>	<u>(745,305,763)</u>	<u>792,497,739</u>	<u>(778,311,774)</u>

(7) Expenses classified by nature

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Finished goods purchased from outside	4,637,498,220	4,848,238,256
Materials consumption	2,238,279,365	2,305,013,660
Employee benefit expenses	735,108,370	618,359,967
Promotion-related expenses	550,946,240	555,410,489
Transportation expenses and handling charges	481,718,609	482,249,667
Advertising related expenses	199,607,861	376,928,655
Movement in Finished goods, Work in progress and Material on consignment for further processing	161,966,937	193,891,542
Depreciation and amortisation expenses	122,429,406	105,106,883
Administrative and business travel expenses	51,324,643	58,078,198
Repair expenses	39,359,190	38,761,474
Rental expenses	30,189,712	25,324,801
Tax expenses	20,466,064	19,017,655
Service charges	8,080,803	5,958,201
Agency fee	7,508,927	6,331,813
Others	<u>18,991,822</u>	<u>18,532,137</u>
Total Cost of sales, Selling and distribution, General and administrative expenses	<u>9,303,476,169</u>	<u>9,657,203,398</u>

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

(8) Investment income

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Income from long-term equity investment under cost method (a)	1,304,712,000	43,860,000
Income from long-term equity investment under equity method	25,075,083	32,719,905
Income from entrusted loans	13,598,192	24,203,043
Income from disposal of long-term equity investment	—	27,850,651
Others	299,998	(299,998)
	<u>1,343,685,273</u>	<u>128,333,601</u>

There is no restriction on recovery of investment income.

For the six months ended 30 June 2015 and 30 June 2014, all the investment income of the Company is from unlisted investments.

(a) Investment income from long-term equity investment under cost method is the profit distribution of subsidiaries.

15. NET CURRENT ASSETS

	30 June 2015 Group (unaudited)	31 December 2014 Group	30 June 2015 Company (unaudited)	31 December 2014 Company
Current assets	13,637,060,790	10,352,047,986	6,562,054,086	3,450,303,083
Less: Current liabilities	(12,156,183,289)	(9,228,272,134)	(6,740,834,514)	(4,483,733,179)
Net current assets	<u>1,480,877,501</u>	<u>1,123,775,852</u>	<u>(178,780,428)</u>	<u>(1,033,430,096)</u>

16. TOTAL ASSETS LESS CURRENT LIABILITIES

	30 June 2015 Group (unaudited)	31 December 2014 Group	30 June 2015 Company (unaudited)	31 December 2014 Company
Total assets	30,553,027,697	27,003,913,126	19,783,536,465	16,599,719,856
Less: Current liability	(12,156,183,289)	(9,228,272,134)	(6,740,834,514)	(4,483,733,179)
Total assets less current liabilities	<u>18,396,844,408</u>	<u>17,775,640,992</u>	<u>13,042,701,951</u>	<u>12,115,986,677</u>

SUPPLEMENTARY INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

(All amounts in RMB Yuan unless otherwise stated)

1. SUMMARY OF NON-RECURRING PROFIT OR LOSS

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Government grants recognised in profits	274,651,110	214,819,804
Losses on disposal of non-current assets	(74,198,215)	(14,275,847)
Reversal of bad debt provision for accounts receivables which provision is provided on the individual basis	600,000	—
Other non-operating income and expenses other than aforesaid items	2,144,827	446,178
	<u>203,197,722</u>	<u>200,990,135</u>
Impact of the income tax	(35,764,275)	(38,526,571)
Impact of the non-controlling interests (after tax)	(8,684,411)	(4,562,211)
	<u>158,749,036</u>	<u>157,901,353</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 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Net profit attributable to ordinary shareholders of the Company	7.50%	9.54%	0.887	1.040	0.887	1.040
Net profit attributable to ordinary shareholders of the Company after deducting on-recurring profit or loss	6.51%	8.47%	0.770	0.923	0.770	0.923

(I) SUMMARY OF INDUSTRIAL DEVELOPMENT IN THE FIRST HALF-YEAR

In the first half of 2015, the huge decline pressure of the domestic macro-economy and the continuous slow-down of economic growth brought negative impacts to the beer industry, and the overall sales volume of the industry declined significantly. The consumption environment of domestic beer market was still unsatisfactory that the mid-and-high-end catering market continued to become smaller although the mass catering market had some growth, which brought comparatively huge pressure to the consumption of mid-and-high-end beer.

As affected by the complex factors including the aforesaid situation and climate, in the first half of this year, the production volume of domestic beer industry reached 245.7 million hl, decreased by 6.2% from the corresponding period in previous year (statistics were from National Bureau of Statistics), which made the market competition fiercer.

(II) REVIEW OF OPERATIONAL SITUATION OF THE COMPANY IN THE FIRST HALF-YEAR

Facing the complicated and unfavorable market environment, the Company determined its work guideline of “Stabling the growth, adjusting the structure, controlling the new normality by seeking improvement in stability; Insisting on practice, focusing on real effects, exploring new future by real practice and solid work” for the year 2015. The Company actively devoted into “Stabling the growth, adjusting the structure”, explored and took into practice of the new mode and new methods of qualified growth with “innovative drives”, and implemented the transformation and upgrading in the parts including R&D, production, sales and investment, which obtained certain achievements, and built a solid basis for the Company’s continuous healthy development.

During the Reporting Period, the Company continued to devote into the exploration of domestic market, to positively respond to the industry’s decline pressure and market challenges. In the first half-year, the Company had accumulatively realized its sales volume of 49.18 million hl, domestic market share of 20%; realized revenues of RMB16.067 billion, and net profits attributable to shareholders of the Company of RMB1.199 billion.

Before the huge competition pressure in the beer markets, the Company actively promoted and implemented the differentiation competition strategy of products innovation, supply chain innovation and management innovation.

In the first half-year, by promoting the construction of provincial markets and base markets in big cities, the Company continued to optimize its brand mix and products mix, enhanced the sales of high value-added products and raised the consumers’ needs, which ensured the growth of high-end products and competitive strength in base markets, and maintained its leading position in the domestic mid-and-high-end markets. In the first half-year, the Company realized the sales volume of its principal brand, Tsingtao Beer, of 24 million hl, including the total sales volume of 9.7 million hl of high-end products including canned beer, small-bottled beer, Augerta, Classic 1903 and draft beer, which realized the continuous growth. At the same time, the Company kept on promoting and improving the management of micro-operations, intensive product sales strategies and channel layouts, improving the process and system, and strengthening the distributor management, to build a solid systematic and management basis for the future development in the markets.

The Company kept on innovating the sales strategy, rapidly arranged the market networks focusing on the new and special products, developed professional distributors, which obtained significant achievements. The Company actively explored the new sales modes in the era of mobile internet, led the development of e-commerce in the beer industry. After having built up official flagship store on the large e-commerce platform, the Company had been the first to build an overall e-commerce channel system of official flagship store + official shopping mall + online retailers + distributor boutiques. On 25 July in this year, “Tsingtao Quick-Buy” APP was launched in Qingdao with around 10,000 registered users which realized the new mode of “Enjoy beer at home by clicks only”. As the first O2O platform in the beer industry, “Tsingtao Quick-Buy” will accelerate the e-commerce of O2O mode and the transformation of B2C business.

The Company changed its R&D mode of new technologies and new products to lead the upgrade of product consumption. With the R&D platform of “State Key Laboratory of Biological Fermentation Engineering of Beer”, by focusing on the international R&D trend of new products, innovating brewing techniques and packing form, the Company realized the overall innovation from yeast, raw materials, techniques and packages. In the first half-year, by combining with the needs in the domestic market, focusing on the purpose of being young, fashionable, healthy and functional, the Company developed new products and successfully presents the new products including whole-barley Weissbier, peach beer, date-taste black beer, 5L raw stock beer, leading the new trends in the domestic consumption.

The Company kept on putting more funds into safe production, environment protection and quality improvement that it had practiced the projects of securing the safe production, steady operation of environment protection devices and improving product quality including ammonia system reconstruction, desulfurization and dust extraction reconstruction, wastewater treatment, and renewal of packing equipment. At present, the Company has reached national leading level in the areas including safe production, clean production, energy conservation and emission reduction, and reducing the consumption of resources.

In the first half-year, the Company actively adjusted its investment mode from “increasing volume and production capacity” to “improving quality and efficiency”, reasonably controlled the progress of expansion investment projects, took priorities in the strategic new and special products and canned products which could satisfy the upgraded consumption needs in the markets, and put full efforts into supporting the exploration of base markets to ensure the maximization of investment income.

During the Reporting Period, Tsingtao Beer became the first beer brand of over RMB100 billion value with its brand value of RMB105.568 billion, while the brand value of Laoshan Beer also reached RMB11.568 billion, continuing to maintain its leading position in the domestic market (Source: World Brand Lab).

(III) 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

Item	Unit: '000 Yuan Currency: RMB		
	Amount during this period	Amount during the corresponding period in previous year	Increase/ (Decrease) (%)
Revenues	16,066,594	16,958,068	(5.26)
Costs of sales	9,822,405	10,145,048	(3.18)
Selling and distribution expenses	3,151,532	3,470,957	(9.20)
General and administrative expenses	636,737	600,349	6.06
Financial expenses	(147,615)	(173,923)	15.13
Asset Impairment losses/(reverse)	864	(1,031)	183.84
Non-operating expenses	77,725	21,422	262.83
Net profits attributable to non-controlling interests	20,823	33,096	(37.08)

(1) Revenues

In the first half of 2015, revenues decreased by 5.26% comparing with that of the corresponding period in previous year, which was mainly due to the decrease in revenues caused by the decline of sales volume of beer during the Reporting Period.

(2) Costs of sales

In the first half of 2015, costs of sales decreased by 3.18% comparing with that of the corresponding period in previous year, which was mainly due to the decrease in costs of sales caused by the decline of sales volume of beer during the Reporting Period.

(3) Selling and distribution expenses

In the first half of 2015, selling and distribution expenses decreased by 9.20% comparing with that of the corresponding period in previous year, which was mainly due to the decrease in investments in the markets caused by the decline of sales volume during the Reporting Period.

(4) General and administrative expenses

In the first half of 2015, general and administrative expenses increased by 6.06% comparing with that of the corresponding period in previous year, which was mainly due to the increase in employees' remuneration during the Reporting Period.

(5) Financial expenses

In the first half of 2015, financial expenses increased by 15.13% comparing with that of the corresponding period in previous year, which was mainly due to the decrease in interests during the Reporting Period.

(6) Asset Impairment losses

In the first half of 2015, asset impairment losses increased by 183.84% comparing with that of the corresponding period in previous year, which was mainly due to the increase in impairment losses of fixed assets during the Reporting Period.

(7) Non-operating expenses

In the first half of 2015, non-operating expenses increased by 262.83% comparing with that of the corresponding period in previous year, which was mainly due to the increase in losses in disposing of fixed assets during the Reporting Period.

(8) Net profits attributable to non-controlling interests

In the first half of 2015, net profits attributable to non-controlling interests decreased by 37.08% comparing with that of the corresponding period in previous year, which was mainly due to the decrease in net profits of the units with non-controlling shareholders during the Reporting Period.

Analysis of changes to items in balance sheet

Unit: '000 Yuan Currency: RMB

Item	30 Jun. 2015	31 Dec. 2014	Increase/ (Decrease) (%)
Cash at bank and on hand	9,654,346	6,388,651	51.12
Accounts receivable	371,148	125,422	195.92
Advances to suppliers	119,100	191,673	(37.86)
Dividends receivable	15,311	—	—
Other receivables	522,235	163,584	219.25
Constructions in progress	715,837	1,051,916	(31.95)
Other non-current assets	142,683	76,627	86.20
Accounts payable	3,863,922	2,494,169	54.92
Taxes payable	722,559	249,196	189.96
Dividends payable	609,080	—	—
Interests payable	826	4,740	(82.58)
Specific payables	196,207	324,838	(39.60)
Non-controlling interests	(165,216)	(100,280)	(64.75)

(1) Cash at bank and on hand

Cash at bank and on hand at the end of the Reporting Period increased by 51.12% from the beginning of the Reporting Period, which was mainly due to the net cash in-flow generated from the operating activities during the Reporting Period.

(2) Accounts receivable

Accounts receivable at the end of the Reporting Period increased by 195.92% from the beginning of the Reporting Period, which was mainly due to the increase in balance of receivable accounts of some subsidiaries in the peak seasons of sales during the Reporting Period.

(3) Advances to suppliers

Advances to suppliers at the end of the Reporting Period decreased by 37.86% from the beginning of the Reporting Period, which was mainly due to the decrease in purchase of raw materials with prepayments during the Reporting Period.

(4) Dividends receivable

Dividends receivable at the end of the Reporting Period increased by RMB15,311 thousand from the beginning of the Reporting Period, which was mainly due to the receivable dividends of the associated units during the Reporting Period.

(5) Other receivables

Other receivables at the end of the Reporting Period increased by 219.25% from the beginning of the Reporting Period, which was mainly due to the increase in financial products with fixed benefits purchased during the Reporting Period.

(6) Constructions in progress

Constructions in progress at the end of the Reporting Period decreased by 31.95% from the beginning of the Reporting Period, which was mainly due to that the constructions in progress in some subsidiaries had been completed and transformed into fixed assets during the Reporting Period.

(7) Other non-current assets

Other non-current assets at the end of the Reporting Period increased by 86.20% from the beginning of the Reporting Period, which was mainly due to the increase in prepaid construction amounts and equipment purchase amounts in the relocation projects in progress of some subsidiaries during the Reporting Period.

(8) Accounts payable

Accounts payable at the end of the Reporting Period increased by 54.92% from the beginning of the Reporting Period, which was mainly due to the increase in payable accounts caused by the growth of purchase for materials in the peak seasons during the Reporting Period.

(9) Taxes payable

Taxes payable at the end of the Reporting Period increased by 189.96% from the beginning of the Reporting Period, which was mainly due to the increase in payable value-added tax, payable income tax and payable consumption tax in the peak seasons of sales during the Reporting Period.

(10) Dividends payable

Dividends payable at the end of the Reporting Period increased by RMB609,080 thousand from the end of the Reporting Period, which was mainly due to that the cash dividends to be distributed according to the resolution passed at the general meeting hadn't been paid at the end of the Reporting Period.

(11) Interests payable

Interests payable at the end of the Reporting Period decreased by 82.58% from the beginning of the Reporting Period, which was mainly due to the decrease in payable interests of the borrowings of some subsidiaries at the end of the Reporting Period.

(12) Specific payables

Specific payables at the end of the Reporting Period decreased by 39.60% from the beginning of the Reporting Period, which was mainly due to that some subsidiaries made up the relocation expenses with the relocation compensations received from the government during the Reporting Period.

(13) Non-controlling interests

Non-controlling interests at the end of the Reporting Period decreased by 64.75% from the beginning of the Reporting Period, which was mainly due to the decrease in net assets of some subsidiaries with non-controlling shareholders during the Reporting Period.

Analysis of changes to items in cash flow

Item	Unit: '000 Yuan Currency: RMB		
	Amount during this period	Amount during the corresponding period in previous year	Increase/ (Decrease) (%)
Cash flow from operating activities-net	4,421,119	3,976,312	11.19
Cash flow from investing activities-net	(1,198,517)	(982,951)	(21.93)
Cash flow from financing activities-net	147,359	(1,943,205)	107.58

- (1) Net cash flow from operating activities increased by 11.19% comparing with that of the corresponding period in previous year, which was mainly due to the decrease in cash paid for commercials, loading and transportation fees during the Reporting Period.
- (2) Net cash flow from investing activities decreased by 21.93% comparing with that of the corresponding period in previous year, which was mainly due to the increase in cash paid for the investments during the Reporting Period.
- (3) Net cash flow from financing activities increased by 107.58% comparing with that of the corresponding period in previous year, which was mainly due to the decrease in cash paid for the repayment of debts during the Reporting Period.

2. Analysis of industries, products and regional operations

(1) Table of main operation by industries and products

Table of main operation by industries				Unit: '000 Yuan Currency: RMB		
By industries	Revenues	Costs of sales	Gross margin (%)	Main operation by industries		
				Increase/ (Decrease) in revenues from the corresponding period in previous year (%)	Increase/ (Decrease) in costs of sales from the corresponding period in previous year (%)	Increase/ (Decrease) in gross margin from the corresponding period in previous year (%)
Beer	15,842,763	9,680,117	38.90	(5.30)	(3.18)	Decreased by 1.34 percentage points

Table of main operation by products

By products	Revenues	Costs of sales	Gross margin	Main operation by products		
				Increase/ (Decrease) in revenues from the corresponding period in previous year (%)	Increase/ (Decrease) in costs of sales from the corresponding period in previous year (%)	Increase/ (Decrease) in gross margin from the corresponding period in previous year (%)
Beer	15,842,763	9,680,117	38.90	(5.30)	(3.18)	Decreased by 1.34 percentage points

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

(2) Table of main operation by location

Region	Revenues	Unit: '000 Yuan	Currency: RMB
		Increase/ (Decrease) in revenues from the corresponding period in previous year (%)	
Shandong Province	9,016,655		(2.28)
North China	3,162,051		(5.11)
South China	2,405,715		(8.01)
East China	1,672,154		(15.17)
South-East China	1,367,401		(11.31)
Hong Kong, Macau and other overseas	<u>229,296</u>		(5.65)
Sub-total	17,853,272		(5.69)
Less: Eliminations	<u>2,010,509</u>		(8.65)
Total	<u><u>15,842,763</u></u>		(5.30)

3. Interpretation for other operational situations

(1) Debt/Capital ratio

As at 30 June 2015, the Group's debt/capital ratio was 0.01% (0.02% as at 31 December 2014). The calculation of debt/capital ratio is: total amount of long-term borrowings/(total amount of long-term borrowings + equity attributable to shareholders of the Company).

(2) Asset mortgage

As at 30 June 2015, no assets of the Group were pledged (Nil as at 31 December 2014).

(3) Risk of fluctuation of exchange rate

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 extent of impact on the profitability of the Group.

(4) Capital expenses

In the first half of 2015, the Company totally invested in approximately RMB789 million in the new construction, relocation, re-construction and expansion projects 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) ENTRUSTED LOANS PROVIDED BY THE COMPANY TO 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 RMB448.90 million.

(II) During the Reporting Period, the Company was not involved in any new significant litigations and arbitration.

CHANGES TO SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

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

2. Information of shareholders

(1) As at 30 June 2015, there were totally 33,607 shareholders of the Company, including 33,317 holders of A-share and 290 holders of H-share. Based on the public information which is known on the latest practical date before the interim report is published, and 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) Shareholding of top ten shareholders of the Company by the end of the Reporting Period

Shareholder's name	Class of shares	Unit: Share	
		Shares held at the end of the Reporting Period	Holding percentage (%)
Tsingtao Brewery Group Company Limited (Note 1)	A-share + H-share	413,067,555	30.58
HKSCC Nominees Limited (Note 2)	H-share	373,897,441	27.68
Asahi Group Holdings Ltd	H-share	270,127,836	19.99
PICC Life Insurance Co., Ltd. — Dividends — Dividends for personal insurance		23,006,958	1.70
China Jianyin Investment Company Ltd.	A-share	17,574,505	1.30
Taikang Life Insurance Co., Ltd. — Dividends — Personal dividends — 019L — FH002Hu	A-share	14,434,245	1.07
Morgan Stanley Investment Management Inc. — Morgan Stanley China A-share Fund	A-share	11,308,085	0.84
WANG Wen Xue	A-share	8,818,842	0.65
China Constructions Bank Co., Ltd. — Sino- merchants Value Share Flexible Allocation Mixed Launching Securities Investment Fund	A-share	5,241,312	0.39
Hong Kong Monetary Authority — Own Funds	A-share	4,868,759	0.36

Notes:

- The numbers of the shares held by Tsingtao Group in the Company include 7,944,000 shares of H-share held through its wholly-owned subsidiary, and 405,123,555 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 2015, 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
State-owned Assets Supervision & Administration Commission of the People’s Government of Qingdao (“SASACQ”)	Long Position	A-Share	Corporate		405,123,555 A-Shares	29.99%	N/A
	Long Position	H-Share	Interest of controlled corporation	1	7,944,000 H-Shares	0.59%	1.21%
Asahi Breweries, Ltd	Long Position	H Share	Beneficial Owner	2	270,127,836 H-Shares	19.99%	41.24%
Chen Fa Shu	Long Position	H Share	Beneficial Owner	3	49,069,342 H-Shares	3.63%	7.49%
JPMorgan Chase & Co.	Long Position	H-Share	Interest of controlled corporation/ Beneficial Owner/ Investment Manager/ Custodian	3&4	52,432,714 H-Shares	3.88%	8.00%
	Interest in a lending pool	H-Share			16,166,992 H-Shares	1.20%	2.46%
	Short Position	H-Share	Beneficial Owner		114,000 H-Shares	0.01%	0.02%

Notes:

- (1) The 7,944,000 H-shares which were deemed to be interested by SASACQ were held by a wholly-owned subsidiary of Tsingtao Group. According to the latest disclosure of interests filings, SASACQ is interested in 7,844,000 H-Shares.
- (2) According to the latest disclosure of interests filings, Asahi Breweries, Ltd is interested in 269,127,836 H-Shares. Asahi Group Holdings Ltd. was re-organized and set up on 1 July 2011, and held the aforesaid shares of H-share on behalf of Asahi Breweries, Ltd.
- (3) The shareholding information of Mr. CHEN Fa Shu and JPMorgan Chase & Co. is made based on the latest disclosure of interests filings.
- (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. Shareholding of directors, supervisors and senior management officers

As at 30 June 2015, 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 2015, 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 directors and supervisors at all applicable time during the Reporting Period.

3. Staff

As at 30 June 2015, the Company (including its subsidiaries) totally had 43,270 on-duty staff.

In 2015, facing the "new normality" of low growth in China's beer industry, the Company pursued the healthy and qualified development. According to the function of different parts in operating the value chain, the nature of different positions and the professional level of the employees, the Company had established diversified remuneration incentive policies to try to realize the fair and market-orientated distribution; established the linkage mechanism of the growth of stock target of total amount of salary according to the performance, to closely combine the growth of labor costs with the performance of the Company. In the first half-year, based on the general control over the total amount of salary, and through the management measures of continuously optimizing the labor structure, improving per capita efficiency, and input-output of labor costs, the Company had been increasing the employees' average income.

In 2015, at the same time of continuously improving the talent cultivating mode, the Company has also established several innovative management modes through the opportunities of establishing all-round study platform, and the cultivation of professional and high-skilled talents, which obtained more substantial effects in talent cultivation. The Company had achieved initial success in building all-round study platform, and started mobile study platform with a coverage of 47.6% of on-line study; for the qualification purpose, the first class of TT-EMBA program for improving medium management officers' systematic thoughts had been successfully completed; promoted the Company's finance management to management accounting to cultivate an outstanding team of finance directors, and implemented the first program of Tsingtao management accounting class. For the reservation purpose, the Company optimized and designed the training programs for the reserved talents in main line of "Golden ★" and "Silver ★" programs. For the cultivation of high-level professional talents, the Company had successfully completed the first class of Tsingtao-Doemens brewer training program to cultivate the world's leading brewing experts, and had started the selection of the talents for the second class.

PURCHASING, SELLING OR REDEEMING THE SECURITIES

For the six months ended 30 June 2015, 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 authorities, the Company had been improving its internal control to realize a standard and highly efficient operation 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 2015 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

2015

INTERIM REPORT

中期報告

青島啤酒股份有限公司
TSINGTAO BREWERY CO., LTD.