



TSINGTAO

青島啤酒

青島啤酒股份有限公司
TSINGTAO BREWERY CO., LTD.

(Stock Code 股份代號 : 168)



年度報告

ANNUAL REPORT

2017

目錄

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青島啤酒代言人：黃曉明

青島純生 鲜活人生

— TSINGTAO DRAFT BEER
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畅享欢聚时刻



公司簡介 Company Profile

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

公司的經營範圍是啤酒製造、銷售以及與之相關的業務。目前公司在國內擁有62家全資和控股的啤酒生產企業，及2家聯營及合營啤酒生產企業，分布於全國20個省、直轄市、自治區，規模和市場份額居國內啤酒行業領先地位。其生產的青島啤酒為國際市場上最具知名度的中國品牌，已行銷世界一百個國家和地區。

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

The Company's business scope is production and sales of beer, and other related business. At present, the Company occupies leading position in the domestic beer industry in terms of size and market share with 62 wholly-owned and controlling breweries, and 2 associated and joint-investment breweries in 20 provinces, municipalities and autonomous regions in China. Tsingtao Beer is the most well-known Chinese brand in the international market that it is distributed to one hundred countries and regions throughout the world.



會計數據摘要 Financial Highlights

按中國企業會計準則編制

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

1、本集團二零一七年財務資料

(單位：人民幣千元)

1. The Group’s financial information for the year ended 31 December 2017

(Unit: RMB'000)

營業利潤	Operating profit	1,992,225
利潤總額	Total profit	2,104,819
歸屬於母公司股東的淨利潤	Net profit attributable to shareholders of the Company	1,263,017
歸屬於母公司股東的扣除非經常性損益後的淨利潤	Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss	975,266
經營活動產生的現金流量淨額	Net cash flows from operating activities	2,223,536
註：非經常性損益項目包括：	Note: Non-recurring profit or loss items include:	
計入當期損益的政府補助	Government grants recognised in profits	428,407
非流動資產處置損失	Losses on disposal of non-current assets	(46,283)
單獨進行減值測試的應收賬款減值準備轉回	Reversal of bad debt provision for accounts receivables which provision is provided on the individual basis	100
除上述各項之外的其他營業外收入和支出	Other non-operating income and expenses other than aforesaid items	(11,402)
小計	Subtotal	370,822
所得稅影響額	Impact of income tax expense	(69,439)
少數股東權益影響額(稅後)	Impact on the non-controlling interest, net of tax	(13,632)
合計	Total	287,751



會計數據摘要 Financial Highlights

2. 主要會計數據及財務指標

(單位：人民幣千元)

2. Summarised accounting data and financial indicators

(Unit: RMB'000)

主要會計資料	Summarised accounting information	2017	2016	2015	2014	2013
營業收入	Revenue	26,277,052	26,106,344	27,634,686	29,049,321	28,290,978
利潤總額	Total profit	2,104,819	2,123,442	2,274,822	2,682,999	2,666,534
歸屬於母公司股東的淨利潤	Net profit attributable to shareholders of the Company	1,263,017	1,043,486	1,713,129	1,990,098	1,973,372
歸屬於母公司股東的扣除非經常性損益的淨利潤	Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss	975,266	819,399	1,052,707	1,671,409	1,655,872
基本每股收益	Basic earnings per share	0.9349	0.7724	1.2681	1.4731	1.4607
稀釋每股收益	Diluted earnings per share	0.9349	0.7724	1.2681	1.4731	1.4607
扣除非經常性損益後的基本每股收益	Basic earnings per share after deduction of non-recurring profit or loss	0.7219	0.6065	0.7792	1.2372	1.2257
全面攤薄淨資產收益率(%)	Fully diluted return on net assets (%)	7.37	6.40	10.41	12.93	14.07
加權平均淨資產收益率(%)	Weighted average return on net assets (%)	7.55	6.43	10.76	13.53	14.87
扣除非經常性損益後全面攤薄淨資產收益率(%)	Fully diluted return on net assets after deduction of non-recurring profit or loss (%)	5.69	5.02	6.40	10.86	11.81
扣除非經常性損益後的加權平均淨資產收益率(%)	Weighted average return on net assets after deduction of non-recurring profit or loss (%)	5.83	5.05	6.61	11.36	12.48
經營活動產生的現金流量淨額	Net cash flows from operating activities	2,223,536	2,970,891	2,574,566	1,690,634	3,401,151
每股經營活動產生的現金流量淨額	Net cash flows from operating activities per share	1.65	2.20	1.91	1.25	2.52
總資產	Total assets	30,974,712	30,077,158	28,500,590	27,003,913	27,364,867
總負債	Total liabilities	13,200,207	13,198,019	12,334,579	11,716,631	13,491,396
歸屬於母公司股東權益	Total equity attributable to shareholders of the Company	17,145,228	16,313,953	16,458,062	15,387,562	14,020,559
歸屬於母公司股東的每股淨資產	Net assets per share attributable to shareholders of the Company	12.69	12.08	12.18	11.39	10.38

會計數據摘要 Financial Highlights

3. 報告期內股東權益變動情況

(單位：人民幣千元)

項目	Item	歸屬於母公司股東權益					未分配利潤	少數股東權益	股東權益合計
		股本	資本公積	其他綜合收益	盈餘公積	一般風險準備			
		Share capital	Capital surplus	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Non-controlling interests	shareholders' equity
期初數	Opening balance	1,350,983	3,444,190	(50,149)	1,400,704	142,496	10,025,729	565,187	16,879,140
本期增加	Increase in the current year	—	0	41,111	—	13,001	1,263,017	121,218	1,425,346
本期減少	Decrease in the current year	—	(8)	—	—	—	(485,845)	(57,129)	(529,981)
期末數	Ending balance	1,350,983	3,444,182	(9,038)	1,400,704	155,497	10,802,901	629,276	17,774,505

- (1) 其他綜合收益：增加主要原因是重新計量設定受益計劃淨負債的變動及外幣財務報表折算差額所致；
- (2) 一般風險準備：增加為本年度提取的一般風險準備；
- (3) 未分配利潤：增加為本年度實現的歸屬於母公司股東的淨利潤，減少為本年提取一般風險準備以及分配股利；
- (4) 少數股東權益：增加主要原因是本年度部分擁有少數股東的子公司盈利，減少為本年對少數股東分配股利。

3. Changes in shareholders' equity in reporting period

(Unit: RMB'000)

- (1) Other comprehensive income: Increase mainly dues to the changes arising from remeasurement of defined benefit plan liabilities and currency translation differences;
- (2) General reserve: Increase represents the general reserve appropriated in the current year;
- (3) Undistributed profits: Increase represents net profit attributable to shareholders of the Company in the current year. Decrease represents the appropriation of general reserve and distribution of dividends;
- (4) Non-controlling interests: Increase mainly dues to profit of certain subsidiaries with non-controlling interests in the current year . Decrease represents distribution of dividends in the current year.



會計數據摘要 Financial Highlights

4. 利潤分配

本公司董事會建議就截至二零一七年十二月三十一日止年度派發末期股息每股人民幣0.42元(含稅)，其餘未分配利潤結轉下一年度。上述分配預案須經本公司二零一七年度股東年會審議批准。有關公司H股股東暫停辦理股份過戶登記手續的期間，本公司將在另行公佈的股東年會通告中載列。

4 Dividend Distribution

The Board proposed a final dividend of RMB 0.42 (pre-tax) per share for the year ended 31 December 2017, and the remaining distributable profits will carry forward to the next year. The aforesaid dividend proposal shall be subject to the approval at the 2017 Annual General Meeting to be held by the Company. The period for the closure of register of members for H-share will be set out in the notice of the Annual General Meeting to be published by the Company separately.





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董事長報告書 Chairman's Statement

致各位股東：

本人謹此提呈本公司截止2017年12月31日會計年度之業務報告及經審計之財務報告，敬請各位股東審閱。

2017年中國啤酒市場仍持續下滑，全年完成啤酒產量4,401萬千升，同比下降0.7%（數據來源：國家統計局）。伴隨經濟增長和消費結構的改善，啤酒消費者需求的多元化不斷推動了行業的結構性升級，同時行業發展仍面臨較大的增長壓力，產能過剩矛盾仍較突出，中高端餐飲消費不振以及外資啤酒和進口啤酒在國內市場加大促銷力度均加劇了國內啤酒市場的競爭，原材料價格、物流和人工成本的上漲使企業面臨較大的生產經營成本上升壓力，市場競爭仍較為激烈。

報告期內，本公司繼續秉承董事會制定的「能力支撐品牌帶動下的發展戰略」，抓住機遇，堅守運營定力，積極推進企業發展方式的轉型升級。公司通過外抓市場促增長，以品牌為引領、以創新為驅動，加快產品結構調整優化升級；內抓管理增效益，通過原材物料集中採購、網上競價及智能工廠建設等舉措，提高價值鏈整體運行效率，多措並舉實現了穩增長、調結構、控費用，鞏固和提升了公司市場競爭力，實現了各項主要經營指標的全面增長。公司全年共實現啤酒銷量797萬千升，同比增長0.6%；實現營業收入人民幣262.77億元，同比增長0.7%；實現歸屬於上市公司股東的淨利潤人民幣12.63億元，同比增長21.0%。

Dear shareholders,

I hereby present the business report and audited financial statements of the Company for the accounting year ended 31 December 2017 for your kind review.

In 2017, continued decrease was seen in the beer market in China. The total beer production for the whole year reached 440.1 million hl, with a year-on-year decrease of 0.7% (data source: National Bureau of Statistics of the People's Republic of China). With the economic growth and the improvement of the consumption structure, the diversification of beer consumers' demands was continuously pushing the structural upgrade of the industry. Meanwhile, the industrial development was still faced with tremendous pressure — the excess production remained prominent; both the mid-and-high-end catering consumption stagnation and the intensified promotion of foreign-funded beer and imported beer in the domestic market increased the competition in the domestic beer market; companies are faced with huge pressure of the rising production and operation costs due to the increased raw material prices and costs of logistics and labor.

Within the reporting period, the Company continued to follow the “development strategy led by brands with the support of capacity” formulated by the Board of Directors, grasped opportunities and firmly stuck to its willpower in operation to actively promote the transformation and upgrade of the corporate development manner. The Company seized the market externally to promote growth and with the brand as the guidance and innovation as the drive, accelerated the adjustment, optimization and upgrade of the product mix; strengthened the management internally to increase profits and improved the overall running efficiency of value chain through a number of measures, including centralized purchase of raw materials, online bidding and construction of intelligent factories. The multiple measures helped to realize steady growth, adjustment of structure and control of expenses, consolidate and improve the Company's market competitiveness and achieve the all-round growth of various major operation indicators. In 2017, the Company realized 79.7 million hl of sales volume of beer in total, with a year-on-year increase of 0.6%; realized RMB26.277 billion of revenue, with a year-on-year increase of 0.7%; and realized RMB1.263 billion of net profits attributable to shareholders of the Company, with a year-on-year increase of 21.0%.



孫明波先生
Mr. SUN Ming Bo

董事長報告書 Chairman's Statement

報告期內，本公司以「穩中求進促發展」為方針積極開拓國內外市場，加快建設「沿海沿黃」基地市場戰略帶，致力構建完善立體化、結構化、層次化的全國市場戰略布局。在傳統優勢市場及工廠所在地市場，公司依托現有生產基地充分發揮產銷協同效應，以廠商協同運營為支撐打造具有品牌影響力、盈利能力和市場佔有率的基地市場圈；面向新區域市場、新消費群體和新興消費渠道，根據市場布局聚焦資源投入，借助品牌和產品的組合優勢，不斷提升市場營銷運作和市場掌控能力，開闢新的增量增利空間。

國際市場方面，公司結合國家「一帶一路」戰略的推進不斷取得新進展。公司充分發揮品牌和品質優勢，開展青島啤酒全球品牌推廣活動，以「高品質、高價格和高可見度」打造提升青島啤酒的高端品牌定位和產品形象。年內，公司在海外通過贊助演唱會、音樂節等音樂營銷，及贊助體育賽事、美食營銷等多種方式，在42個國家舉辦了460場次的品牌推廣活動，提升了品牌活躍度，為消費者提供最佳的品牌和產品體驗；通過利用全球主流社交媒體網絡平臺擴大品牌傳播，開展線下和線上相呼應的推廣活動，吸引更多消費者參與互動，並借助品牌勢能釋放輻射周邊市場拉動銷量增長。2017年青島啤酒已行銷全球100個國家和地區，海外銷量同比增長17.5%，品牌國際化步伐不斷加快。

公司不斷推進完善「大客戶+微觀運營」的營銷模式，以利潤和市場佔有率為導向，圍繞「產品、價格、渠道、促銷」優化運營策略，依托覆蓋全國主要市場的銷售網絡加大市場拓展和渠道開發力度，積極培育公司戰略經銷商，不斷完善分銷網絡，強化終端運營。報告期內，公司充分發揮品牌等優勢，通過產品結構持續優化，著力提升聽裝酒及高附加值產品的銷售佔比；通過加大細分渠道推進力度、拓展渠道發展寬度，快速拓展夜場、KA、桶啤、電商等現代渠道，並下沉到終端，提升了對市場渠道和市場終端的管理能力。同時，公司持續優化費用投入，嚴格管控費用使用、核銷及兌付流程，強化市場核查力度，提升了促銷費用有效性管理和營銷效率。

During the reporting period, based on the policy of “promoting development and seeking for improvement based on the stabilization”, the Company vigorously cultivated domestic and foreign markets and sped up the construction of the coastal and along-Yellow-River strategic areas, dedicating to the building and improvement of the all-round, structural and layered nationwide market strategic layout. In the traditional dominant markets and the markets of places where the factories are located, the Company fully played the synergetic effect between production and sales based on the existing production bases and built the base market circle with brand impact, profitability and market share with the concerted operation of brewing plants as the support; geared to the new regional markets, new consumer groups and emerging consumption channels, focused on resource investment according to the market layout and made use of the brand and product mix advantage to constantly improve the marketing operation and market control ability and develop new space for increasing volumes and profits.

From the perspective of the international market, the Company continuously made new progress by combining with the implementation of the State's strategy of “the Belt and Road”. The Company gave full play to the brand and quality advantage, carried out global brand promotional activities for Tsingtao Beer, built and enhanced the high-end brand positioning and product image of Tsingtao Beer with “high quality, high price and high visibility”. In 2017, the Company organized 460 brand promotional activities in 42 countries through multiple ways, including music marketing such as sponsoring concerts and music festivals overseas, and sponsoring sports events and food marketing, which increased the brand activity and provided the best brand and product experience for consumers; expanded the brand communication by making use of global mainstream social media network platforms, carried out consistent offline and online promotional activities to attract more consumers to participate in the interactions, and boosted the increase of the sales volume by extending the brand advantage to surrounding markets. In 2017, Tsingtao Beer was sold to 100 countries and regions around the world, a year-on-year increase of 17.5% in the sales volume overseas, taking on continuous acceleration in the brand internationalization.

The Company continued to promote and improve the marketing mode of “Big Customer + Micro Operations”, and with profits and market share as the orientation, based on the optimized operation strategy of “product, price, channel and promotion”, and by virtue of the sales network covering the major markets nationwide, reinforced the market expansion and channel development, actively developed corporate strategic dealers, constantly improved the distribution network and strengthened the terminal operation. During the reporting period, the Company made full use of the brand advantage and focused on the promotion of the sales proportion of canned beer and high value-added products through continuous optimization of the product lines; and improved the ability in managing the market channels and market terminals by intensifying the promotion of segmented channels, expanding the development of channels and rapidly developing modern channels, such as night club, KA, barrel beer and e-commerce, as well as going down to the terminals. Meanwhile, the Company continued to optimize the expenditure, strictly controlled expenses, write-offs and encashment process, and reinforced market verification, which improved the effective management of promotion expenses and marketing efficiency.

董事長報告書 Chairman's Statement

報告期內，公司繼續推進實施「青島啤酒主品牌+嶗山啤酒第二品牌」的品牌戰略，通過「四位一體」的品牌傳播模式，圍繞體育營銷、音樂營銷、事件營銷積極拓展與消費者互動交流渠道，提升了青島啤酒年輕化、時尚化的品牌新形象。同時，面對啤酒市場消費結構升級的新趨勢，實施創新驅動發展，依托國內一流的研發平臺加快產品結構優化和戰略性新產品、新特產品研發，近年已成功開發上市了「經典1903、全麥白啤、原漿、皮爾森、青島啤酒IPA」等新特產品，為消費者提供更豐富、多元化的產品體驗；公司加快了向聽裝啤酒和精釀產品為代表的高附加值產品的轉型升級，以更加完善的產品品類和品種結構組合打造主流產品和新特產品的差異化競爭優勢，在推動供給結構和需求結構相適應、引領消費趨勢的同時，亦實現了盈利能力的提升。2017年公司主品牌青島啤酒共實現銷量376.5萬千升，其中「奧古特、鴻運當頭、經典1903、純生啤酒」等高端產品共實現銷量162.5萬千升，保持了在中高端產品市場的競爭優勢。

公司積極探索並實踐「互聯網+」的營銷模式創新，在行業內率先構建了「網絡零售商+官方旗艦店+分銷專營店+官方商城」的電商渠道體系，上綫移動端「青島啤酒微信商城」、「APP青啤快購」，建立起「電商+門店+廠家直銷」的立體銷售平臺，多渠道滿足了移動互聯時代消費者的購買需求和消費體驗，對公司特色新商業模式的打造及新特產品發展起到了積極推動作用。

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

董事長
孫明波
中華人民共和國·青島
二零一八年三月二十七日

During the reporting period, the Company continued to promote the implementation of the brand strategy of “core brand Tsingtao Beer + secondary brand Laoshan Beer” and through the brand expansion mode of “4-in-1” and centered around sports marketing, music marketing and events marketing, energetically expanded the channels for interacting and communicating with consumers, which improved the young and fashionable new brand image of Tsingtao Beer. At the same time, faced with the new trend of the upgrade of the beer market consumption structure, the Company implemented the development driven by innovation and accelerated the product structure optimization and the development of strategic new products and new&special products by virtue of the domestic first-class development platform. In recent years, a number of new&special products have been successfully developed and launched, including “Classic 1903, whole-barley Weissbier, raw stock, Tsingtao Pilsner and Tsingtao Beer IPA”, providing consumers with a more diversified product experience; the Company sped up the transformation and upgrade of high value-added products represented by canned beer and craft beer and built the differentiate competition advantage between the mainstream products and the new&special products with more complete product types and product mix. While promoting the adaption between the supply structure and the demand structure and leading the consumption trend, the Company achieved the improvement in profitability. In 2017, the Company's sales volume of its core brand, Tsingtao Beer, reached 37.65 million hl in aggregate, including 16.25 million hl in total of high-end products such as “Augerta, Hong Yun Dang Tou, Classic 1903 and draft beer”, which maintained its leading position in the mid-and-high-end market.

The Company vigorously explored and practiced the marketing mode innovation of “Internet +”, took the lead in building the e-commerce channel system of “online retailers + official flagship store + distributor boutiques + official shopping mall”, created “Tsingtao Beer WeChat Shopping Mall” and “Tsingtao Quick-Buy APP”, and established the all-round sales platform of “e-commerce + physical stores + factory outlets”, to satisfy the consumers of mobile Internet era with their purchasing needs and consumption experience through various channels, which played an active role in promoting the creation of the Company's featured new business modes and the development of new&special products.

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

Chairman
SUN Ming Bo
Qingdao, the People's Republic of China
27 March 2018



崂山啤酒

崂山清爽

冰爽如饮甘泉



优质
好水酿造

THE HONORARY PRODUCT OF TSINGTAO BREWERY
崂山啤酒
青岛啤酒公司荣誉产品

THE HONORARY PRODUCT OF TSINGTAO BREWERY

崂山啤酒
LAOSHAN BEER

清爽

Clear taste and crisp taste define the refined beer from Laoshan. Combining the traditional craftsmanship of Tsingtao Brewery with modern brewing technology, Laoshan Tsingtao's Crisp Beer pours clean, clear, and more refreshing taste for beer lovers like you.

净含量: 500ml

青岛啤酒公司荣誉产品

崂山啤酒

崂山啤酒
LAOSHAN BEER

清爽

净含量: 500ml

青岛啤酒公司荣誉产品

董事會報告 Report of the Directors

一. 公司經營情況

本公司的主要業務為生產及銷售啤酒。附屬公司及聯營公司主要從事啤酒生產、銷售及國內貿易。本集團營業額及盈利主要由生產及銷售啤酒而產生。

2017年公司共實現啤酒銷售量797萬千升，實現營業收入人民幣262.77億元，實現歸屬於上市公司股東的淨利潤人民幣12.63億元。

1. 主要附屬公司的經營情況(按中國企業會計準則計算)

I. Operations of the Company

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

In 2017, the Company realized 79.7 million hl of sales volume of beer in total, realized RMB26.277 billion of revenue; and realized RMB1.263 billion of net profits attributable to shareholders of the Company.

1. Operation situation of main subsidiaries (calculated in accordance with CAS)

單位：千元 幣種：人民幣
Unit: RMB'000

單位名稱 Name of Subsidiary	主要產品或服務 Principal products or service	註冊資本 Registered capital	總資產 Total asset	淨資產 Net asset	淨利潤 Net profit	營業收入 Revenue	營業利潤 Operating profit
青島啤酒西安漢斯集團有限公司 Tsingtao Brewery Xi'an Hans Group Company Limited	製造、批發和零售業 Manufacturing, wholesale and retail business	287,903	1,772,703	955,175	334,034	2,652,309	420,260
青島啤酒財務有限責任公司 Tsingtao Brewery Finance LLC	金融業 Financial business	500,000	11,138,524	1,579,994	253,446	47,099	335,057
青島啤酒(平度)銷售有限公司 Tsingtao Brewery (Pingdu) Sales Company Limited	批發和零售業 Wholesale and retail business	5,000	283,720	170,557	163,056	1,554,757	217,414

黃克興先生
Mr. HUANG Ke Xing



董事會報告 Report of the Directors

2. 報告期內主要供貨商和客戶情況

- (1) 2017年度前五名供應商採購額約954,570千元(2016年度：1,131,600千元)，佔年度採購總額8.16%(2016年度：10.41%)。
- (2) 2017年度前五名客戶銷售額約1,366,657千元(2016年度：1,590,180千元)，佔年度銷售總額5.26%(2016年度：6.16%)。

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

二. 利潤分配

董事會建議就截至2017年12月31日止年度派發末期股息每股人民幣0.42元(含稅)，其餘未分配利潤結轉下一年度。上述分配預案須經本公司2017年度股東年會審議批准。末期股息預期於2018年8月3日派發予股東。有關公司H股股東暫停辦理股份過戶登記手續的期間，本公司將在另行公布的股東年會通告中載列。

三. 業務回顧

本公司年內之業務回顧及有關公司未來發展的討論與分析，以及本公司面對的主要風險及不確定因素之討論載於本年報第47至64頁「管理層討論與分析」。採用財務表現關鍵指標對本集團年內表現之分析載於本年報第4頁「會計數據摘要」。有關報告期內公司重大事項載於本年報第71至76頁「重要事項」。

2. Information of main suppliers and clients during the Reporting Period

- (1) The total amount of the Company's purchase from its top 5 suppliers in 2017 was approximately RMB954,570 thousand (2016: RMB1,131,600 thousand), which accounted for 8.16% of its annual purchase amount in aggregate (2016: 10.41%).
- (2) The total amount of the Company's sales of its top 5 clients in 2017 was approximately RMB1,366,657 thousand (2016: RMB1,590,180 thousand), which accounted for 5.26% of its annual sales amount in aggregate (2016: 6.16%).

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

II. Profit Distribution

The Board proposed a final dividend of RMB0.42 (pre-tax) per share for the year ended 31 December 2017, and carried forward the remaining distributable profits to the next year. The proposed preliminary distribution scheme of final dividend, which is expected to be payable to the shareholders on 3 August 2018, will be subject to the consideration and approval at the Company's 2017 Annual General Meeting. The period for closure of register of members for H-share would be set out in the separate notice of Annual General Meeting to be published by the Company.

III. Business Review

A review of the business of the Company within the year and a discussion and analysis of the Company's future development, and the discussion of principal risks and uncertainties faced by the Company are set out in 'Management Discussion and Analysis' on pages 47 to 64 of this Annual Report. An analysis of the Group's performance during the year by using the key financial indicators is set out in 'Financial Highlights' on page 4 of this Annual Report. Significant events occurred during the Reporting Period are set out in "Significant Events" on pages 71 to 76 of this Annual Report.

董事會報告 Report of the Directors

本集團致力支持環境可持續性。本公司秉承「好心有好報」的環境觀，以「做啤酒行業綠色發展的楷模」為環保願景；「通過實施環境保護低碳管理和循環經濟，促進公司永續發展，實現與大自然的和諧共處」為環保使命。本公司環保管理以履行社會責任、防範環境風險、提升環保績效為宗旨，嚴格遵守環境法律法規和其他要求，不斷改造和完善環保治理設施，深入開展環保規劃化、精細化管理，完善各項管理制度和考核機制，不斷提高環保人員水平和技能，實現污染物穩定達標排放。通過推行清潔生產和循環經濟，開展公司廢料區域集中競價，提升公司廢料綜合利用價值。

於2017年內，本集團已遵守對本集團營運有重大影響的相關法律及法規。

本公司確認我們的僱員、客戶及合作夥伴是我們可持續發展的關鍵。本集團致力與僱員建立密切及關顧之關係、為客戶提供優質產品，並加強與我們的業務合作夥伴之間的合作。有關本公司環境及社會責任方面的表現情況請參閱公司2018年3月27日於香港交易所網站上載之《青島啤酒2017環境、社會及管治報告》。

四. 儲備

報告期內本公司及集團的儲備變動詳列於合併財務報表（按中國企業會計準則編制）附註四(37)及(38)。

The Group is devoted to supporting the sustainability of the environment. The Company adheres to the environmental principle of “good returns are from kindness”, and has the environmental protection vision of “being the model of green development in beer industry”; and takes the environmental protection mission of “promoting the everlasting development of the Company through implementing the low-carbon management of environmental protection and recycling economy to realize the harmonic relationship with the nature”. To realize the purposes of the implementation of its social responsibilities, the prevention from environment risks, and the improvement of environmental protection performance of its environmental protection management, the Company strictly abides by the environmental laws, regulations and other requirements, keeps on reconstructing and improving the environment treatment facilities, deeply carries out the planned and intensive management of environmental protection, improves the different management systems and evaluation mechanisms, and keeps on improving the qualification and skill of environmental protection personnel to realize the steady and compliant discharge of pollutants. By promoting the clean production and recycling economy, the Company carries out the bidding for the waste area to improve the utilization efficiency of the wastes.

Within 2017, the Group had complied with the relevant laws and regulations that had significant impacts on the operations of the Group.

The Company confirms that the employees, customers and cooperation partners are the key to our sustainable development. The Group is committed to establishing a close and caring relationship with our employees, providing quality products to the customers and strengthening the cooperation with our business partners. For details of the environmental and social responsibilities performed by the Company, please refer to *Tsingtao Brewery 2017 Environment, Society and Governance Report* published by the Company on the website of the Stock Exchange on 27 March 2018.

IV. Reserve

Details of changes of reserve of the Company and the Group during the Reporting Period are set out in Note 4 (37) and (38) to Consolidated Financial Statements (prepared in accordance with CAS).

董事會報告 Report of the Directors

五. 股本變動及股東情況

1. 報告期內，本公司股份總數及股本結構未發生變化。

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

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

2. 股東情況

- (1) 報告期末公司股東總數為 27,465 戶。其中：A 股 27,180 戶，H 股股東 285 名。

報告期內，本公司股東未有放棄或同意放棄任何股息的安排的情況。

V. Changes of Share Capital and Information of Shareholders

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

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

單位：股
Unit: Share

報告期末
End of
Reporting
Period

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

2. Shareholders

- (1) As at the end of the Reporting Period, the total number of shareholders of the Company was 27,465 including 27,180 holders of A-share, and 285 holders of H-share.

During the Reporting Period, none of the shareholders of the Company gave up or agreed to give up the arrangements of any dividends.

董事會報告 Report of the Directors

(2) 報告期末本公司前十名股東(暨無限售條件的流通股股東)持股情況

(2) As at the end of the Reporting Period, the shareholding of top 10 shareholders (and holders of listed shares without sales restriction) of the Company is as follows

單位：股
Unit: Share

股東名稱 Shareholder's name	報告期內增減 Increase/Decrease during the Reporting Period	報告期末持股 Shares held at the end of the Reporting Period	持股比例(%) Shareholding percentage (%)	股份質押或 凍結情況 Guaranteed or frozen shares	股份類別 Class of share
青島啤酒集團有限公司(附註1) Tsingtao Brewery Group Company Limited (Note 1)	0	416,448,055	30.83	無 Nil	A股和H股 A-share and H-share
香港中央結算(代理人)有限公司(附註2) HKSCC Nominees Limited (Note 2)	93,984	370,519,433	27.43	未知 Unknown	H股 H-share
朝日集團控股株式會社 Asahi Group Holdings Ltd.	0	270,127,836	19.99	未知 Unknown	H股 H-share
中國證券金融股份有限公司 China Securities Finance Corporation Company		40,357,979	2.99	未知 Unknown	A股 A-share
中國建銀投資有限責任公司 China Jianyin Investment Company Ltd.		17,574,505	1.30	未知 Unknown	A股 A-share
中國人民人壽保險股份有限公司 - 分紅 - 個險分紅 PICC Life Insurance Co., Ltd. - Dividends - Dividends for personal insurance		11,012,443	0.82	未知 Unknown	A股 A-share
香港中央結算有限公司 Hong Kong Securities Clearing Company Limited		10,517,500	0.78	未知 Unknown	A股 A-share
中央匯金資產管理有限責任公司 Central Huijin Asset Management LLC.		9,994,566	0.74	未知 Unknown	A股 A-share
中國銀行股份有限公司 - 東方紅睿華滬港深靈活配置混合型 證券投資基金 Bank of China Limited - Orient Hongrui China Shanghai Hong Kong Shenzhen Flexible Allocation Mixed Securities Investment Fund		6,021,516	0.45	未知 Unknown	A股 A-share
全國社保基金一零五組合 National Social Insurance Fund One Zero Five Portfolio		6,013,113	0.45	未知 Unknown	A股 A-share

附註：

- 青啤集團持股數量包括了通過其自身以及全資附屬公司持有的本公司H股股份合計11,316,000股，其本身持有本公司A股股份405,132,055股。
- 香港中央結算(代理人)有限公司及香港中央結算有限公司均為香港交易及結算所有有限公司的全資子公司，香港中央結算(代理人)有限公司持有的H股股份乃代表多個客戶所持有，並已扣除青啤集團全資附屬公司持有的H股股份數量。而香港中央結算有限公司持有的A股股份亦為代表其多個客戶持有。

除上所述，本公司並不知曉前十名股東之間是否存在關聯關係或屬於一致行動人。

Notes:

- Tsingtao Group holds 11,316,000 shares of H-share in the Company by itself and through a wholly-owned subsidiary, and 405,132,055 shares of A-share in the Company by itself.
- Both HKSCC Nominees Limited and Hong Kong Securities Clearing Company Limited are wholly-owned subsidiaries of Hong Kong Exchanges and Clearing Limited. The H-shares are held by HKSCC Nominees Limited on behalf of different clients excluding the H-shares held by the wholly-owned subsidiary of Tsingtao Group, while the A-shares are held by Hong Kong Securities Clearing Company Limited also on behalf of different clients.

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

董事會報告 Report of the Directors

(3) H股主要股東

於2017年12月31日，除下述人士外，本公司的董事並不知悉有任何本公司的董事、監事、最高行政人員或他們的連絡人以外的人士，在本公司的股份或相關股份中擁有權益或淡倉，而該等權益或淡倉是根據《證券及期貨條例》(香港法例第571章)(「《證券及期貨條例》」)第336條而備存的登記冊所載錄者：

(3) Substantial Shareholders of H-share

Save as disclosed below, the directors of the Company are not aware of any persons other than a director or supervisor or chief executive of the Company or his/her respective associate(s) who, as at 31 December 2017, 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 SFO:

名稱 Name	性質 Nature	股份類別 Class of Shares	持股身份 Capacity	註釋 Note	股份/相關 股份的數目 Number of Shares/ underlying Shares	佔全部已發行 股本之百分比 As a percentage of the entire issued capital	佔全部H股 之百分比 As a percentage of all H Shares
青島市國資委 SASACQ	好倉 Long position	A股 A-Share	法團權益 Corporation		405,132,055 A股	29.99%	不適用 N/A
	好倉 Long position	H股 H-Share	受控制法團權益 Interest of controlled corporation	1	38,335,600 H股 H-Share	2.84%	5.85%
香港鑫海盛投資發展有限公司 Hong Kong Xinhaisheng Investment Limited	好倉 Long position	H股 H-Share	實益擁有人 Beneficial Owner		38,335,600 H股 H-Share	2.84%	5.85%
朝日集團控股株式會社 Asahi Group Holdings, Ltd	好倉 Long position	H股 H-Share	實益擁有人 Beneficial Owner		270,127,836 H股	19.99%	41.24%
JPMorgan Chase & Co.	好倉 Long position	H股 H-Share	受控制法團權益/ 實益擁有人/ 投資經理/保管人 Interest of controlled corporation/ Beneficial Owner/ Investment Manager/ Custodian	2&3	39,308,044 H股 H-Share	2.91%	6.00%
	可供借出股份中權益 Interest in a lending pool	H股 H-Share			16,548,223 H股	1.22%	2.53%
	淡倉 Short position	H股 H-Share	實益擁有人 Beneficial Owner		722,000 H股	0.05%	0.11%
Baillie Gifford & Co	好倉 Long position	H股 H-Share	受控制法團權益/ 投資經理 Interest of controlled corporation/ Investment Manager	4	58,953,003 H股 H-Share	4.36%	9.00%
郭廣昌 Guo Guangchang	好倉 Long position	H股 H-Share	受控制法團權益 Interest of controlled corporation	5	243,108,236 H股 H-Share	17.99%	37.11%
Fosun International Holdings Ltd.	好倉 Long position	H股 H-Share	受控制法團權益 Interest of controlled corporation	5	243,108,236 H股 H-Share	17.99%	37.11%
復星國際有限公司 Fosun International Limited	好倉 Long position	H股 H-Share	受控制法團權益 Interest of controlled corporation	5	243,108,236 H股 H-Share	17.99%	37.11%
復星產業控股有限公司 Fosun Industrial Holdings Limited	好倉 Long position	H股 H-Share	實益擁有人 Beneficial Owner		153,255,626 H股 H-Share	11.34%	23.40%
China Momentum Fund, L.P.	好倉 Long position	H股 H-Share	受控制法團權益 Interest of controlled corporation	6	43,939,899 H股 H-Share	3.25%	6.71%
China Momentum Investment (BVI) Limited	好倉 Long position	H股 H-Share	實益擁有人 Beneficial Owner		43,939,899 H股 H-Share	3.25%	6.71%
Fidelidade – Companhia de Seguros, S.A.	好倉 Long position	H股 H-Share	實益擁有人 Beneficial Owner		34,434,533 H股 H-Share	2.55%	5.26%

董事會報告 Report of the Directors

註釋：

- (1) 被視為由青島市國資委享有權益的38,335,600股H股是透過青啤集團的全資附屬公司香港鑫海盛投資發展有限公司持有。根據最新的披露權益申報，青島市國資委享有38,335,600股H股權益。
- (2) JPMorgan Chase & Co.的持股資料是根據最新的披露權益申報而作出。
- (3) JPMorgan Chase & Co.被視為享有權益的股份是分別透過多家中間控股公司持有。
- (4) Baillie Gifford & Co被視為享有權益的股份是分別透過多家由Baillie Gifford & Co控制的全資附屬公司持有。
- (5) 郭廣昌先生，Fosun International Holdings Ltd.及復星國際有限公司被視為享有權益的股份是分別透過多家由彼等控制的公司及控股公司管理的基金持有。
- (6) China Momentum Fund, L.P被視為享有權益的股份是透過China Momentum Investment (BVI) Limited持有。
- (7) 公司主要股東最新的披露權益申報，請參閱香港交易及結算所有限公司網站(www.hkex.com.hk)有關「披露權益」的部分。

3. 優先認股權

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

Notes:

- (1) The 38,335,600 H-Shares which were deemed to be interested by SASACQ were held by Hong Kong Xinhaisheng Investment Limited, a wholly-owned subsidiary of Tsingtao Group, which is controlled by SASACQ. According to the latest disclosure of interests filings, SASACQ was interested in 38,335,600 H-Shares.
- (2) The shareholding information of JPMorgan Chase & Co. is made based on the latest disclosure of interests filings.
- (3) The shares in which JPMorgan Chase & Co. was deemed to be interested were held through various intermediate holding companies.
- (4) The shares in which Baillie Gifford & Co. was deemed to be interested were held through various controlled wholly-owned subsidiaries of Baillie Gifford & Co.
- (5) The shares in which Mr. GUO Guangchang, Fosun International Holdings Ltd. and Fosun International Limited were deemed to be interested were held through various controlled corporations and a fund managed by the controlled corporation held by Mr. GUO Guangchang, Fosun International Holdings Ltd. and Fosun International Limited.
- (6) The shares in which China Momentum Fund, L.P. was deemed to be interested were held by China Momentum Investment (BVI) Limited.
- (7) For the latest disclosure of interests filings for the Company's substantial shareholders, please refer to the "Disclosure of Interests" section on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

3. Pre-emptive Right

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



董事會報告 Report of the Directors

六. 董事、監事、高級管理人員和員工情況

1. 董事、監事和高級管理人員持股情況

姓名 Name	職務 Position	年初持股數 Shares held at the beginning of the year	期末持股數 Shares held at the end of the Reporting Period	股份種類 Class of share
孫明波 SUN Ming Bo	董事長 Chairman	124,160	124,160	A 股 A-share
黃克興 HUANG Ke Xing	執行董事、總裁 Executive Director, President of the Company	1,300 (註) (Note)	1,300	A 股 A-share
樊偉 FAN Wei	執行董事、副總裁兼製造總裁、總釀酒師 Executive Director, Vice President of the Company & President of Manufacturing Center, Chief Brewer	122,876	122,876	A 股 A-share

註：黃克興先生被視為持有26,502股，其中25,202股為黃克興先生的配偶持有。

截至2017年12月31日止，除上述人員持股外，本公司的董事、監事和高級管理人員並無在本公司或其相聯法團(定義見《證券及期貨條例》第XV部所指的相聯法團)的股份、相關股份及債券證中擁有任何權益及淡倉，而該等權益及淡倉是指根據《證券及期貨條例》第352條須予備存的登記冊所記錄的或依據《標準守則》通知本公司及香港聯交所。

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

VI. Directors, Supervisors, Senior Management Officers and Employees

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

單位：股
Unit: Share

Note: Mr. HUANG Ke Xing was deemed to be interested in 26,502 shares, of which 25,202 shares were held by his spouse.

As at 31 December 2017, save as disclosed above, none of the directors, supervisors or senior management officers of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (as defined in Part XV of SFO), and such interests or short positions were recorded in the register required to be kept under section 352 of SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

董事會報告 Report of the Directors

2. 董事變更資料

根據上市規則第13.51B(1)條之董事資料更改列述如下：

公司獨立非執行董事于增彪，於報告期內新任弘毅遠方基金管理有限公司獨立董事。

3. 董事、監事、高級管理人員年度報酬情況

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

2. Changes of information of directors

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

Mr. YU Zeng Biao, Independent Non-executive Director of the Company, was appointed as Independent Director of HONY Yuanfang Fund Management Co., Ltd. during the reporting period.

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

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



董事會報告 Report of the Directors

對公司獨立非執行董事和獨立監事按股東大會決議支付年度酬金。

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

姓名 Name	職務 Position	報告期內從公司領取的報酬總額 (萬元)(稅前) Total remuneration withdrawn from the Company during the Reporting Period (RMB 0'000) (pre-tax)
孫明波 SUN Ming Bo	董事長 Chairman	101.89
黃克興 HUANG Ke Xing	執行董事、總裁 Executive Director, President of the Company	96.92
樊偉 FAN Wei	執行董事、副總裁兼製造總裁、總釀酒師 Executive Director, Vice President of the Company & President of Manufacturing Center, Chief Brewer	72.69
于竹明 YU Zhu Ming	執行董事、財務總監 Executive Director, CFO	70.57
杉浦康譽 Yasutaka SUGIURA	非執行董事(於2018年3月19日離任) Non-executive Director (resigned on 19 March 2018)	0
王學政 WANG Xue Zheng	獨立非執行董事 Independent Non-executive Director	12
于增彪 YU Zeng Biao	獨立非執行董事 Independent Non-executive Director	12
賁聖林 BEN Sheng Lin	獨立非執行董事 Independent Non-executive Director	12
蔣敏 JIANG Min	獨立非執行董事 Independent Non-executive Director	12
李綱 LI Gang	監事會主席 Chairman of Board of Supervisors	12
北川亮一 Ryoichi KITAGAWA	股東監事(於2018年3月19日離任) Supervisor as Shareholders' Representative (resigned on 19 March 2018)	0
李燕 LI Yan	獨立監事 Independent Supervisor	8
王亞平 WANG Ya Ping	獨立監事 Independent Supervisor	8
薛超山 XUE Chao Shan	職工監事 Supervisor as Employees' Representative	57.05
孫麗紅 SUN Li Hong	職工監事 Supervisor as Employees' Representative	44.19
邢軍 XING Jun	職工監事 Supervisor as Employees' Representative	41.26
王瑞永 WANG Rui Yong	副總裁 Vice President	71.52
蔡志偉 CAI Zhi Wei	營銷總裁 President of Marketing Center	201.01
張瑞祥 ZHANG Rui Xiang	董事會秘書(香港公司秘書) Board Secretary/Company Secretary (Hong Kong)	50.41
合計 Total		883.51

董事會報告 Report of the Directors

4. 員工情況

4.1 截至報告期末，本公司(包括下屬子公司)在崗員工共計40,810人。員工專業構成及教育程度如下：

專業構成 Profession	專業構成類別 Class of Profession	專業構成人數(人) Number (person)
生產服務人員	Production and service personnel	17,541
銷售人員	Sales personnel	12,343
工程技術人員	Technical and engineering personnel	2,743
財務人員	Financial personnel	1,357
行政管理人員	Administrative personnel	6,826
合計	Total	40,810

教育程度 Educational Background	教育程度類別 Class of education	數量(人) Number (person)
碩士及以上	Master's degree and above	420
本科生	Undergraduate	7,021
專科生	2-year college	11,956
中專生	Secondary specialized school	8,228
中專以下	Under secondary specialized school	13,185
合計	Total	40,810

4.2 薪酬政策

公司持續完善以薪酬激勵為基礎、職業發展激勵為動力、情感激勵為凝聚、文化激勵為核心的全面激勵體系。在物質激勵基礎上，深化青啤榮譽激勵體系，持續開展營銷系統「戰狼」榮譽激勵。

2017年，圍繞公司「保增長、調結構、控費用」、「保質量、降成本、提效率」的業務主綫，不斷豐富激勵策略，完善配套機制。通過目標激勵的激發力、榮譽激勵的牽引力、績效約束的推動力、能力支撐的支撐力「四力」機制驅動公司轉型與成長。

4. Employees

4.1 As at the end of the Reporting Period, the Company (including the subsidiaries) totally had 40,810 persons of full-time employees. The composition of employees in terms of profession and educational background is as follows:

4.2 Remuneration policy

The Company continuously improves a comprehensive incentive system based on the salary incentive, driven by the professional development incentive, attracted by the emotional incentive and focused on the cultural incentive. Based on the material incentive, the Company deepens the honor incentive mechanism that it continuously implements the honor incentive of “Wolf Warrior” in its marketing system.

In 2017, centered around its main business line of “maintaining growth, adjusting structure and controlling costs” and “maintaining quality, reducing costs and improving efficiency”, the Company continued to diversify its incentive tactics and optimize its supporting mechanisms. It drove the transformation and growth of itself through the mechanism of “four impetuses”, including the target-based stimulation, the honor-based traction, the performance-based driving force and the capacity-based support force.

董事會報告 Report of the Directors

2017年，公司持續推進人員優化與效率提升項目。人員總量有效控制、人均效率顯著提升、人工成本合理控制、員工收入穩定增長。

4.3 培訓計劃

2017年圍繞在崗員工履職能力提升以及儲備梯隊人才培養，扎實推進全員能力建設，公司各基層單位推進培訓體系系統化設計，Tsingtao書院等學習組織建設遍地開花；營銷、製造實訓基地、崗位大練兵為技能提升搭建了便利的平臺；全公司選拔出來的技能大師為技能人員樹立了標杆；以行動學習為牽引的項目效果日漸顯著。

In 2017, the Company continued to promote the projects of personnel optimization and efficiency improvement, achieving effective control of the total number of personnel, marked improvement of the per capita efficiency, reasonable control of the total sum of labor costs and stable growth of staff's income.

4.3 Training plan

In 2017, centered around the improvement of on-job employees' duty performing abilities and the development of reserved echelon talents, the Company effectively promoted the construction of all the employees' abilities. The Company's basic units pushed the systematic design of the training system, leading to the flourish of various learning organizations, such as Tsingtao Academy; the practical training base for marketing and production and the position big training served as a convenient platform form the improvement of skills; the skillful masters selected from the entire Company set a good example for technical staff; the effects of the projects oriented by actions and learning were getting increasingly prominent.

七. 董事及監事收購股份之權利

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

VII. Directors' and Supervisors' Right of Purchasing Shares

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

八. 董事或監事合約權益及董事服務合約

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

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

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

九. 獨立非執行董事之獨立性的確認

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

IX. Confirmation of Independence by Independent Non-executive Directors

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

董事會報告 Report of the Directors

十. 購回、出售及贖回上市股份

報告期內，本公司或其任何附屬公司並無購入、出售及贖回本公司任何上市證券。

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

十一. 主要附屬公司及聯營公司

本公司各附屬公司及聯營公司之詳情載於隨附合併財務報表附註。

十二. 固定資產

有關報告期內固定資產之變動載於隨附合併財務報表附註。

十三. 銀行貸款

於2017年12月31日之銀行貸款詳情載於隨附合併財務報表附註。

十四. 獲准許之彌償條文

經本公司2013年度股東年會批准，本公司已為全體董事購買適當之責任保險。

十五. 股票掛鈎協議

本公司於本年度終結日或年內任何時間概無訂立任何股票掛鈎協議。

十六. 董事及監事在重要交易、安排或合約中的權益

報告期內，本公司任何董事、監事或與其有關的實體均未直接或間接從本公司、本公司控股公司、附屬公司的重要交易、安排或合約中擁有重大權益。

X. Buy-back, Sales and Redemption of Shares

During the Reporting Period, neither the Company nor any of its subsidiaries bought back, sold or redeemed any of its listed securities of the Company.

During the Reporting Period, neither the Company nor any of its subsidiaries issued or provided any options or any other similar rights, nor exercised any rights of conversion or subscription.

XI. Principal Subsidiaries and Associated Companies

Details of the subsidiaries and associated companies of the Company are set out in the attached Notes to Consolidated Financial Statements.

XII. Fixed Assets

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

XIII. Bank Loans

Details of bank loans as at 31 December 2017 are set out in the attached Notes to Consolidated Financial Statements.

XIV. Permitted Indemnity Provision

As approved at the 2013 Annual General Meeting of the Company, the Company has purchased appropriate liabilities insurance for all directors.

XV. Equity-linked Agreements

No equity-linked agreements were entered into during the year or subsisted at the end of the year.

XVI. Directors' and Supervisors' Interests in Transactions, Arrangements and Contracts of Significance

No transaction, arrangement or contract of significance, in relation to the Company's business to which the Company, its holding companies, or its subsidiaries or fellow subsidiaries was a party and in which a director or a supervisor or any entity connected with them was materially interested, directly or indirectly, subsisted during the Reporting Period.

董事會報告 Report of the Directors

十七. 捐款

本集團於年內作出的慈善及其他捐款之金額載於合併財務報表項目附註四(52)。

除上述披露者外，本集團並無於年內作出慈善及其他捐款。

孫明波

董事長

中華人民共和國 青島

二零一八年三月二十七日

XVII. Donations

The amount of charitable and other donations made by the Group during the year is set out in Note 4 (52) to Consolidated Financial Statements.

Save as disclosed above, no charitable and other donations have been made by the Group during the year.

SUN Ming Bo

Chairman

Qingdao, the People's Republic of China

27 March 2018



監事會報告 Report of the Supervisors

本人謹此提呈青島啤酒股份有限公司2017年度之監事會報告，敬請各位股東審閱。

報告期內，監事會嚴格按照法律法規及《公司章程》的相關規定，以切實維護公司和股東的合法權益為宗旨，謹慎、認真地履行了自身職責，對公司財務報告、重大事項等議題進行了監督審議，並就內部控制和關連交易等事項實地調研了部分生產企業和營銷公司，依法獨立行使職權，以保證公司規範運作。

一、報告期內監事會的工作情況

(一) 監事會召開情況

報告期內，公司監事會共召開7次會議，其中定期會議5次，臨時會議2次，審議各類議案共計17項。主要議案如下：

1、 審議定期報告：

- (1) 審議公司2016年度財務報告；
- (2) 審議公司2017年第一季度報告；
- (3) 審議公司2017年半年度報告；
- (4) 審議公司2017年第三季度報告。

I hereby present the 2017 Report of Supervisors of Tsingtao Brewery Company Limited for the kind review by all shareholders.

During the Reporting Period, the Board of Supervisors prudentially and seriously took its duties and responsibilities by strictly abiding by the related provisions in the laws and regulations and *Articles of Association* for the target of practically protect the legal rights and interests of the Company and its shareholders. It supervised the proposals including the Company's financial statements and significant events, and made site researches in some production plants and sales companies for the matters including internal control and connected transactions. It legally exercised its duties and responsibilities to ensure the operations of the Company are in compliance.

I. Work of Board of Supervisors during the Reporting Period

(I) Meetings held by Board of Supervisors

During the Reporting Period, the Board of Supervisors held totally 7 meetings, including 5 regular meetings and 2 unscheduled meetings, with 17 different resolutions considered, mainly including the following:

1. Regular reports:

- (1) considered the Company's 2016 Financial Report;
- (2) considered the Company's 2017 First Quarterly Report;
- (3) considered the Company's 2017 Interim Report;
- (4) considered the Company's 2017 Third Quarterly Report.



李鋼先生
Mr. LI Gang

監事會報告 Report of the Supervisors

2、 審議持續關連交易：

審議批准關於青啤深圳與朝日啤酒及朝日投資公司於2017年按照《委托生產協議》進行委托加工產品持續關連交易的議案。

3、 審議其它事項：

監事會還審議通過了公司2016年度利潤分配預案、2017年預算草案、為子公司提供擔保及其他議案等，共計10餘項。

(二) 監事會實地調研情況

報告期內，中國啤酒市場競爭仍然較為激烈，為進一步掌握青島啤酒在全國的生產、銷售等經營情況，同時為使公司監事(尤其是外部監事)加深對公司的瞭解，監事會深入公司所屬江蘇、河北、陝西、甘肅等子公司和營銷分支機構進行了10餘次實地調研。通過調研交流，掌握第一手資料，為監事會決策的科學性及履行監督職能的有效性提供了有力支持。

二、監事會對公司2017年度有關事項的獨立意見

(一) 依法運作情況

報告期內，監事會成員依法出席股東大會，列席了董事會會議。監事會主席列席了總裁辦公會。通過依法行使監督權，監事會認為公司股東大會、董事會的召開程序、決策內容、董事會對股東大會決策的執行情況等，均符合法律法規及相關監管要求，符合《公司章程》的相關規定。

2. Continuous connected transactions:

It considered and approved the resolution on the continuing connected transactions of contracted processed products according to the *Contract Production Agreement* between Tsingtao Shenzhen and Asahi Breweries as well as Asahi Investment in 2017.

3. Other issues:

The Board of Supervisors also considered and approved over 10 resolutions including the Company's 2016 profit distribution preliminary scheme, 2017 budget draft, providing guarantees to its subsidiaries and etc.

(II) Site researches made by Board of Supervisors

During the Reporting Period, the sales volume of China's beer market continued to decline along with the more intense competition in the industry, and the severe challenges to the Company. To further understand the production and sales situation of Tsingtao Brewery in China, and also to provide the supervisors (especially the external supervisors) with a better understanding of the Company, the Board of Supervisors made over 10 site inspections and researches in the factories, subsidiaries and marketing branches in Jiangsu, Hebei, Shanxi and Gansu. And through the opinion exchanges in the investigations and researches, the Board of Supervisors obtained the first-hand information which provided supports to the scientific decision-making and the effectiveness of exercising the supervision function of Board of Supervisors.

II. Independent Comments made by Board of Supervisors to the issues in 2017

(I) Compliance operation

During the Reporting Period, the members of Board of Supervisors legally attended the general meetings, sat in the board meetings, and the Chairman of Board of Supervisors sat in the presidential conference. By legally exercising its supervision right, the Board of Supervisors is of the view that, the convening procedures of the Company's general meetings and board meetings, the matters in the resolutions, and the Board's implementation of the resolutions approved at the general meetings are in compliance with the laws, regulations, related regulatory requirements, and related provisions in Articles of Association.

監事會報告 Report of the Supervisors

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

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

(二) 檢查公司財務情況

監事會對2017年度公司的財務狀況和財務成果進行了監督、審核，監事會認為，公司財務制度健全，財務運作規範，財務狀況良好。公司財務報告真實、客觀地反映了公司的財務狀況和經營情況。

(三) 最近一次募集資金使用情況

報告期內，公司未有新增和存量募集資金，不存在募集資金管理及使用違規情形。

(四) 關連交易情況

監事會認為，公司在審議相關持續關連交易時，關連董事進行迴避表決，審議程序合法；相關協議的條款按一般商業條款進行並屬公平、合理，關連交易定價公允，符合本集團及本公司股東的整體利益。

(五) 內控工作報告情況

監事會認為，公司已根據自身的實際情況和法律法規的要求，形成了公司健全有效的內部控制體系，並能得到有效執行。董事會出具的《公司2017年度內部控制評價報告》及審計師出具的內部控制審計報告客觀、真實地反映了公司內部控制制度的建設及運行情況。

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

The Board of Supervisors is of the view that, all directors and senior management officers fulfill their duties with diligence in accordance with the State laws, regulations and related provisions in *Articles of Association*. During the Reporting Period, none of the directors and senior management officers was found to have any behavior violating any laws, regulations and *Articles of Association*, or damaging any interests of the Company or its shareholders in performing their duties and exercising their authorities.

(II) Review of the financial situations

After having supervised and audited the financial situation and results of the Company for the year 2017, the Board of Supervisors is of the view that, the Company's financial system is sound and complete, the financial operation is compliant, the financial situation is satisfactory, and the financial statements truly and objectively reflects the Company's financial situation and operation.

(III) Latest use of proceeds received

During the Reporting Period, the Company did not have any newly received or remaining proceeds received from financing activities, and there was no situation of violation of regulations in the management and use of proceeds received from financing activities.

(IV) Information of connected transactions

The Board of Supervisors is of the view that, the connected transactions are considered by the Board in legal procedures that the concerned directors abstained from the voting when considering the related continuing connected transactions; the related terms and conditions are entered into on normal commercial terms at fair price which are fair and reasonable, and are in the interests of the Company or its shareholders as a whole.

(V) Internal control work report

The Board of Supervisors is of the view that, the Company has established a sound and effective internal control system in accordance with its own actual situation and the requirements of the laws and regulations, which is effectively implemented. The 2017 Internal Control Evaluation Report presented by the Board and the internal control audit report presented by the auditor truly and objectively reflects the construction and operation of the Company's internal control system.

監事會報告 Report of the Supervisors

(六) 建立和實施內幕信息知情人管理制度的情況

監事會認為，公司已按照相關規定制定了《內幕信息知情人登記管理制度》。經核查，本報告期內，公司未發生因內幕信息受到監管部門查處和整改的情形。公司內幕信息知情人管理制度完善，並且得到了嚴格地遵守、執行。

2017年，根據公司監事會的典型實踐經驗，我們編寫的「監事會架構科學獨立 助力完善監督體系」被中國上市公司協會評選收入其出版的《上市公司監事會最佳實踐案例》一書中。同年9月，在中國上市公司協會舉辦的「上市公司監事會主席研修班」上，我代表公司監事會以「建設獨立高效監事會特色實踐」為主題進行了專題交流。綜上，監事會在報告期內認真地履行了法律法規和《公司章程》賦予監事會的職責，發揮了監事會的職能作用。借此機會，我對各位監事，在報告期內為公司監事會工作所做的貢獻表示衷心的感謝！

公司第八屆監事會任期於2017年6月16日屆滿，鑒於公司新一屆監事會監事候選人的提名工作尚未完成，為保持監事會工作的連續性及穩定性，在公司監事會換屆選舉工作完成前，公司第八屆監事會全體成員將依照法律、行政法規和《公司章程》的規定繼續履行監事的義務和職責。保障公司的持續、健康、穩定發展，維護公司和股東的合法權益。

監事會主席：李鋼
二零一八年三月二十七日

(VI) Information on the establishment and implementation of administrative policies to the information insiders

The Board of Supervisors is of the view that, the Company has worked out *Administrative Policies for the Registration of Information Insiders* in accordance with the related regulations. It has inspected that, during the Reporting Period, the Company did not have the situation of being investigated or rectified by the regulatory authorities for the release of inside information. The administrative regulation of information insiders is improved, and strictly abided by and implemented.

In 2017, according to the typical and practical experience of the Company's Board of Supervisors, our article titled "A Scientific and Independent Structure of Board of Supervisors Helps to Improve the Monitoring System" was selected and printed by China Association for Public Companies in its book *Best Practice Cases of Board of Supervisors of Listing Companies*. In September of the year, in the "Workshop for Chairman of Board of Supervisors of Listing Companies" held by China Association for Public Companies, I made the presentation titled "Featured Practice of Establishing an Independent and Highly Efficient Board of Supervisors" on behalf of the Company's Board of Supervisors. In conclusion, the Board of Supervisors has diligently performed the duties assigned by laws, regulations and *Articles of Association* and played the functional role as Board of Supervisors. I would like to take this opportunity to extend my heartfelt thanks to all the Supervisors for their contributions towards the performance of the Company's Board of Supervisors during the reporting period!

The service term of the Company's Eighth Session of the Board of Supervisors expired on 16 June 2017 and since the nomination of the candidates of Supervisor for the new session of the Board of Supervisors has not finished, all the members of the Eighth Session of the Board will continue to perform their obligations and duties as Supervisor in accordance with laws, administrative regulations and *Articles of Association* to maintain the continuity and stability of the work of the Board, ensuring the sustained, healthy and sound development of the Company and protecting the legitimate rights and interests of the Company and its shareholders.

Chairman of Board of Supervisors: LI Gang
27 March 2018

企業管治報告 Corporate Governance Report

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

本公司第八屆董事會成員在技能、經驗以及多元化視角方面達到適當的平衡，從而提升董事會的有效運作並保持高標準的公司治理水平。

報告期內，本公司已遵守香港聯交所證券上市規則(「《上市規則》」)附錄十四載列之《企業管治守則》的守則條文。惟偏離守則條文A.4.2條除外。

守則條文A.4.2條規定，其中包括，每名董事(包括有指定任期的董事)應輪流退任，至少每三年一次。如本公司日期為2017年6月14日之公告中所披露，本公司第八屆董事會及監事會之任期於2017年6月16日屆滿。鑒於相關董事候選人及監事候選人的提名工作尚未完成，為保持本公司董事會及監事會工作的連續性及穩定性，本公司第八屆董事會及監事會的重選及委任延期舉行及本公司第八屆董事會各專門委員會的任期亦相應順延。本公司將在實際可行情況下儘快推進董事會及監事會重選及委任工作。本公司所採納的企業管治措施如下：



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

The members of the eighth session of the Board are in appropriate balance in aspects including skills, experience and diversifying insights, thus to improve the effective operation of the Board and maintain the high-standard of corporate governance.

During the Reporting Period, the Company had abided by the code provisions in the *Corporate Governance Code* set out in Appendix 14 of *Listing Rules*, with the exception of the deviation from code provision A.4.2.

According to code provision A.4.2, each director (including directors with a specific service term) shall take turns to resign, at least once every three years. As disclosed in the Company's Announcement dated 14 June 2017, the service term of the Company's Eighth Session of the Board and the Board of Supervisors expired on 16 June 2017. Since the nomination of the candidates of Director and Supervisor has not finished and to maintain the continuity and stability of the work of the Board and Board of Supervisors, the re-election and appointment of the Company's Eighth Session of the Board of Directors and Board of Supervisors will be postponed and thus, all the specific committees under the Eighth Session of the Board of Directors will be extended accordingly as well in order to guarantee the continuity and the stability of all works. If feasible, the Company will conduct the re-election and appointment of the Board of Directors and Board of Supervisors as soon as possible. Measures taken by the Company for corporate governance are as follows:

企業管治報告 Corporate Governance Report

一. 董事會

1. 職責與分工

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

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

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

I. The Board

1. Duties and assignments

Under the leadership of the Chairman, the Board exercises its administrative decision-making power concerning the Company's development strategy, management structure, investment and financing, financial supervision and control, and dedicates to realize the maximization of its shareholders' value. It has been stated in details in the Company's *Articles of Association* and its appendix *Order of Meeting for Board of Directors* the Board's authorities in the Company's development strategies and management, and its power of supervision and inspection over the Company's development and operation. At the same time, the Board implements its duty of corporate governance by monitoring, evaluating and ensuring the effectiveness and efficiency of the Company's internal control system, and situation of the Company's compliance with the laws and regulations. The Board is responsible for the implementation of the duties and responsibilities of corporate governance set out in the function scope of *Rule D.3.1 of the revised Corporate Governance Code*. The Board has performed the relevant duties during the year.

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

The president is responsible for arranging the implementation of resolutions approved by the Board, yearly budget and investment plan of the Company, and reporting to the Board about the Company's operation, signing and implementation of significant contracts; exercising the right of the use of funds and assets within the scope authorized by the Board, and signing the contracts on behalf of the Company. At the same time, the Company clarifies the specific duties and responsibilities, and the work of all senior management officers, so as to ensure the undertaking of obligations of integrity and diligence of their own responsibilities.

企業管治報告 Corporate Governance Report

2、 組成

截止2017年12月31日，公司第八屆董事會成員由4名執行董事、1名非執行董事及4名獨立非執行董事組成：

執行董事

孫明波先生(董事長)
黃克興先生(總裁)
樊偉先生
于竹明先生

非執行董事

杉浦康譽先生(已於2018年3月19日辭任)

獨立非執行董事

王學政先生
于增彪先生
賁聖林先生
蔣敏先生

公司董事(包括非執行董事)之任期自2014年6月16日起為期三年。於2018年3月19日，杉浦康譽先生辭任本公司非執行董事、審計與內控委員會委員與薪酬委員會委員等職務。

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

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

2. Composition

As at 31 December 2017, the eighth session of the Board comprises 4 executive directors, 1 non-executive director and 4 independent non-executive directors:

Executive Directors

Mr. SUN Ming Bo (Chairman)
Mr. HUANG Ke Xing (President)
Mr. FAN Wei
Mr. YU Zhu Ming

Non-Executive Director

Mr. Yasutaka SUGIURA (resigned on 19 March 2018)

Independent Non-executive Directors

Mr. WANG Xue Zheng
Mr. YU Zeng Biao
Mr. BEN Sheng Lin
Mr. JIANG Min

The service term of the Company's directors (including non-executive directors) is three years commencing from 16 June 2014. On 19 March 2018, Mr. Yasutaka SUGIURA resigned as Non-executive Director, member of Audit and Internal Control Committee and member of Remuneration Committee of the Company.

The Company has adopted a board diversity policy in order to enhance the effectiveness of the Board. When determining the composition of the members of the Board, the Company considered about the diversity of the members of the Board from different aspects including but not limited to age, cultural and educational background, professional experience, skills and knowledge. The Board focused on the candidates' qualification for all appointments, and took into account the benefits of the diversity of the members of the Board based on the objective conditions when choosing the candidates.

The members of the Board have various professional backgrounds and possess different professional knowledge, among which one of the independent non-executive directors has the qualification on accounting or related financial management required by the regulatory authorities. All directors have substantial experience in their respective professional field. The profile of the directors is set out in 'Profile of Directors, Supervisors and Senior Management Officers' in this Annual Report.

企業管治報告 Corporate Governance Report

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

There are 4 independent non-executive directors in the latest session of the Board, accounting for over 1/3 of the total numbers of the Board. These independent non-executive directors have various professional backgrounds with substantial experience in law, accounting and financial investment. Such composition is helpful to the Board in the discussion and analysis of the issues from different aspects to ensure the reasonable decision made by the Board. Since 2005, the independent non-executive directors have been submitting their annual performance review for reporting to the shareholders at the annual general meeting.

3、董事會會議

2017年度，本公司共舉行了3次現場結合通訊方式的會議和6次以通訊表決方式召開的會議，以討論本公司的營運及財務表現、管理架構、投資方案等，主要事項包括：

- 審議批准年度、半年度及季度業績報告；
- 審議批准召集股東年會事項及營銷總裁聘任事項；
- 審議批准附屬公司增資事項以及新增易拉罐綫項目的可行性報告；
- 審議批准公司的持續關連交易事項。

3. Board meeting

In 2017, the Company totally held 3 site meetings and 6 meetings combining with voting through communications to consider the Company's operation and financial performance, management structure and investment plan mainly including:

- Considering and approving the reports of annual, interim and quarterly results;
- Considering and approving the issue of holding annual general meeting and the issue of appointing the President of Marketing Center;
- Considering and approving the issue of capital increase of the subsidiary companies and the feasibility report on the new canned lines;
- Considering and approving the continuing connected transactions of the Company;



企業管治報告 Corporate Governance Report

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

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

董事姓名 Name	本年應參加 董事會次數 Number that should attend in the year	親自出席次數 Number that attend in person	參加董事會情況 Information of attending board meeting			是否連續兩次 未親自參加會議 If not attend in person for consecutive two times	參加股東 大會情況 Information of attending general meeting
			以通訊方式 參加次數 Number that attend in form of communications	委托出席次數 Number that being attended by proxy	缺席次數 Number of absence		出席股東大會 的次數 Number of attending general meeting
孫明波 SUN Ming Bo	9	3	6	0	0	否 No	1
黃克興 HUANG Ke Xing	9	3	6	0	0	否 No	1
樊偉 FAN Wei	9	3	6	0	0	否 No	1
于竹明 YU Zhu Ming	9	3	6	0	0	否 No	1
杉浦康譽* Yasutaka SUGIURA*	9	3	6	0	0	否 No	1
王學政 WANG Xue Zheng	9	3	6	0	0	否 No	0
于增彪 YU Zeng Biao	9	3	6	0	0	否 No	0
賁聖林 BEN Sheng Lin	9	2	6	1	0	否 No	0
蔣敏 JIANG Min	9	2	6	1	0	否 No	1

* 杉浦康譽先生於2018年3月19日辭任非執行董事職務

* Mr. Yasutaka SUGIURA resigned as Non-executive Director on 19 March 2018.

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

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

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

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

二. 董事

II. Directors

1. 董事之培訓

1. Training of directors

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

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

於2017年1月1日至12月31日期間，本公司全體董事定期接受有關本集團業務、營運及企業管治事宜的簡報及更新。董事並獲提供適用於本集團的新訂重點法律及條例或重要法律及條例的變動。公司每周編寫一期有關證券市場發展及監管政策的動態信息發送給董事、監事和高管人員。報告期內，公司部分董事、監事參加了由中國證監會青島證監局舉辦的不少於16學時的專題培訓。公司秘書參加了兩地交易所和青島證監局舉辦的不少於30學時的專題培訓。

During the period from 1 January 2017 to 31 December 2017, all of the Company's directors received regular briefings and updates for the matters relating to the Group's business, operation and corporate governance. They were also provided with the newly published important laws and rules, or changes in the important laws and rules which were applicable to the Group. The Company prepared and distributed to the directors, supervisors and senior management officers a weekly newsletter about the development in stock market and updated information of regulatory policies. During the Reporting Period, some directors and supervisors attended the thematic trainings arranged by Qingdao Branch of China Securities Regulatory Commission for not less than 16 training hours. The Company Secretary attended the thematic trainings arranged by the stock exchanges both in Hong Kong and in Shanghai, and Qingdao Branch of China Securities Regulatory Commission for not less than 30 training hours.

2017年8月公司還利用異地召開董事會的機會，組織獨立非執行董事到青啤西安漢斯集團進行工作調研及考察陝北啤酒市場。實地瞭解當地啤酒市場信息及子公司經營狀況。

In August 2017, the Company made use of the opportunity of holding the meeting of the Board of Directors in a different place to arrange the independent non-executive directors to conduct the research in Tsingtao Brewery Xi'an Hans Group and study the beer market in the north of Shanxi, so as to understand the local beer market information and the operation of the subsidiary company.

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2、獨立非執行董事的獨立性

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

3、董事的證券交易

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

4、董事、監事及高級管理人員的責任保險

經股東大會批准，本公司已為全體董事、監事及高級管理人員購買適當之責任保險。

5、財務彙報和董事就財務報表所承擔的責任

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



2. Independence of independent non-executive directors

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

3. Securities transaction by directors

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

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

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

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

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

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三. 董事會專門委員會

董事會於2014年6月16日召開會議，根據董事會換屆人員的調整，批准成立新一屆董事會下屬3個專門委員會，明確其監察公司個別範疇業務的職權範圍。以下委員會成員組成之披露為截止2017年末的狀況。

1. 審計與內控委員會(「審計委員會」)

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

第八屆董事會審計委員會的成員包括：獨立非執行董事于增彪先生(審計委員會主席)、非執行董事杉浦康譽先生(於2018年3月19日起辭任該職務)及獨立非執行董事王學政先生、賈聖林先生和蔣敏先生。其中于增彪先生具備財務和會計業務的經驗和能力，並擁有中國註冊會計師資格。2017年度審計委員會共舉行了5次會議，為保證彙報的獨立性，會議主席已安排外部審計師與審計委員會成員進行單獨的會議。於每次會議後，委員會均會就討論的重要事項向董事會提交建議。各委員出席會議的情況如下：

委員姓名	Name	應出席會議(次)		
		出席會議(次) Number of meetings attended (time)	Number of meetings should be attended (time)	出席率(%) Attending Rate (%)
于增彪 (審計委員會主席)	YU Zeng Biao (Chairman of Audit Committee)	5	5	100
王學政	WANG Xue Zheng	5	5	100
杉浦康譽*	Yasutaka SUGIURA*	2	5	40
賈聖林	BEN Sheng Lin	4	5	80
蔣敏	JIANG Min	5	5	100

* 杉浦康譽先生於2018年3月19日辭任本公司審計委員會委員職務

III. Specific Committees under the Board

The Board held a meeting on 16 June 2014, at which it approved to set up 3 specific committees under it based on the adjustments of its members of the latest session of the Board, and clarified their duty scope of supervising the specific business fields in the Company. The composition of the committees as at the end of 2017 is disclosed below.

1. Audit Committee

The duty scope of Audit Committee is determined pursuant to *Corporate Governance Code* set out in Appendix 14 of *Listing Rules and Guidelines for Corporate Governance of China Listing Companies* published by China Securities Regulatory Commission, and is revised subject to the latest supervisory momentum. Its main duties include: to review the soundness, completeness and effectiveness of the Company's internal control system and regulations, to review the annual, interim and quarterly financial statements, to be in charge of the appointment, the work coordination, and the review of work efficiency and quality of external auditor, and to review and supervise the quality and procedures of the financial reporting of the Company.

The Audit Committee under the eighth session of the Board is comprised of Mr. YU Zeng Biao (Chairman of Audit Committee), Mr. Yasutaka SUGIURA, Non-executive Director (resigned from the position on 19 March 2018), and independent non-executive directors including Mr. WANG Xue Zheng, Mr. BEN Sheng Lin and Mr. JIANG Min, among whom Mr. Yu Zeng Biao has experience and capability in financial and accounting business, and has the qualification of Chinese Certified Public Accountant. In 2017, Audit Committee totally held 5 meetings. To ensure the independence of the reporting, the Chairman of Audit Committee arranged sole meetings between external auditor and members of Audit Committee. The Audit Committee made proposals to the Board on important issues discussed between them after each meeting. The attendance of meetings of each member of Audit Committee is as follows:

* Mr. Yasutaka SUGIURA resigned as member of the Company's Audit Committee on 19 March 2018

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審計委員會在本年度主要工作包括：

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

2、 戰略與投資委員會(「戰略委員會」)

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

第八屆董事會戰略委員會的成員包括：執行董事黃克興先生(戰略委員會主席)及于竹明先生和獨立非執行董事于增彪先生、賁聖林先生及蔣敏先生。2017年度戰略委員會共舉行了2次會議，各委員出席會議的情況如下：

委員姓名	Name	應出席會議(次)		出席率(%)
		出席會議(次) Number of meetings attended (time)	Number of meetings should be attended (time)	
黃克興 (戰略委員會主席)	HUANG Ke Xing (Chairman of Strategy Committee)	2	2	100
王學政	WANG Xue Zheng	2	2	100
于增彪	YU Zeng Biao	2	2	100
賁聖林	BEN Sheng Lin	2	2	100
蔣敏	JIANG Min	2	2	100

戰略委員會在本年度的主要工作包括：審議河北嘉禾股權收購項目終止事項以及附屬公司增資事項和新增易拉罐綫項目的可行性報告。

Major work of Audit Committee in the year includes:

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

2. Strategy Committee

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

Members of Strategy Committee under the eighth session of the Board include: executive directors including Mr. HUANG Ke Xing (Chairman of Strategy Committee), and Mr. YU Zhu Ming, and independent non-executive directors including Mr. YU Zeng Biao, Mr. BEN Sheng Lin and Mr. JIANG Min. In 2017, the Strategy Committee totally held 2 meetings, and the attendance of each member of Strategy Committee is as follows:

Strategy Committee's work in the year mainly included: considering the termination of the purchase of the equity of Hebei Jiahe and the feasibility reports of the capital increase and the new canned lines of the subsidiaries.

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3、提名與薪酬委員會

提名與薪酬委員會的主要職責包括：研究和審議公司董事與高管人員的薪酬政策和激勵機制，制訂考核標準；研究改善公司治理結構的方案及評核獨立非執行董事的獨立性及就董事委任向董事會提出建議。

第八屆董事會提名與薪酬委員會的成員包括：獨立非執行董事王學政先生(提名與薪酬委員會主席)、非執行董事杉浦康譽先生(於2018年3月19日起辭任該職務)及獨立非執行董事于增彪先生、賁聖林先生和蔣敏先生。2017年度提名與薪酬委員會舉行了2次會議，對年報披露的董事、監事和高管人員薪酬資料進行了審核，以及對於公司聘任營銷總裁的事項進行了審議。

3. Nomination & Remuneration Committee

The main duties and responsibilities of Nomination & Remuneration Committee are: to study and consider the remuneration policies and incentive mechanism of the Company's directors and senior management officers, to work out evaluation standards, to study the schemes of improving corporate governance, to appraise the independence of independent non-executive directors and make proposals to the Board for the appointment of directors.

Members of the Nomination & Remuneration Committee under the eighth session of the Board include: Mr. WANG Xue Zheng (Chairman of Nomination & Remuneration Committee), Independent Non-executive Director, Mr. Yasutaka SUGIURA, Non-executive Director (resigned from the position on 19 March 2018), and independent non-executive directors including Mr. YU Zeng Biao, Mr. BEN Sheng Lin and Mr. JIANG Min. In 2017, Nomination & Remuneration Committee held 2 meetings to review the remuneration information of directors, supervisors and senior management officers disclosed in the Annual Report, and consider the nomination of candidate of President of Marketing Center.

委員姓名	Name	出席會議(次)	應出席會議(次)	出席率(%)
		Number of meetings attended (time)	Number of meetings should be attended (time)	Attending Rate (%)
王學政 (提名與薪酬委員會主席)	WANG Xue Zheng (Chairman of Nomination & Remuneration Committee)	2	2	100
于增彪	YU Zeng Biao	2	2	100
賁聖林	BEN Sheng Lin	2	2	100
蔣敏	JIANG Min	2	2	100
杉浦康譽*	Yasutaka SUGIURA*	2	2	100

* 杉浦康譽先生於2018年3月19日辭任本公司提名與薪酬委員會委員職務

* Mr. Yasutaka SUGIURA resigned as member of the Company's Nomination & Remuneration Committee on 19 March 2018.

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四. 監控機制

1、 監事會

截止2017年12月31日，公司第八屆監事會由4名股東代表監事和3名職工代表監事組成，現任監事的個人簡介資料，載列於本年度報告「董事、監事、高級管理人員情況」。2018年3月19日，北川亮一先生辭任公司股東監事職務。

監事會依法獨立行使公司監督權，保障股東、公司和員工的合法權益不受侵犯。2017年度，監事會共舉行7次會議，代表股東對公司財務以及董事和高管人員履行職責的合法合規性進行監督，並列席了所有的董事會現場會議和股東大會。有關監事會的工作情況載列於本年度報告的「監事會工作報告」中。

2、 內部控制及風險管理

2.1 本公司按照上海證券交易所發布的《上海證券交易所上市公司內部控制指引》，《上市規則》，以及內部控制具體規範的要求，制定了一系列內部控制制度，並在公司生產經營活動中發揮了應有的作用，促進了本公司規範化運行。按照企業內部控制規範體系的規定，建立健全和有效實施內部控制，評價其有效性，並如實披露內部控制評價報告是公司董事會的責任。監事會對董事會建立和實施內部控制進行監督。經理層負責組織領導企業內部控制的日常運行。

IV. Supervisory Mechanism

1. Board of Supervisors

As at 31 December 2017, the eighth session of Board of Supervisors is comprised of 4 supervisors as shareholders' representative and 3 supervisors as employees' representative. The profile of the current supervisors is set out in "Profiles of Directors, Supervisors and Senior Management Officers" in this Annual Report. On 19 March 2018, Mr. Ryoichi KITAGAWA resigned as Supervisor as Shareholders' Representative.

The Board of Supervisors legally exercises the supervision power to prevent the legal rights and interests of shareholders, the Company and its employees from being offended. In 2017, the Board of Supervisors totally held 7 meetings to supervise on behalf of shareholders over the Company's finance, legality and compliance of directors and senior management officers on performing their duties and responsibilities, and sat in all site board meetings and general meetings. Details of the work of Board of Supervisors are set out in "Report of the Supervisors" in this Annual Report.

2. Internal control and risk management

2.1 According to *Internal Control Guide to Listing Companies of Shanghai Stock Exchange* published by SSE, Listing Rules, and the requirements of the specific regulations of internal control, the Company worked out a series of internal control regulations which play corresponding roles in the Company's production and operating activities, and promote the Company's normalized operation. Pursuant to the requirements of the internal control regulatory system, it is the responsibilities of the Board to establish and effectively implement the internal control and assess its effectiveness, and truly disclose the internal control evaluation report. The Board of Supervisors supervises the establishment and implementation of internal control of the Board, while the managers are responsible for organizing and leading the ordinary operation of the internal control.

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公司內部控制的目標是合理保證經營管理合法合規、資產安全、財務報告及相關信息真實完整，提高經營效率和效果，促進實現發展戰略。由於內部控制存在的固有局限性，故公司僅能為實現上述目標提供合理保證。

公司內控審計部每年對公司生產經營及內部控制活動中存在的風險進行識別、評估，並依據風險評估的結果通過內部控制評價等方式完善公司內部控制體系。公司內控審計部及其他職能部門依據本公司內控制度和標準，從內控設計的有效性和執行有效性兩個維度開展內控評價和管理查核，推動公司內控體系的完善和提升，每年內控審計部就公司風險管理及內控體系的有效性和存在問題向審計委員會彙報。

2.2 內部控制運行有效性評估

公司建立了總部獨立內控評價、總部職能部門自我內控評價和分(子)公司自我內控評價相結合的三級內控評價機制，每年組織進行內部控制評價工作，就內部控制的設計有效性和實施有效性進行審計評價，並出具獨立的內控評價報告。公司總部各職能部門、各分(子)公司也按照規定定期開展自評工作，對所發現的問題實施整改。

The target of the Company's internal control is to reasonably ensure the lawful and compliant operating management, the assets safety, the authenticity and completeness of financial report and related information, the improvement of operating efficiency and its effects, and the promotion and realization of development strategy. However, due to the existing limitation to the internal control, the Company can provide reasonable assurance for realizing the above targets only.

The Internal Audit Department of the Company makes annual identification and evaluation of risks existing in the Company's production, operation and internal control activities, and improve the Company's internal control system based on the results of risks evaluation by ways of internal control evaluation, and etc. According to the Company's internal control system and standards, the Internal Audit Department and other functional departments carry out the internal control evaluation and management inspection from the two aspects of the effectiveness of the design and the implementation of internal control to promote the improvement and upgrade of the Company's internal control system. The Internal Audit Department reports to the Audit Committee about the effectiveness and problems existing in the risk management and internal control systems every year.

2.2 Evaluation of the effectiveness of internal control operation

The Company establishes the 3-tier internal control evaluation mechanism which combines the independent internal control evaluation of head office, self-evaluation of internal control of functional departments of head office, and the self-evaluation of internal control of branches/subsidiaries. It arranges the annual internal control evaluation work to audit and evaluate the effectiveness of the design and the implementation of internal control, and present an independent internal control evaluation report. The functional departments of the Company and the branches/subsidiaries also carry out the regular self-evaluation work as required, and make corrections to the problems found.

企業管治報告 Corporate Governance Report

公司聘請外部審計師從專業的視角來審視公司內部控制體系，有力推動了公司內部控制體系建設的提升。公司還建立了外部審計師和公司審計委員會的單獨溝通機制，確保外部審計師的獨立性和知情權，切實發揮外部審計師的作用。

The Company appointed an external auditor to inspect the Company's internal control system from a professional prospective, which effectively promoted the improvement of the establishment of the Company's internal control system. The Company had also established the sole communication mechanism between the external auditor and the Company's Audit Committee to ensure the independence and the right of information of the external auditor to practically play the role of external auditor.

(1) 公司董事會對內控體系自我評估情況

公司第八屆董事會第二十一次會議審議通過公司2017年度內部控制評價報告，按照公司制定的內部控制缺陷認定標準，報告期內公司不存在財務報告內部控制重大缺陷、重要缺陷。亦未發現公司非財務報告內部控制重大缺陷、重要缺陷。

(1) The Board's self-evaluation of internal control system

The Company's 2017 internal control evaluation report was considered and approved at the twenty-first meeting of the eighth session of the Board. According to the affirmation standards of internal control defects worked out by the Company, during the Reporting Period, the Company did not have any material weakness or significant weakness of internal control in the financial reporting, nor in the non-financial reporting.

(2) 公司境內註冊會計師對財務報告內控體系評估情況

公司聘請普華永道中天對財務報告內部控制有效性進行了審核評估，認為公司於2017年12月31日按照《企業內部控制基本規範》和相關規定在所有重大方面保持了有效的財務報告內部控制。

(2) Evaluation by the Company's domestic certified public accountant to the internal control in financial reporting

PwC Zhong Tian was appointed by the Company to audit and appraise the effectiveness of the internal control in financial reporting, who was of the view that, as at 31 December 2017, the Company had maintained effective internal control in financial reporting in all material aspects according to *Basic Standards of Corporate Internal Control* and related regulations.

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

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

2.3 在處理及發布內幕消息方面，本公司已制定《內幕信息知情人登記管理制度》等內部制度，規定了內幕消息及內幕信息知情人的範圍、報告流程、登記備案、禁止行為等內容，嚴控知情人範圍，嚴防內部消息洩露風險。

2.3 In terms of the handling and releasing inside information, the Company has established such an internal system as the *Administrative Policies for the Registration of Information Insiders*, specifying the range, reporting process, registration and record-keeping and prohibitive behaviors for inside information and information insiders to strictly control the range of insiders and prevent the risk of leaking inside information.

企業管治報告 Corporate Governance Report

3、外聘審計師及酬金

本年度報告所收錄之財務報表根據中國企業會計準則編制，並經普華永道中天審計。普華永道中天已為本公司連續提供審計服務16年。2017年度，本公司應向普華永道中天支付其年度財務報告審計工作的酬金為人民幣660萬元，支付其內控審計工作的酬金為人民幣198萬元，該酬金包含了稅金及差旅費等其他費用。審計師對賬目的責任載於本年報第80頁至81頁的審計報告「六、註冊會計師對財務報表審計的責任」之披露內容。

3. External auditor and its remuneration

The financial statements included in this Annual Report are prepared in accordance with CAS and have been audited by PwC Zhong Tian who has provided auditing service to the Company for 16 consecutive years. In 2017, the Company should pay RMB6.6 million to PwC Zhong Tian for its full-year work of auditing the financial statements, and RMB1.98 million for its work of auditing the internal control, which is inclusive of tax, traveling expenses and miscellaneous expenses. The auditor's responsibilities on the account are set out in the disclosed content in "Auditor's Responsibilities for the Audit of the Financial Statements" on page 80 to 81 of this Annual Report.

五. 股東及其他利益相關者

1、股東大會

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

股東大會是公司的最高權力機構，依法行使職權，決定公司重大事項。每年的股東年會為董事會與公司股東提供直接溝通的渠道。因此，本公司高度重視股東大會，於會議召開45日前發出會議通知，在股東年會上，公司董事長及其他與會執行董事就股東關注的事項進行了廣泛深入的溝通及說明。2017年6月30日公司在青島以現場會議與網絡投票相結合的方式召開了2016年度股東年會，會議審議通過了公司2016年度董事會報告、監事會報告、經審計的財務報告、利潤分配預案和續聘財務報告及內部控制審計師等項議案，以及聽取了公司2016年度獨立非執行董事述職報告。

V. Shareholders and other Interest-related Parties

1. General meeting

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

General meeting is the highest authority of the Company, which legally exercises its authorities to determine the significant events for the Company. The annual general meeting is a channel of direct communication between the Board and the shareholders of the Company. Therefore, the Company pays high regards to the general meetings by dispatching the meeting notice 45 days prior to the meeting date, and the chairperson and other attending executive directors make extensive and intensive communications and interpretation over the issues concerned by the shareholders at the annual general meetings. On 30 June 2017, the Company held the 2016 Annual General Meeting in form of on-site meeting in Qingdao or online voting to consider and approve the resolutions including the Company's 2016 report of the directors, report of the supervisors, audited financial statements, preliminary proposal for profit distribution and re-appointment of auditor of financial reporting and internal control, and also listened to the Company's 2016 work report of independent non-executive directors.

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以上股東大會決議可查閱本公司在境內信息披露指定報章以及上交所網站和香港聯交所網站發布的相關公告。

For the resolutions approved at the aforesaid general meetings, please refer to the related announcements published by the Company on the nominated domestic newspapers for information disclosure, and the websites of SSE and the Stock Exchange.

2、股東權利

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

2. Shareholders' rights

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

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

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

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

Shareholders have the right to inquire the information set out in Rule 52(V) of *Articles of Association*, and can make inquiry or request for such right by sending mail to the Company's Secretarial Office of the Board or emailing to the Company's email address of "Investor Relations" (secretary@tsingtao.com.cn). Shareholder who inquires for the related information should provide corresponding written verification document and will be provided with such information after his/her identification as shareholder has been verified by the Company.

報告期內，《公司章程》並無變動。

During the year, there is no change in the Company's *Articles of Association*.

企業管治報告 Corporate Governance Report

3、投資者關係與溝通

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

2017年，公司共舉辦或參加有事先預約的投資者來電來訪及聯合調研等溝通會議共83次，參加境內外證券金融投資機構舉辦的大型投資論壇或投資者溝通會議共計6次。

此外，還參加了青島證監局組織的投資者網上接待日活動。及時解答投資者通過上交所E互動平臺及公司郵箱所提出的問題等。

4、其他利益相關者

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

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

3. Investor relations and communications

The Company pays high regards to the management of investor relations, strives to strengthen the communications and exchanges with the investors through various channels and forms, and makes timely response to the hot issues concerned by the investors. At the same time, the Company has been devoting to improving its transparency to help the investors have a better understanding of the business situation and prospects of the Company, and carefully listening to the comments and proposals made by investors to improve the Company's corporate governance and operating management.

In 2017, the Company totally held or attended 83 meetings including the calls and visits, and joint investigations and researches which were appointed in advance by the investors, attended 6 large-scale investment forums or investor communication meetings held by the domestic and overseas securities and financial investing institutions.

Save as the above, the Company also participated in the investors' on-line open day activities arranged by Qingdao Branch of China Securities Regulatory Commission to make timely response to the questions raised by the investors through the platform of SSE Info and the e-mail address of the Company.

4. Other interest-related parties

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

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

管理層討論與分析 Management Discussion and Analysis

一、報告期內主要財務分析(按中國企業會計準則計算)

Analysis of Principal Financial Data during the Reporting Period (calculated in accordance with CAS)

(一) 公司主營業務及經營情況分析

Analysis of main business and operating situation of the Company

1、利潤表及現金流量表相關科目變動分析表

Analysis of fluctuation of related items in income statement and cash flow statement

單位：千元 幣種：人民幣
Unit: RMB'000 Currency: RMB

科目	Item	本期數 Amount of this Reporting Period	上年同期數 Amount of corresponding period in prior year	變動比例(%) Increase/ (Decrease) (%)
營業收入	Revenue	26,277,052	26,106,344	0.65
營業成本	Cost of sales	15,622,131	15,265,280	2.34
銷售費用	Selling and distribution expenses	5,768,944	6,029,439	(4.32)
管理費用	General and administrative expenses	1,244,256	1,340,543	(7.18)
財務費用	Finance expenses	(370,017)	(257,408)	(43.75)
資產減值損失	Asset impairment losses	10,717	7,842	36.66
公允價值變動收益	Profit arising from changes in fair value	115	—	—
投資收益	Investment income	57,988	150,970	(61.59)
資產處置收益	Gains on disposals of assets	(46,284)	(223,544)	79.30
其他收益	Other income	304,412	—	—
營業外收入	Non-operating income	145,624	720,032	(79.78)
所得稅費用	Income tax expense	722,563	1,017,743	(29.00)
少數股東損益	Net profit attributable to non-controlling interests	119,238	62,212	91.66
經營活動產生的現金流量淨額	Net cash flows from operating activities	2,223,536	2,970,891	(25.16)
投資活動產生的現金流量淨額	Net cash flows from investing activities	(503,670)	(1,164,015)	56.73
籌資活動產生的現金流量淨額	Net cash flows from financing activities	(533,173)	(1,470,421)	63.74
研發支出	R&D expenditures	18,689	14,613	27.89

管理層討論與分析 Management Discussion and Analysis

2、產銷量情況分析表

Output and sales volume analysis statement

單位：萬千升
Unit: ten million litre

主要產品 Main product	生產量 Output	銷售量 Sales volume	庫存量 Inventory volume	生產量比 上年增減(%) Increase/ (Decrease) in output volume from prior year (%)	銷售量比 上年增減(%) Increase/ (Decrease) in sales volume from prior year (%)	庫存量比 上年增減(%) Increase/ (Decrease) in inventory volume from prior year (%)
啤酒 beer	756	797	26	1.93	0.64	(0.54)

產銷量情況說明

報告期內，本公司產量不包含本公司自聯營及合營啤酒生產企業外購產品的產量。

Explanation of the information of output and sales volume

During the Reporting Period, the output volume of the Company excludes that of the outsourcing products from the associated plants and joint ventures of the Company.

3、成本

Costs

成本分析表

Cost analysis statement

單位：千元 幣種：人民幣
Unit: RMB'000 Currency: RMB

分行業 By industries	成本構成項目 Items in the costs	分行業情況 Information by industries			上年同期估 總成本比例 (%) Percentage of the total cost (%)	本期金額 較上年同期 變動比例(%) Increase/ (Decrease) (%)
		本期金額 Amount during this Reporting Period	本期估總成本 比例(%) Percentage of the total cost (%)	上年同期金額 Amount of corresponding period in prior year		
啤酒銷售 Sales of beer	直接材料 Direct materials	10,436,927	66.81	9,859,939	64.59	5.85
	直接人工 Direct labor	924,123	5.92	888,058	5.82	4.06
	製造費用 Overhead	2,973,636	19.03	2,804,458	18.37	6.03
	外購產成品 Outsourcing of finished goods	1,091,200	6.98	1,525,389	9.99	(28.46)
其他非主營銷售業務 Other non-principle sales business		196,245	1.26	187,436	1.23	4.70
合計 Total		15,622,131	100.00	15,265,280	100.00	2.34

管理層討論與分析 Management Discussion and Analysis

		分產品情況 Information by products			上年同期 估總成本比例 (%)	本期金額 較上年同期 變動比例 (%)
分產品 By products	成本構成項目 Items in the costs	本期金額 Amount during this Reporting Period	本期估總成本 比例 (%) Percentage of the total costs (%)	上年同期金額 Amount of corresponding period in prior year	Percentage of the total costs (%)	Increase/ (Decrease) (%)
啤酒銷售 Sales of beer	直接材料 Direct materials	10,436,927	66.81	9,859,939	64.59	5.85
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合計 Total		15,622,131	100.00	15,265,280	100.00	2.34

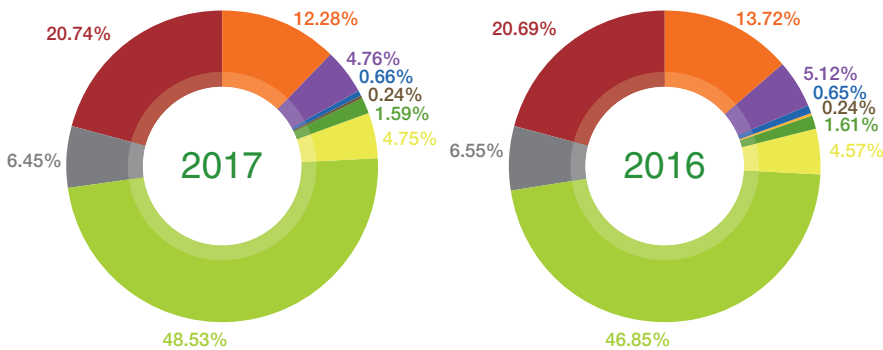
備註：

啤酒銷售成本構成項目金額參照本年度生產成本構成比例計算。

Note:

The amount of the items composing the sales cost of beer is calculated with reference to the percentages in the composition of the production costs in the year.

製造成本構成 Composition of production costs



管理層討論與分析 Management Discussion and Analysis

4、費用

Expenses

(1) 銷售費用

Selling and distribution expenses

2017年銷售費用同比減少4.32%，主要原因是本年度部分區域市場費用投入減少所致。

In 2017, selling and distribution expenses decreased by 4.32% from the corresponding period in prior year, which was mainly due to the decreased marketing expenses in some regions in the year.

(2) 管理費用

General and administrative expenses

2017年管理費用同比減少7.18%，主要原因是去年同期包含2016年1-4月份房產稅、土地使用稅、車船稅、印花稅等相關稅費費用，以及本年度管理人員職工薪酬同比減少所致。

In 2017, general and administrative expenses decreased by 7.18% from the corresponding period in prior year, which was mainly because the taxes including property tax, land use tax, vehicle and vessel use tax and stamp duty for the period from January to April of 2016 were included in the corresponding period of the prior year, and due to the year-on-year decrease of the remuneration of the management staff in the year.

(3) 財務費用

Finance expenses

2017年財務費用同比減少43.75%，主要原因是本年度利息收入同比增加所致。

In 2017, financial expenses decreased by 43.75% from the corresponding period in prior year, which was mainly due to that the interests received in the year increased from the corresponding period in prior year.

5、其他利潤構成的詳細說明

Detailed explanation of other compositions of profits

(1) 資產減值損失

Asset impairment losses

2017年資產減值損失同比增加36.66%，主要原因是本年度個別子公司計提的固定資產減值損失同比增加所致。

In 2017, asset impairment losses increased by 36.66% from prior year, which was mainly due to that the accrued fixed asset impairment losses of some subsidiaries in the year increased from the corresponding period in prior year.

(2) 公允價值變動收益

Profit arising from changes in fair value

2017年公允價值變動收益同比增加115千元，主要原因是本年度本公司之全資子公司財務公司購買貨幣市場基金，其公允價值變動形成利得計入當期損益所致。

In 2017, Profit arising from changes in fair value increased by RMB115,254 from the corresponding period in prior year, which was mainly due to that Finance Company, a wholly-owned subsidiary, purchased the money market fund and the fair value changes turned into profits recognized into the profits for the period.

(3) 投資收益

Investment income

2017年投資收益同比減少61.59%，主要原因是去年同期收購青島啤酒(上海)投資有限公司(以下簡稱「上海投資公司」)股權，將原持有50%股權的公允價值大於賬面價值的差額計入投資收益所致。

In 2017, investment income decreased by 61.59% from the corresponding period in prior year, which was mainly due to that the difference between the fair value of the originally held 50% of the equity and the carrying value arising from the purchase of Tsingtao (Shanghai) Investing Co., Ltd. (hereinafter referred to as "Shanghai Investing Company") during the corresponding period was recognized into the investment income.

管理層討論與分析 Management Discussion and Analysis

(4) 資產處置收益 Gains on disposals of assets

2017年資產處置收益同比增加79.30%，主要原因是本年度個別子公司處置固定資產及土地使用權損失同比減少所致。

In 2017, gains on disposals of assets increased by 79.30% from the corresponding period in prior year, which was mainly due to the decrease in some subsidiaries' disposal of fixed assets and loss of land use right during the corresponding period in the year.

(5) 其他收益 Other income

2017年其他收益同比增加304,412千元，主要原因是本年度將與企業日常活動相關的政府補助計入其他收益所致。

In 2017, other income increased by RMB304,412,441 from the corresponding period in prior year, which was mainly due to that the government grants related to operating activities were recognized into other income in the year.

(6) 營業外收入 Non-operating income

2017年營業外收入同比減少79.78%，主要原因是本年度將與企業日常活動相關的政府補助計入其他收益使得營業外收入同比減少，以及去年同期收購上海投資公司股權使其成為控股子公司形成的負商譽計入營業外收入所致。

In 2017, non-operating income decreased by 79.78% from the corresponding period in prior year, which was mainly due to that the government subsidies related to corporate daily activities were recognized into other income in the year, and that the negative goodwill from acquiring the equity interests in Shanghai Investing Company during the corresponding period in prior year, which made it a wholly-owned subsidiary, was recognized as non-operating income.

(7) 所得稅費用 Income tax expense

2017年所得稅費用同比減少29.00%，主要原因是去年同期補交以前年度所得稅所致。

In 2017, income tax expense decreased by 29.00% from the corresponding period in prior year, which was mainly due to the supplemental payment of income taxes in prior years made by the Company during the corresponding period in the prior year.

(8) 少數股東損益 Net profit attributable to non-controlling interests

2017年少數股東損益同比增加91.66%，主要原因是去年同期青島啤酒(上海)實業有限公司存在少數股東，其少數股東分佔其經營虧損所致。

In 2017, net profit attributable to non-controlling interest increased by 91.66% from the corresponding period in prior year, which was mainly due to that there were non-controlling shareholder in Tsingtao (Shanghai) Sales Co., Ltd., and the shareholder shared the operating losses.



管理層討論與分析 Management Discussion and Analysis

6、研發投入 R&D expenditures

研發投入情況表 Information of R&D expenditures

單位：千元 幣種：人民幣
Unit: RMB'000 Currency: RMB

本期費用化研發投入	R&D expenditures of the Reporting Period	18,689
本期資本化研發投入	R&D expenditures of the Reporting Period capitalised	0
研發投入合計	Total R&D expenditures	18,689
研發投入總額佔營業收入比例(%)	Percentage of total R&D expenditures in revenue (%)	0.07
公司研發人員的數量	Number of R&D personnel	51
研發人員數量佔公司總人數的比例(%)	Percentage of number of R&D personnel in total number of employees of the Company (%)	0.12
研發投入資本化的比重(%)	Percentage of R&D expenditures capitalised	0

7、現金流 Cash flow

(1) 經營活動產生的現金流量淨額 Net cash flows from operating activities

經營活動產生的現金流量淨額同比減少25.16%，主要原因是本年度購買商品、接受勞務支付現金同比增加所致。

Net cash flows from operating activities decreased by 25.16% from the corresponding period in prior year, which was mainly due to the increase in cash paid for purchasing goods and receiving services during the Reporting Period.

(2) 投資活動產生的現金流量淨額 Net cash flows from investing activities

投資活動產生的現金流量淨額同比增加56.73%，主要原因是本年度本公司之全資子公司財務公司理財淨投入同比減少，以及去年同期公司支付股權轉讓款所致。

Net cash flows from investing activities increased by 56.73% from the corresponding period in prior year, which was mainly due to the decreased net investment on wealth by Finance Company, a wholly-owned subsidiary in the year, and the Company's payment for equity transfer during the corresponding period in prior year.

(3) 籌資活動產生的現金流量淨額 Net cash flows from financing activities

籌資活動產生的現金流量淨額同比增加63.74%，主要原因是本年度個別子公司取得借款收到的現金同比增加，以及償還債務支付的現金同比減少所致。

Net cash flows from financing activities increased by 63.74% from the corresponding period in prior year, which was mainly due to that, in the year, the cash received by some subsidiaries from the borrowings increased from the corresponding period in prior year and the cash paid for the repayment of the debts decreased from the corresponding period in prior year.

管理層討論與分析 Management Discussion and Analysis

(二) 資產、負債情況分析

Analysis of assets and liabilities

1、資產負債情況分析表

Analysis of assets and liabilities

單位：千元 幣種：人民幣
Unit: RMB'000 Currency: RMB

項目名稱	Item	本期期末數 Amount at the end of this Reporting Period	本期期末數 佔總資產的 比例(%) Percentage of total assets (%)	上期期末數	上期期末數 佔總資產的 比例(%) Percentage of total assets (%)	本期期末金額 較上期期末變動 比例(%) Increase/ (Decrease) (%)
				Amount at the end of the corresponding reporting period in prior year		
以公允價值計量且其變動計入當期損益的金融資產	Financial assets at fair value through profit or loss	130,115	0.42	—	—	—
應收票據	Notes receivable	42,220	0.14	26,400	0.09	59.92
預付款項	Advances to suppliers	116,394	0.38	51,806	0.17	124.67
固定資產清理	Fixed assets pending for disposal	2,311	0.01	1,159	0.00	99.37
其他綜合收益	Other comprehensive income	(9,039)	(0.03)	(50,149)	(0.17)	81.98

(1) 以公允價值計量且其變動計入當期損益的金融資產

Financial assets at fair value through profit or loss

以公允價值計量且其變動計入當期損益的金融資產本年度期末比期初增加130,115千元，主要原因是本年度本公司之全資子公司財務公司購買貨幣市場基金所致。

Financial assets at fair value through profit or loss at the end of the year increased by RMB130,115,254 from the beginning of the year, which was mainly due to that, in the year, Finance Company, a wholly-owned subsidiary of the Company, purchased the money market fund.

(2) 應收票據

Notes receivable

應收票據本年度期末比期初增加59.92%，主要原因是本年度部分子公司收取銀行承兌匯票增加所致。

Notes receivable at the end of the year increased by 59.92% from the beginning of the year, which was mainly due to that the notes receivable received by some subsidiaries increased in the year.

(3) 預付款項

Advances to suppliers

預付款項本年度期末比期初增加124.67%，主要原因是本年度採用預付貨款方式採購原材物料增加所致。

Advances to suppliers at the end of the year increased by 124.67% from the beginning of the year, which was mainly due to that the prepayments for the purchase of raw materials increased in the year.

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(4) 固定資產清理

Fixed assets pending for disposal

固定資產清理本年度期末比期初增加 99.37%，主要原因是本年度個別子公司進入處置程序的固定資產增加所致。

Fixed assets pending for disposal at the end of the year increased by 99.37% from the beginning of the year, which was mainly due to that some subsidiaries' fixed assets that entered the disposal procedure increased in the year.

(5) 其他綜合收益

Other comprehensive income

其他綜合收益本年度期末比期初增加 81.98%，主要原因是本年度精算離職後福利採用的折現率同比上升及對境外子公司外幣財務報表折算差額增加所致。

Other comprehensive income at the end of the year increased by 81.98% from the beginning of the year, which was mainly due to that the discount rate adopted for the retirement benefits in the year increased from the corresponding period in prior year and the increase in currency translation differences of overseas subsidiaries in the year.

(三) 其他經營情況說明

Interpretation of other operating situations

1. 債務資本率

Debt/Capital Ratio

本公司 2017 年 12 月 31 日的債務資本率為 0.01% (2016 年 12 月 31 日：0.01%)。債務資本率的計算方法為：長期借款總額 / (長期借款總額 + 歸屬於母公司股東權益)

As at 31 December 2017, the Group's debt/capital ratio was 0.01% (31 December 2016: 0.01%). The calculation of debt/capital is: total amount of long-term borrowings / (total amount of long-term borrowings + interests attributable to the Shareholders of the Company).

2. 資產抵押

Assets mortgage

於 2017 年 12 月 31 日，本公司無資產抵押。(2016 年 12 月 31 日：無)

As at 31 December 2017, the Group did not have any mortgages (31 December 2016: Nil).

3. 匯率波動風險

Risk of fluctuate exchange rate

由於本公司目前原材料大麥主要依賴進口，因此匯率的變動將會影響本公司的原材料採購成本；另外，本公司部分啤酒產品出口外銷，匯率的變動會直接影響本公司的產品出口收入；以上事項對本公司的盈利能力會產生一定影響。As the Group currently relies on the imported barley among the raw materials, so the fluctuate exchange rate would indirectly affect the purchase cost of raw materials of the Company; besides, the fluctuate exchange rate would also directly affect the product export income of the Company as some beer products of the Company are exported for sale; these matters would impact the profitability of the Company in certain extent.

4. 資本性開支

Capital expenses

2017 全年本公司資本性新建、搬遷及改擴建項目共投入約 8.88 億元。依據公司目前的資金狀況及盈利能力，有充足的自有資金及持續的經營現金淨流入滿足公司資本項目的資金需求。

In 2017, the Company invested in approximately RMB888 million in aggregate for the capital projects of new construction, relocation, reconstruction and expansion. Based on the Company's present fund situation and profitability, there are sufficient self-owned funds and continuous net operating cash in-flow to satisfy the Group's needs for funds for its capital projects.

5. 投資

Investments

無。

Nil.

6. 或有負債

Contingent liabilities

無。

Nil.

管理層討論與分析 Management Discussion and Analysis

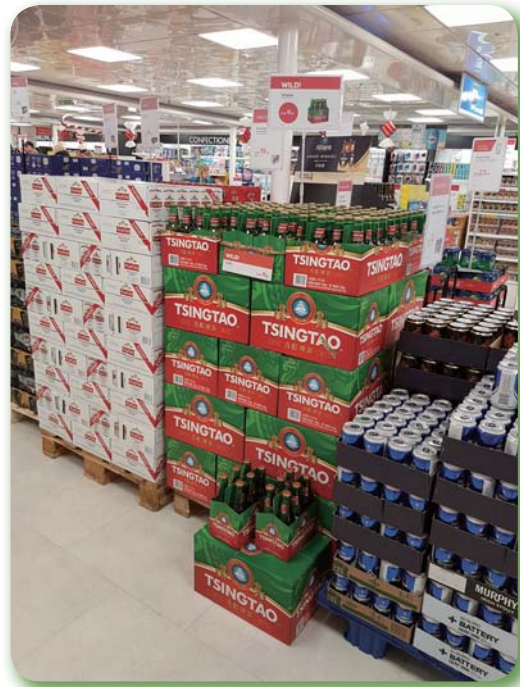
二、啤酒製造行業經營性信息分析 Analysis of operational information in brewing industry

1. 公司現有產能狀況

The existing production capacity of the Company

公司現有工廠設計產能1,482萬千升，實際產能1,058萬千升。公司實際產能是綜合平衡各地市場銷售淡旺季係數及節假日、大修、日常維修、設備刷洗等因素後，生產企業所能達到的全年實際生產能力。

The designed production capacity of the existing plants of the Company is 148.2 million hl, of which the actual production capacity is 105.8 million hl. The Company's actual production capacity is the actual annual production capacity that the brewing plants can reach after combining and leveraging the factors including the indicators of peak season and low season in different markets, holidays and festivals, overhaul, routine maintenance and cleaning of equipment.



2. 產品期末庫存量

Inventory quantity at the end of the Reporting Period

單位：百萬升
Unit: million litre

成品酒 Finished beer product	半成品酒(含基礎酒) Semi-finished beer product (including base beer)
258	455

3. 產品情況

Product information

單位：萬元 幣種：人民幣
Unit: RMB 0'000 Currency: RMB

產品檔次 Product class	產量 (萬千升) Output (ten million litre)	同比 (%) Increase/ (Decrease) from the corresponding period in prior year (%)	銷量 (萬千升) Sales volume (ten million litre)	同比 (%) Increase/ (Decrease) from the corresponding period in prior year (%)	產銷率 (%) Sales-output percentage	銷售 收入 Sales income	同比 (%) Increase/ (Decrease) from the corresponding period in prior year (%)	主要 代表品牌 Main representative brand
青島品牌 Tsingtao Brand	373	(1.07)	376	(1.10)	101.06	15,699,196	(0.91)	青島 Tsingtao
其他品牌 Other brands	383	5.03	421	2.25	109.79	10,285,879	3.12	崂山 Laoshan

管理層討論與分析 Management Discussion and Analysis

產品檔次劃分標準：

Classification criteria of products

- (1) 「青島啤酒」品牌是我國首批十大馳名商標之一，在國內外市場具有強大的品牌影響力和較高的知名度，青島啤酒產品主要面對中高端啤酒消費市場進行推廣和銷售，並保持了在國內中高端市場的領先地位；以崂山啤酒為代表的其他品牌產品主推大眾消費市場銷售，與主品牌產品共同構成了覆蓋全國市場的完善的品牌和產品結構體系。

The “Tsingtao Beer” brand owned by the Company is one of China’s first top 10 well-known brands, which has strong brand impact and high popularity in domestic and overseas markets. Tsingtao Beer products are mainly promoted and sold in the mid-and-high-end beer consumption markets, and maintain a leading position in the domestic mid-and-high-end markets; products of other brands which are represented by Laoshan Beer are mainly for the sales in mass consumption markets, which jointly builds an improved brand and product mix system covering the markets in the whole country with the core brand products.

- (2) 上述公司產量及同期對比數據不包含本公司聯營及合營啤酒生產企業產量。

The aforesaid output and comparison data of the Company of the corresponding period exclude the output of the associated and joint investment brewing plants of the Company.



4. 原料採購情況

Information of purchase of raw materials

(1) 採購模式

Purchasing mode

本公司採購的主要原材物料包括釀酒原材料、包裝材料和能源等，採取總部和區域集中採購及生產企業自採相結合的綜合採購模式，其中啤酒主要生產原料大麥的採購來源主要是進口，包裝物料由國內採購。公司集中採購的大宗物資全部由總部統一競價，實行多數物料年度競價、部分物料季度競價，同時緊盯行業、判斷行情適時調整。公司還拓展競價模式，搭建了青島啤酒電商採購平台，將自採物料納入網上平台採購，拓展了優秀供方隊伍，持續優化了供應商結構。

The Company mainly purchases raw materials including those for brewing, packaging materials and energy, and adopts the comprehensive purchasing mode combining with the centralized purchasing in the head office and regional areas, and the purchase by brewing plants themselves. The Company mainly purchases barley, the main raw material in brewing beer, through import, and purchases packaging materials in China. The Company purchases the bulk materials in centralized manner through the unified bidding by the head office, of which the most materials are in annual bidding, and some materials are in quarterly bidding, and also makes timely adjustment by keeping an eye on the industry to determine the industry situation. The Company also expands the bidding mode that it establishes e-commerce purchasing platform of Tsingtao Beer to purchase the raw materials by including the self-purchased materials in the Internet platform, to extend the excellent supplying teams, and to continuously optimize the suppliers’ structure.

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(2) 採購金額 Purchasing amount

單位：千元 幣種：人民幣
Unit: RMB '000 Currency: RMB

原料類別	Class of raw materials	當期採購金額 Purchasing amount of the Reporting Period	上期採購金額 Purchasing amount of the corresponding period in prior year	佔當期總採購額 的比重 (%) Percentage of total purchasing amount of the Reporting Period
釀酒原材料	Raw materials for brewing	3,830,455	3,666,635	33.90
包裝材料	Packaging materials	7,338,500	6,602,687	64.96
能源	Energy	128,781	145,729	1.14

5. 銷售情況 Information of sales

(1) 銷售模式 Sales mode

本公司設立青島啤酒營銷中心，負責市場推廣和管理、產品銷售及售後服務等業務職能，下設有市場發展研究、品牌管理、銷售管理等專業職能部門，根據公司發展規劃制訂營銷戰略、年度營銷計劃並實施執行。

The Company set up the Marketing Center of Tsingtao Brewery to be in charge of the business functions including the promotion and management of marketing, sales and after-sale service of products, under which it also set up the professional functional departments including market development research, brand management, and sales management, and worked out the marketing strategy and annual marketing plan based on the Company's development plan and implemented them.

本公司在國內市場建立了「大客戶+微觀運營」的營銷模式並不斷推進完善，按市場區域進行產品銷售和市場管理，通過包括各地銷售分公司、省區、省辦在內的各級業務分支機構組織開發及維護區域市場銷售網絡，協同各區域市場經銷商完成終端市場銷售。公司積極培育戰略性經銷商，通過經銷商業務培訓、市場策劃及促銷支持等措施，提高經銷商業務協同性，進一步完善公司銷售網絡和渠道覆蓋，提高對終端客戶的掌控能力和區域市場的分銷能力，助力公司產品銷售。公司還創新營銷模式，構建了「互聯網+」渠道體系，建立了官方旗艦店

+官方商城+網上零售商+分銷專營店的立體化電子商務渠道體系，搭建了自有電商渠道，上綫移動端「青島啤酒微信商城」、「APP青啤快購」，多渠道滿足了互聯網時代消費者的購買需求和消費體驗。

The Company established the marketing mode of “Big Customer + Micro Operations” in the domestic markets and made continuous promotions and improvements. It sold the products and managed the markets in different market regions. It organized to develop and maintain the sales network in the regional markets through the business branches at different levels including the branch sales companies, provincial regions and provincial offices, and helped the distributors in different regional markets with the sales in the final markets. The Company actively cultivated the strategic distributors that, through the measures including the business training to distributors, market planning and promotion supports, it improved the business synergy with the distributors, further improved the sales network and channel coverage of the Company, improved its control over the final customers and the distribution ability in the regional markets, to help the sales of the product. The Company also innovated the marketing mode that it had established the channel system of “Internet +”, constructed the all-around e-commerce channel system of official flagship store + official shopping mall + online retailers + distributor boutiques, established its own e-commerce channels, and created “Tsingtao Beer WeChat Shopping Mall” and “Tsingtao Quick-Buy APP”, to satisfy the consumers of Internet era with their purchasing needs and consumption experience through various channels.

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公司在海外市場的銷售通過境外子公司和當地代理商進行，借力經銷商本土資源，充分發揮青島啤酒的品牌和品質優勢實施品牌傳播和營銷，打造提升青島啤酒高端品牌形象。

The Company carried out the sales in the overseas markets through overseas subsidiaries

and local distributors. With the resources owned by the local distributors, the Company completely utilized its advantages in brand and quality of Tsingtao Beer to carry out the brand promotion and marketing, and to build and improve the high-end brand image of Tsingtao Beer.

(2) 區域情況

Regional information

單位：千元 幣種：人民幣
Unit: RMB'000 Currency: RMB

區域名稱	Region	本期銷售 收入 Sales income of the Reporting Period	上期銷售 收入 Sales Income of the corresponding period in prior year	本期佔比 (%) Percentage of the Reporting Period (%)	本期銷售量 (萬千升) Sales volume of the Reporting Period (ten million litres)	上期銷售量 (萬千升) Sales volume of the corresponding period in prior year (ten million litres)	本期佔比 (%) Percentage of the Reporting Period (%)
山東地區	Shandong Province	15,666,549	15,432,643	60.28	482	475	60.44
華北地區	North China	5,572,463	5,276,279	21.44	174	170	21.87
華南地區	South China	3,667,809	3,713,598	14.12	101	105	12.66
華東地區	East China	2,865,973	2,842,351	11.03	108	110	13.51
東南地區	South-east China	934,367	1,448,389	3.60	26	41	3.21
港澳及其他海外 地區	Hong Kong, Macau and other overseas regions	687,472	593,274	2.65	10	9	1.30
分部間抵銷	Elimination between regions	(3,409,558)	(3,488,284)		(104)	(118)	
合併	Total	25,985,075	25,818,250	100.00	797	792	100.00

區域劃分標準：

本公司根據不同區域市場的經營戰略和發展需要對全國市場的業務架構進行劃分。

Standard for dividing the regions:

The Company sets up different business structures in the markets throughout the country based on the operation strategy and development needs in different regional markets.

(3) 經銷商情況

Information of distributors

單位：個
Unit: PCS

區域名稱	Region	報告期末經銷商數量 Number of distributor as at the end of the Reporting Period	報告期內增加數量 Increased number during the Reporting Period	報告期內減少數量 Decreased number during the Reporting Period
國內市場	Domestic market	15,629	3,918	4,213

管理層討論與分析 Management Discussion and Analysis

經銷商管理情況：

Information on the management of distributors

本公司與經銷商建立了良好的合作關係，積極促進經銷商發展，通過制定相關市場銷售政策充分調動經銷商的積極性，對經銷商業績完成情況進行考核和激勵，以合作共贏保障市場銷售的持續增長。

The Company established satisfactory cooperative relationship with the distributors, actively promoted the development of distributors, completely enhance the enthusiasm of the distributors through working out the related market sales policies, and appraised and awarded the distributors according to their business performance to achieve the continuous growth of market sales through cooperation with mutual benefits.

公司不斷加強經銷商網絡的培育與發展，持續開發引進優質經銷商，積極培育戰略性經銷商，通過落地經銷商培訓管理機制、完善經銷商溝通機制和推進星級網絡評估項目，有效提高了經銷商的內部運營管理能力和市場拓展能力，促進了區域銷售網絡質量提升。公司通過經銷商業務培訓、市場策劃及促銷支持、提高

經銷商廠商業務協同性等措施，不斷提升了對終端客戶的掌控能力和區域市場的分銷能力，進一步完善了公司銷售網絡和渠道覆蓋。

The Company kept strengthening the cultivation and development of distributor network, continuously developed and introduced in the qualified distributors, actively cultivated the strategic distributors, effectively improved the internal operation management ability and market expansion ability of distributors through establishing the training management mechanism for distributors, improving communication mechanism with distributors and promoting the high-level online appraisal projects, which promoted the improvement of the quality of regional sales network. The Company, through the measures including distributor's business training, market planning and promotion support, and improving business synergy between distributors and brewing plants, continuously improved its control over the final customers and the distribution ability in the regional markets, which further improved the sales network and channel coverage of the Company.



管理層討論與分析 Management Discussion and Analysis

6. 公司收入分析

Analysis of the Company's income

(1) 按不同類型披露公司主營業務構成

Disclosure of composition of the Company's principal business in different classes

單位：千元 幣種：人民幣
Unit: RMB'000 Currency: RMB

劃分類型	Class	營業收入 Revenue	同比 (%) Increase/ (Decrease) from the corresponding period in prior year (%)	營業成本 Cost of sales	同比 (%) Increase/ (Decrease) from the corresponding period in prior year (%)	毛利率 (%) Gross margin (%)	同比 (%) Increase/(Decrease) from the corresponding period in prior year (%)
按產品檔次	By levels of products						
青島品牌	Tsingtao brand	15,699,196	(0.91)	8,090,938	1.20	48.46	減少 1.08 個百分點 Decreased by 1.08 percentage points
其他品牌	Other brands	10,285,879	3.12	7,334,948	3.56	28.69	減少 0.30 個百分點 Decreased by 0.30 percentage points
小計	Total	25,985,075	—	15,425,886	—	—	—
按地區分部	By regions						
山東地區	Shandong Province	15,666,549	1.52	9,725,770	4.68	37.92	減少 1.88 個百分點 Decreased by 1.88 percentage points
華北地區	North China	5,572,463	5.61	3,650,876	5.19	34.48	增加 0.27 個百分點 Increased by 0.27 percentage points
華南地區	South China	3,667,809	(1.23)	2,282,325	(0.71)	37.77	減少 0.33 個百分點 Decreased by 0.33 percentage points
華東地區	East China	2,865,973	0.83	2,134,098	0.78	25.54	增加 0.04 個百分點 Increased by 0.33 percentage points
東南地區	South-east China	934,367	(35.49)	689,055	(35.78)	26.25	增加 0.33 個百分點 Increased by 0.04 percentage points
港澳及其他海外 地區	Hong Kong, Macau and other overseas regions	687,472	15.88	407,016	15.19	40.80	增加 0.35 個百分點 Increased by 0.35 percentage points
分部間抵銷	Elimination between regions	(3,409,558)		(3,463,254)			
合併	Total	25,985,075	—	15,425,886	—	—	—

管理層討論與分析 Management Discussion and Analysis

情況說明：

Explanation:

東南地區營業收入、營業成本同比下降，主要原因是公司內部組織結構調整，使得東南地區部分區域業務轉入其他地區所致。

The decrease of the revenue and the cost of sales in South-east China was mainly due to the transfer of some regional businesses of South-east China into other regions caused by the structural adjustment of the Company's internal organization.



7. 銷售費用情況

Information of selling and distribution expenses

單位：千元 幣種：人民幣
Unit: RMB '000 Currency: RMB

構成項目	Composition items	本期金額 Amount of the Reporting Period	上期金額 Amount of the corresponding period in prior year	本期佔營業收入比例 (%) Percentage of the Reporting Period (%)	同比 (%) Increase/ (Decrease) (%)
職工薪酬	Employee benefits expenses	1,864,924	1,828,020	7.09	2.02
裝卸運輸費	Handling and transportation expenses	1,335,482	1,202,903	5.08	11.02
促銷費	Promotion related expenses	1,298,584	1,750,332	4.94	(25.81)
廣告宣傳費	Adverting related expenses	727,749	742,242	2.77	(1.95)
行政費用	Administrative expenses	155,368	168,108	0.59	(7.58)
折舊及攤銷費用	Depreciation and amortization charges	120,411	124,383	0.46	(3.19)
租賃費	Operation lease payments	109,560	90,389	0.42	21.21
低值易耗品	Low-value consumables	96,820	62,570	0.37	54.74
其他	Other expenses	60,046	60,492	0.23	(0.74)
合計	Total	5,768,944	6,029,439	21.95	—



管理層討論與分析 Management Discussion and Analysis

三、關於公司未來發展的討論與分析 Discussion and analysis of the future development of the Company

(一) 行業競爭格局和發展趨勢

Industrial competition layout and development trend

2017年中國經濟運行保持了穩中有進、穩中向好的發展態勢，經濟轉型升級加快，新舊動能轉換提速，深化供給側改革成為經濟發展的重要動力。

In 2017, China's economy maintained the development trend of improvement in stability and seeking for further improvement, with accelerated economic transition and upgrade and expedited replacement of old strength with new strength, and deepening the supply-side reform became an important impetus in the economic development.

作為一個充分競爭的傳統行業，經過幾十年的快速發展，中國啤酒市場銷量已穩居世界第一，人均消費量也已達世界人均水平。目前中國前五大啤酒企業已佔市場近80%的份額，隨著外資啤酒和進口啤酒在國內市場加大促銷，市場競爭進一步加劇。同時，目前消費市場整體增長仍疲弱，中高端餐飲消費不振和生產經營成本上升的壓力，均對啤酒銷售產生了不利的影響，行業復蘇仍緩慢，市場競爭由產能、規模的擴張轉向以質量型、差異化為主的競爭，增長和發展必須依靠自身運營能力和創新能力的提高。同時，消費需求的多元化帶來的消費結構升級趨勢明顯，精釀啤酒、特色啤酒等高端產品市場快速增長，行業增速出現分化。

As a traditional industry involving in complete competition, the sales volume of China's beer market has definitely taken the top position in the world, and the per capita consumption volume has also reached the world's level. At present, the top 5 breweries in China has obtained nearly 80% of the market share, and the sales volume of foreign-invested beers and imported beers in the domestic market keep rising, which also results in the more intense market competition. Meanwhile, the overall consumption market growth is still weak; the pressure from the stagnation of the mid-and-high-end catering consumption and the increase of production and business costs bring negative effects to the sales of beer. The recovery of the industry remains slow; the market competition has changed from the expansion of capacity and size to that focuses on quality and differentiation and as a result, the growth and development must rely on improvement of its own operation ability and innovation ability. At the same

time, the trend of the upgrade of the consumption structure caused by the diversification of consumer's needs is getting increasingly obvious, with rapid growth of high-end product market represented by craft beer and featured beer and the variation of industrial growth rate.

目前國內啤酒市場仍以餐飲等即飲市場為主導，其中：大眾餐飲市場有所增長，但中高端餐飲市場啤酒銷售因其他酒類的替代消費等因素，仍存在較大壓力。同時面向家庭消費為主的以聽裝酒、小瓶酒等為代表的部分中高端產品佔比不斷提升，保持了良好發展態勢，而成熟的電子商務應用也為家庭啤酒消費帶來了方便、快捷的選擇方式。

At present, the domestic beer market is still dominated by the RTD market including the caterings. The mass catering market has some growth, but the sales of beer products in the mid-and-high-end catering market are still under huge pressure. At the same time, some mid-and-high-end products represented by canned beer, small-bottled beer and craft beer which are mainly for family consumption maintain satisfactory development trend, and the matured application of e-commerce also brings a convenient and rapid choice for the family consumption of beer.

當前中國啤酒人均消費量和平均價格較歐美等發達國家仍具有相當差距，隨著中國經濟的持續穩定增長，將加快國內啤酒行業的產業結構升級，帶動產品結構和價格的提升，產品結構的優化和提升已成為行業發展的主旋律。

At present, there are still some differences between China's per capita beer consumption volume and average price and those of the developed countries in Europe and America. The continuous and steady growth of China's economy will accelerate the upgrade of industrial structure of the domestic beer industry, lead to the upgrade of product mix and the price rise, and the optimization and upgrade of product mix will become the main trend of the industrial development.

我們認為：中國啤酒市場仍是全球最大和最具發展潛力的市場，未來在行業利潤水平和銷量上仍具有相當的提升空間，我們對啤酒行業和本公司未來發展充滿信心。

We believe that China's beer market is still the largest market in the world with utmost development potential, while there is still certain room for improvement in industrial profit and sales volume in the future. Therefore, we are confident of the future development of beer industry and the Company.

管理層討論與分析 Management Discussion and Analysis

(二) 公司發展戰略

The Company's development strategy

公司將繼續堅持實施「能力支撐品牌帶動下的發展戰略」，著力推進發展方式轉型，加快結構優化調整步伐，建設和鞏固核心基地市場、突破新興市場，不斷提升國內外市場份額。同時，堅定實施創新驅動發展，充分發揮青島啤酒的品牌和品質優勢，加快戰略性新產品、新特產品的研發上市及升級，以消費者為中心提升差異化競爭優勢，以差異化競爭戰略在國內中高端市場不斷取得新的增長。

The Company will continue to insist on the implementation of “development strategy led by brands with the support of capacity”, strive to promote the transformation of development manner, accelerate the steps of structural adjustment. Alongside with establishing and consolidating the core base markets, breaking through the emerging markets, and striving to maintain the domestic market share, the Company will devote to the optimization and upgrade of product mix, and the improvement of management, completely utilize its advantages in brand and quality of Tsingtao Beer, and improve the advantage in differentiating competition focused on the consumers in obtaining continuous growth in the domestic mid-and-high-end market with the strategy of differentiating competition.

(三) 經營計劃

Operating plan

隨著中國經濟的不斷發展，未來啤酒行業的復蘇和消費升級將給具有品牌和規模優勢的國內啤酒企業帶來更多的機會。本公司將抓住機遇，充分發揮青島啤酒品牌和品質的優勢，穩中求進，實現高質量的發展，力爭使本公司的銷量實現高於國內啤酒行業平均增長率兩個百分點的目標。

With the on-going development of China's economy, the recovery of beer industry and the upgrade of consumption in the future will generate more opportunities to the domestic breweries which have advantages in brand and size. The Company will seize the opportunity, completely utilize its advantages in brand and quality of Tsingtao Beer, seek for improvement based on the stabilization, and put into efforts to strive to realize the goal that the growth rate of the Company's sales volume being 2 percentage points higher than that of the domestic beer industry.

公司將繼續積極開拓國內外市場，發展沿海、沿黃河流域優勢市場，不斷提升現有產能的利用效率，推進產品升級和結構升級，保持公司在國內中高端市場的領先地位。公司還將積極探索應用物聯網、大數據、移動應用等新一代信息技術，引進智能工廠模式，推動傳統型生產模式向「互聯網+工業」轉型，滿足多品種、高效率、高質量、低成本的市場需求。

The Company will continue to actively expand the domestic and overseas markets, insist on developing the dominant markets in the coastal and along-Yellow-River areas, and focus on promoting the construction of urban base markets. At the same time, it will also maintain its leading position in the domestic mid-and-high-end market by fully playing the role of utilization efficiency of existing production capacity and promoting the upgrade of products and its mix through technical reconstruction. The Company will actively explore and apply the new-generation information technology, such as the Internet of Things, big data and mobile applications, introduce intelligent plant modes and drive the transformation of traditional production modes to “Internet + Industry” to satisfy the market demands for diversified types, high efficiency, high quality and low costs.

公司將繼續整合市場資源，不斷完善營銷渠道和網絡、創新營銷方式，加快銷售網絡一體化進程建設，建立最具競爭力的渠道網絡和銷售運作模式，通過推進實施市場一體化整合，著力提升營銷效率和協同性，帶動銷量和收入的增長。

The Company will continue to integrate the resources, keep on improving the marketing channels and network, innovate the marketing mode, accelerate the establishment of the integrated sales network, set up the most competitive channel network and sales operation mode, focus on improving the efficiency, degree and synergy of marketing by promoting the implementation of market integration, and improve the marketing efficiency to drive the continuous growth of sales volume, product mix and revenue.

管理層討論與分析 Management Discussion and Analysis

公司將繼續圍繞「四位一體」的市場推廣模式，以深化體育營銷和音樂營銷為主綫，優化資源配置，全面提升品牌的國際化、年輕化和時尚化形象；通過新產品開發、產品結構調整持續優化品牌、品種結構，以品牌帶動品類發展，加快向高附加值產品的轉型升級及加大推廣力度；推進現代渠道發展及鞏固電商渠道優勢，實現綫上、綫下資源共享和優勢互補。

The Company will continue to focus on the “4-in-1” market expansion mode, take the sports marketing and music marketing as its principal line, optimize the resource allocation, completely improve the international, young and fashionable image of the brands; continuously optimize the brand and product mix through developing new products and adjusting the product mix, promote the development of categories driven by brands to accelerate the transformation and upgrade of the high value-added products, and the strengthening of its expansion; promote the development of modern channels and consolidate the advantages in e-commerce to realize the sharing and complementation of advantages in on-line and off-line resources.

2018年，公司董事會和管理層將率領廣大員工，積極推進深化國企改革和新舊動能轉換，按照公司既定的發展戰略，充分發揮品質、品牌及技術等優勢，不斷提高青啤的核心競爭力和可持續健康發展能力，為股東創造更高的價值。

In 2018, the Company’s Board of Directors and management team will lead all employees to vigorously promote and deepen the reform of state-owned enterprises and the transition from old strength to new strength, and completely utilize its advantages in quality, brand and technology according to the Company’s established development strategies, to keep on improving Tsingtao Beer’s core competitiveness and sustainable and sound development ability for more creating higher values for its shareholders.



(四) 可能面對的風險

Potential risks

作為充分競爭的傳統行業，在行業產能過剩、銷量增長壓力較大的情況下，未來公司可能面臨的主要經營風險包括：

As a traditional industry which involves in complete competition, under the situation of the excess production capacity in the industry and huge pressure of the growth of sales volume, the Company may face the following major operating risks in the future:

- 1、目前國內中高端餐飲市場仍復蘇緩慢，因本公司產品面向中高端市場比重較大，可能影響短期銷量和收入增長。

The recovery of the domestic mid-and-high-end catering market remains slow currently and as a large proportion of the Company’s products are targeted at the mid-and-high-end market, the increase of short-term sales volume and revenue may be affected.

- 2、隨著外資啤酒和進口啤酒在國內市場加大促銷，可能會進一步加劇市場的競爭態勢。

The intensified promotion of foreign-invested beers and imported beers in the domestic market may further enhance the competition trend in the market.

- 3、由於啤酒包裝材料價格大幅提高和人工成本的持續上漲帶來較大的經營壓力，對公司盈利形成影響。

The big operating pressure from the substantial increase in the price of beer package materials and the continuous increase in labor costs will affect the Company’s profits.

- 4、由於市場競爭壓力，啤酒企業為提高產能利用率加大促銷力度，使廣告、促銷等市場費用持續增長。

Due to the pressure of market competition, the breweries will strengthen the promotion to improve the capacity utilization rate, which will result in the continuous growth of marketing expenses for commercials and sales promotions.

- 5、替代品(白酒、葡萄酒等)發展迅速，侵蝕國內啤酒市場份額。

The rapid development of substitutes (alcohols, wines, and etc.) will take some shares of the domestic beer market.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers

公司第八屆董事會成員簡介 Members of the Eighth Session of the Board:



孫明波先生，現年61歲，復旦大學—華盛頓大學EMBA，同濟大學管理科學與工程博士，工程系列應用研究員。現任本公司董事長，青啤集團董事長、首席執行官。曾任青島啤酒一廠副廠長、總工程師，本公司總經理助理兼副總工程師、常務副總裁、營銷總裁、總裁，具有豐富的戰略管理、營銷管理、生產技術管理及並購重組經驗，青島市專業技術拔尖人才，國務院特殊津貼專家，為第十二屆全國人大代表。

Mr. SUN Ming Bo, aged 61, EMBA at Fudan University – Washington University, Doctor of Management Science and Engineering at Tongji University, and applied researcher of engineering series. He is currently Chairman of the Company, Chairman and CEO of Tsingtao Group, and ever served as Deputy Factory Manager and Chief Engineer of Tsingtao Brewery No. 1 Factory, Assistant to General Manager & Vice Chief Engineer, Executive Vice President, President of Marketing Center and President of the Company with substantial experience in management of strategy, marketing, production technology, merger and acquisition, and re-organization. He is Top Talent in Professional Technologies in Qingdao and expert with special allowance from the State Council. Mr. SUN is a representative of the Twelfth National People's Congress.



黃克興先生，現年55歲，北京大學光華管理學院EMBA畢業，碩士研究生學位，高級工程師。現任本公司執行董事、總裁、青啤集團董事。曾任青島啤酒工程有限公司總經理、本公司總裁助理兼戰略投資管理總部部長、本公司副總裁、營銷總裁、青啤集團副總裁。具有豐富的啤酒行業戰略規劃、投資管理、經營管理及營銷管理經驗，山東省第十一屆政協委員，山東省第十三屆人大代表。

Mr. HUANG Ke Xing, aged 55, EMBA at Guanghai School of Management of Peking University, Senior Engineer. He is currently Executive Director, President of the Company & President of Marketing Center, and Director of Tsingtao Group. He ever served as General Manager of Tsingtao Brewery Engineering Company Limited, Assistant to President & Head of Strategic Investment Management Department and Vice President of the Company, President of Marketing Center, and Vice President of Tsingtao Group with substantial experience in strategic planning, investment management, operating management and marketing management of beer industry. Mr. HUANG is a member of the Eleventh Shandong Committee of Chinese People's Political Consultative Conference and a representative of Shandong Province of the Thirteenth National People's Congress.



樊偉先生，現年58歲，江南大學碩士研究生畢業，工程系列應用研究員，現任本公司執行董事、副總裁、製造總裁兼總釀酒師、青啤集團董事。曾任青島啤酒二廠副廠長、總工程師，本公司總釀酒師。具有豐富的生產、科研及技術管理經驗，青島市專業技術拔尖人才，國務院特殊津貼專家。

Mr. FAN Wei, aged 58, Master's Degree at Southern Yangtze University, Applied Researcher of engineering series. He is currently Executive Director, Vice President of the Company & President of Manufacturing Center, Chief Brewer and Director of Tsingtao Group, and ever served as Deputy Factory Manager and Chief Engineer of Tsingtao Brewery No. 2 Factory, and Chief Brewer of the Company with substantial experience in production, scientific research and technical management. He is Top Talent in Professional Technologies in Qingdao and expert with special allowance from the State Council.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers



于竹明先生，現年56歲，東北財經大學EMBA畢業，碩士研究生學位，高級會計師。現任本公司執行董事、財務總監。曾任青島啤酒四廠財務科科長，本公司財務管理總部部長、總裁助理、總會計師。具有豐富的財務管理和資本運作經驗，2008年山東省會計先進工作者，2009年青島市會計先進工作者。

Mr. YU Zhu Ming, aged 56, EMBA at Dongbei University of Finance & Economics, Senior Accountant. He is currently Executive Director and CFO of the Company, and ever served as Head of Finance Section of Tsingtao Brewery No. 4 Factory, Head of Finance Department, Assistant to President and Chief Account of the Company with substantial experience in finance management and capital operation. He was awarded the prizes including Outstanding Accountant in Shandong Province in 2008 and Outstanding Accountant in Qingdao in 2009.



杉浦康譽先生，現年61歲，畢業於日本慶應義塾大學文學系，現任本公司非執行董事、朝日集團控股株式會社常務執行董事。曾任日本朝日啤酒株式會社商品企劃科科長、國際事業部部長、中國代表部代表兼朝日啤酒(中國)投資有限公司董事長。杉浦康譽先生於2018年3月19日辭任本公司第八屆董事會非執行董事職務。

Mr. Yasutaka SUGIURA, aged 61, graduated from Department of Literature at Keio University in Japan. He is currently Non-executive Director of the Company and Executive Director of Asahi Group Holdings Ltd. He also served as Head of Commodities Planning Section, Head of International Business Department of Asahi Breweries, Ltd., Representative of China Office of Asahi Breweries, Ltd. & Director of Asahi Investment. Mr. Yasutaka SUGIURA resigned as Non-executive Director of the Company's Eighth Session of the Board of Directors on 19 March 2018.



王學政先生，現年68歲，北京大學法學博士畢業。現任本公司獨立非執行董事，中國人民大學、首都經濟貿易大學等大學兼職教授，中國國際經濟貿易仲裁委員會仲裁員、福建省政府法律顧問。

Mr. WANG Xue Zheng, aged 68, Doctor of Law Science at Peking University. He is currently Independent Non-executive Director of the Company, part-time Professor of the universities including Renmin University of China, and Capital University of Economics and Business, Arbitrator of China International Economic and Trade Arbitration Commission, and Legal Consultant of Fujian Provincial Government.



于增彪先生，現年62歲，廈門大學會計學博士、中國註冊會計師，現任本公司獨立非執行董事，清華大學經管學院會計學教授，博士生導師。于先生現為美國會計學會會員、中國成本研究會副會長、中國總會計師學會副會長、財政部管理會計諮詢專家；並擔任第一拖拉機股份有限公司、弘毅遠方基金管理有限公司的獨立董事，中國中信集團有限公司外部監事。

Mr. YU ZENG Biao, aged 62, Doctor of Accounting at Xiamen University, China Certified Public Accountant. He is currently Independent Non-executive Director of the Company. Professor of Accounting and Tutor of doctoral candidates in School of Economics and Management at Tsinghua University. He is also Member of American Accounting Association, Vice Chairman of Cost Research Society of China and Chief Accountant Society of China, Consulting Expert of management accounting of Ministry of Finance; he also serves as Independent Director of First Tractor Company Limited and HONY Yuanfang Fund Management Co., Ltd., and External Supervisor of China Citric Group Co., Ltd.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers



賁聖林先生，現年51歲，先後獲得清華大學工程學士學位，中國人民大學企業管理碩士學位和美國普渡大學經濟學博士學位。現任本公司獨立非執行董事，浙江大學管理學院教授，博士生導師，浙大互聯網金融研究院創始院長，兼任中國人民大學國際貨幣研究所執行所長，浙江省政協常委、經濟委員會副主任，浙江省人民政府參事，並兼任寧波銀行股份有限公司、物產中大集團股份有限公司獨立董事和中國國際金融股份有限公司獨立非執行董事，以及興業銀行股份有限公司外部監事。曾擔任摩根大通銀行(中國)有限公司行長及環球企業銀行全球領導小組成員等職位。

Mr. BEN Sheng Lin, aged 51, Bachelor of Engineering at Tsinghua University, Master of Business Administration at Renmin University of China and Doctor of Economics at Purdue University in the USA. He is currently Independent Non-executive Director of the Company, Professor and Tutor of doctoral candidates of Management School at Zhejiang University, Founding Director of Internet Finance Institute at Zhejiang University, Executive Superintendent of International Monetary Institute at Renmin University of China, Standing Committee Member of the Committee of Chinese People's Political Consultative Conference and Deputy Director of the Economic Committee in Zhejiang Province, Counsellor of Zhejiang People's Government, Independent Director of Bank of Ningbo Co., Ltd. and Zhongda Group Co., Ltd., Independent Non-executive Director of China International Capital Corporation Limited, and External Supervisor of Industrial Bank Co., Ltd. He also served as CEO and Member of Global Leadership Team at Global Corporate Banking in JP Morgan Chase Bank (China) Co Ltd. and etc.



蔣敏先生，現年52歲，法學碩士。現任本公司獨立非執行董事，安徽天禾律師事務所創始合夥人，中華全國律師協會副會長，中華全國律師協會新聞發言人，中國國際經濟貿易仲裁委員會仲裁員，上海國際經濟貿易仲裁委員會(上海國際仲裁中心)仲裁員。曾任中國證監會第四、第五屆上市公司並購重組審核委員會委員，曾獲「中華律師業特殊貢獻獎」等榮譽稱號。現兼任山東省藥用玻璃股份有限公司、陽光電源股份有限公司獨立董事。

Mr. JIANG Min, aged 52, Master of Laws. He is currently Independent Non-executive Director of the Company, Founding Partner of Anhui Tianhe Law Firm, a representative of Anhui Province of the National People's Congress, Vice Chairman of All-China Lawyers Association, Press Spokesperson of All-China Lawyers Association, Arbitrator of China International Economic and Trade Arbitration Commission, Arbitrator of Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center). He was also a member of the 4th and 5th Reviewing Committee of M&A of Listing Companies under China Securities Regulatory Commission. He was awarded the prizes including "Award for Special Contributions to China's Lawyer Sector", and he is also Independent Director of Shandong Pharmaceutical Glass Co., Ltd. and Sungrow Power Co., Ltd.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers

公司第八屆監事會成員簡介 Members of the Eighth Session of Board of Supervisors



李綱先生，現年57歲，畢業於西安交通大學管理科學與工程專業，管理學博士。現任本公司及青啤集團監事會主席，並擔任青島市市直企業監事會主席。曾任青島市地稅局市北分局副局長、地稅局局長助理兼嶗山局局長、青島市地稅局稽查局局長及青島市地稅局副局長等職。

Mr. LI Gang, aged 57, Doctor of Administration of Major of Administration Science and Engineering at Xi'an Jiaotong University. He is currently Chairman of Board of Supervisors of the Company and Tsingtao Group, and Chairman of Board of Supervisors in Enterprises Directly under Qingdao Government. He ever served as Deputy Chief of Shibe Branch of Qingdao Local Taxation Bureau, Assistant to Chief of Qingdao Local Taxation Bureau & Chief of Laoshan Branch of Qingdao Local Taxation Bureau, Chief of Inspection Bureau of Qingdao Local Taxation Bureau, and Deputy Chief of Qingdao Local Taxation Bureau.



北川亮一先生，現年54歲，畢業於日本早稻田大學法學部，現任本公司股東監事，朝日集團控股株式會社常務執行董事，曾任朝日啤酒國際經營企劃部部長，朝日集團控股國際部門部長，朝日集團控股執行董事企業提携部部長。北川亮一先生於2018年3月19日辭任本公司第八屆監事會股東監事職務。

Mr. Ryoichi KITAGAWA, aged 54, graduated from School of Law at Waseda University in Japan. He is currently Supervisor as Shareholders' Representative of the Company, Executive Director of Asahi Group Holdings Ltd. He also served as Head of International Operating Planning Department in Asahi Breweries, Ltd., Head of International Department of Asahi Group Holdings Ltd., Executive Director and Head of Corporate Promotion Department of Asahi Group Holdings Ltd. Mr. Ryoichi KITAGAWA resigned as Supervisor as Shareholders' Representative of the Company's Eighth Session of the Board of Supervisors on 19 March 2018.



李燕女士，現年60歲，畢業於中央財政金融學院。現任本公司獨立監事，中央財經大學財稅學院教授，博士生導師，政府預算研究所所長，中國註冊會計師協會非執業會員，中國財政學會理事，中國法學會財稅法學研究會理事，兼任中國電影股份有限公司、北京東華軟件股份有限公司、安徽荃銀高科股份有限公司及江西富祥藥業股份有限公司獨立董事。

Ms. LI Yan, aged 60, graduated from Central Finance and Economics Institute. She is currently Independent Supervisor of the Company, Professor and Tutor of doctoral candidate in Finance and Tax School, and Director of Governmental Budget Institute at Central University of Finance and Economics, Non-profession Member of The Chinese Institute of Certified Public Accountants Commission, Member of China Finance Commission, Member of China Finance and Taxation Law Society, Independent Director of China Film Co., Ltd., Beijing DHC Co., Ltd., Anhui Win-all Hi-tech Seed Co., Ltd. and Jiangxi Fushine Pharmaceutical Co., Ltd.



王亞平先生，現年53歲，華東政法學院法學學士，國家高級律師。現任本公司獨立監事，山東琴島律師事務所執行主任、高級合夥人。青島市律師協會會長，青島仲裁委員會仲裁員。兼任青島港國際股份有限公司獨立非執行董事。

Mr. WANG Ya Ping, aged 53, Bachelor of Laws at East China University of Political Science and Law, State Senior Lawyer. He is currently Independent Supervisor of the Company, Executive Director and Senior Partner of Shandong Qindao Law Firm, Chairman of Qingdao lawyers Association, Arbitrator of Qingdao Arbitration Commission, and Independent Non-executive Director of Qingdao Port International Co., Ltd.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers



薛超山先生，現年59歲，廈門大學EMBA課程班畢業，現任本公司職工監事，製造總裁助理兼青島啤酒廠廠長。曾任青島啤酒銷售分公司副總經理，青島啤酒(三水)有限公司、青島啤酒(福州)有限公司、青島啤酒(漳州)有限公司總經理，青島啤酒東南營銷有限公司總經理、董事長，青島啤酒二廠廠長。具有豐富的市場營銷和企業管理經驗。

Mr. XUE Chao Shan, aged 59, graduated from EMBA class at Xiamen University. He is currently Supervisor as Employees' Representative of the Company, Assistant to President of Manufacturing Center of the Company & Factory Manager of Tsingtao Brewery Factory. He also served as Deputy Manager of Tsingtao Brewery Sales Company, General Manager of Tsingtao Brewery (Sanshui) Company Limited, Tsingtao Brewery (Fuzhou) Company Limited and Tsingtao Brewery (Zhangzhou) Company Limited, General Manager and Chairman of Tsingtao Brewery South-East Sales Company Limited, and Factory Manager of Tsingtao Brewery No. 2 Factory with substantial experience in marketing and business administration.



孫麗紅女士，現年42歲，青島大學經濟法系國際經濟法專業畢業，本科學歷，現任本公司職工監事、法律事務總部部長。曾任本公司董事會秘書室副主任、法律事務部副部長。具有豐富的法律工作經驗。

Ms. SUN Li Hong, aged 42, undergraduate of Major of International Economic Law in Department of Economic Law at Qingdao University. She is currently Supervisor as Employees' Representative and Head of Law Affairs Department of the Company. She also served as Deputy Head of Secretarial Office of the Board, and Deputy Head of Law Affairs Department of the Company with substantial experience in law affairs.



邢軍先生，現年44歲，上海財經大學會計學本科學歷，會計師，現任本公司職工監事、財務管理總部副部長。曾任本公司財務總部會計核算處處長。具有豐富的財務管理經驗。

Mr. XING Jun, aged 44, undergraduate of Major of Accounting Science at Shanghai University of Finance and Economics, Accountant. He is currently Supervisor as Employees' Representative and Deputy Head of Finance Department of the Company. He also served as Section Head of Accounting & Auditing of Finance Department of the Company with substantial experience in financial management.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers

公司現任高級管理人員簡介 Senior Management Officers



王瑞永先生，現年52歲，北京大學工商管理碩士研究生學歷，高級工程師，現任本公司副總裁。曾任青島嶗山啤酒廠副廠長，青島啤酒(徐州)彭城有限公司副總經理，北京五星青島啤酒有限公司總經理，本公司總裁助理，上海青島啤酒華東營銷公司總經理，青島啤酒營銷中心山東省區總經理，本公司營銷總裁。具有豐富的市場營銷及企業管理經驗。

Mr. WANG Rui Yong, aged 52, MBA at Peking University, Senior Engineer. He is currently Vice President of the Company. He also served as Deputy Factory Manager of Qingdao Laoshan Brewery Factory, Deputy General Manager of Tsingtao Brewery (Xuzhou) Pengcheng Company Limited, General Manager of Beijing Five-Star Tsingtao Brewery Company Limited, Assistant to President of the Company, General Manager of Shanghai Tsingtao Brewery East-China Sales Company Limited and Shandong Area of Marketing Center of the Company, and President of Marketing Center of the Company with substantial experience in marketing and business administration.



蔡志偉先生，現年50歲，廈門大學工商管理碩士研究生學歷，高級工程師，現任本公司營銷總裁。蔡先生歷任青島啤酒二廠車間主任、副廠長，青島啤酒(廈門)有限公司總經理、廈門青島啤酒東南營銷有限公司總經理，上海青島啤酒華東營銷有限公司總經理，營銷中心山東省區總經理，公司營銷副總裁兼營銷中心銷售管理總部總經理，公司營銷中心常務副總裁等職，具有豐富的營銷管理經驗。

Mr. CAI Zhi Wei, aged 50, MBA at Xiamen University, Senior Engineer. He is currently President of Marketing Center of the Company. Mr. CAI also served as Workshop Supervisor and Deputy Factory Manager of Tsingtao Brewery No. 2 Factory, General Manager of Tsingtao Brewery (Xiamen) Co., Ltd., General Manager of Xiamen Tsingtao Brewery South-East Sales Company Limited, General Manager of Shanghai Tsingtao Brewery East-China Sales Company Limited, General Manager of Shandong Area of Marketing Center of the Company, Vice President of Marketing Center of the Company & General Manager of Sales Management Head Department of Marketing Center, and Executive Vice President of Marketing Center of the Company with substantial management experience in marketing.



張瑞祥先生，現年53歲，山東師範大學大學本科畢業，經濟師，現任本公司董事會秘書兼董事會秘書室主任、公司秘書、授權代表。曾任本公司董事會秘書室主任助理、副主任、主任兼證券事務代表。具有長期的上市公司運作、信息披露及資本市場融資經驗。

Mr. ZHANG Rui Xiang, aged 53, Bachelor's Degree at Shandong Normal University, Economist. He is currently Board Secretary & Head of Secretarial Office of the Board, Company Secretary and Authorized Representative of the Company. He also served as Assistant to Director, Deputy Director, and Director of Secretarial Office of the Board & Representative to Securities Affairs of the Company with long-term experience in the operation of listing company, information disclosure and financing in capital market.

重要事項 Significant Events

一、報告期內發生的關連交易事項

有關年度關聯方交易之詳情載於綜合財務報表附註八。若干年度之關聯方交易同時構成關連交易或持續關連交易，其詳情已在下列披露。本集團已就該等交易遵守上市規則第14A章所載之披露要求。

1、與日常經營相關的持續關連交易

- (1) 經本公司董事會審議批准，本公司於2015年2月3日與煙臺朝日簽署新的《產品經銷合同》，煙臺朝日同意授予本公司銷售所有煙臺朝日產品的獨家經銷權，合同期限自2015年1月1日起至2017年12月31日止。煙臺朝日為本公司主要股東朝日集團的間接附屬公司，因此為朝日集團之連絡人及本公司的關連人士。有關該持續關連交易事項的詳情請見公司於2015年2月3日在聯交所和上交所網站分別刊登的公告。本公司向煙臺朝日採購啤酒產品於2017年度的上限金額為人民幣14億元，實際採購金額為人民幣633,755,622元，未超逾年度上限。
- (2) 經本公司董事會審議批准，青啤深圳分別與朝日啤酒及朝日投資公司於2015年2月3日簽訂產品經銷合同（「原合同」），朝日啤酒及朝日投資公司分別同意向青啤深圳繼續購買「朝日」品牌啤酒產品，合同期限自2015年1月1日起至2017年12月31日止，原合同項下之2017年度交易上限分別為人民幣6,000萬元（就與朝日啤酒的協議而言）及人民幣3,000萬元（就與朝日投資公司的協議而言）。於2017年1月1日至3月2日，朝日啤酒及朝日投資公司按照原合同分別向青啤深圳支付的實際採購金額分別為人民幣14,540,964元及人民幣1,072,609元，均未超逾年度上限。於2017年3月3日，青啤深圳分別與朝日啤酒及朝日投資公司重新簽訂了《委托生產協議》（「新協議」），約定朝日啤酒及朝日投資公司分別委托青啤深圳生產啤酒產品事宜，合同期限自2017年3月3日起至2019年12月31日止。委托生產協議一經生效，原合同即終止。於2017年3月3日（即新協議生效日）起至2017年12月31日止，新協議項下之2017年度

I. Connected Transactions occurred during the Reporting Period

Details on related party transactions for the year are set out in Note 8 to Financial Statements. Details of any related party transactions which also constitute connected transactions or continuing connected transactions are disclosed below. The Group has complied with the requirements in accordance with Chapter 14A of Listing Rules in respect of such transactions.

1. The continuing connected transactions relating to ordinary operation

- (1) As considered and approved by the Board, the Company entered into a *New Product Distribution Contract* with Yantai Asahi on 3 February 2015, whereby Yantai Asahi agreed to grant the Company the sole distribution right for the distribution of all products of Yantai Asahi for the period from 1 January 2015 to 31 December 2017. As an indirect subsidiary of Asahi Group which is a substantial shareholder of the Company, Yantai Asahi is therefore an associate of Asahi Group and a connected person of the Company. For details of this continuing connected transaction, please refer to the announcements published respectively on the websites of the Stock Exchange and SSE on 3 February 2015. The annual cap amount of the Company's purchasing beer products from Yantai Asahi for the year 2017 was RMB1.4 billion, of which the actual purchasing amount was RMB633,755,622, not exceeding the annual cap amount.
- (2) As considered and approved by the Board of Directors of the Company, Tsingtao Shenzhen signed the product distribution contract ("original contract") respectively with Asahi Breweries and Asahi Investment on 3 February 2015. Asahi Breweries and Asahi Investment agreed to continue to purchase "Asahi" beer products from Tsingtao Shenzhen and the contract period is from 1 January 2015 to 31 December 2017. The annual transaction cap for 2017 under the original contract is RMB 60 million (in respect of the agreement with Asahi Breweries) and RMB 30 million (in respect of the agreement with Asahi Investment) respectively. From 1 January 2017 to 2 March 2017, Asahi Breweries and Asahi Investment respectively made the actual purchasing payment of RMB14,540,964 and RMB1,072,609 to Tsingtao Shenzhen in accordance with the original product distribution contract, and both of the amounts were within the annual cap. On 3 March 2017, Tsingtao Shenzhen re-signed the *Contract Production Agreement* ("new agreement") respectively with Asahi

重要事項 Significant Events

交易上限分別為人民幣7,000萬元(就與朝日啤酒的協議而言)及3,000萬元(就與朝日投資公司的協議而言)。青啤深圳接受朝日啤酒及朝日投資公司委托生產啤酒產品的交易金額為人民幣32,242,263元及人民幣9,151,628元，均未超逾年度上限。

朝日集團於報告期末為本公司的主要股東，而其附屬公司朝日啤酒及朝日投資公司為朝日集團之連絡人。因此，朝日啤酒及朝日投資公司為本公司之關連人士。有關該等持續關連交易事項的詳情請見公司於2015年2月3日以及2017年3月3日在聯交所和上交所網站分別刊登的公告。

- (3) 經本公司董事會審議批准，2015年2月3日，本公司全資附屬公司青啤財務公司與煙臺朝日簽訂一份協議書，約定煙臺朝日將其銷售款存放在青啤財務公司賬戶的關聯存款及結算服務交易，合同期限自2015年1月1日起至2017年12月31日止。青啤財務公司吸收煙臺朝日銷售款之存款交易額度(包括利息和結算手續費)不得超出經董事會批准本公司與煙臺朝日進行購銷持續關連交易的各年度上限金額。截止報告期末，煙臺朝日存放於青啤財務公司的本金及相應的利息和手續費累計為人民幣752,937,116元，未超逾年度上限人民幣14億元。有關該持續關連交易事項的詳情請見本公司於2015年2月3日在聯交所和上交所網站分別刊登的相關公告。

Breweries and Asahi Investment, specifying the issue that Asahi Breweries and Asahi Investment respectively contract the production of beer to Tsingtao Shenzhen for the period from 3 March 2017 to 31 December 2019. Once the *Contract Production Agreement* takes effect, the original contract will be terminated. From 3 March 2017 (the effective date of the new agreement) to 31 December 2017, the annual transaction cap for 2017 under the new agreement is RMB 70 million (in respect of the agreement with Asahi Breweries) and RMB 30 million (in respect of the agreement with Asahi Investment) respectively. Tsingtao Shenzhen received the transaction amount of RMB32,242,263 and RMB9,151,628 from Asahi Breweries and Asahi Investment for the contracted production of beer products, and both of the amounts were within the annual cap.

Asahi Group was a substantial shareholder of the Company at the end of the Reporting Period, while Asahi Breweries and Asahi Investment, its subsidiaries, were the contact persons of Asahi Group. Therefore, both Asahi Breweries and Asahi Investment were connected persons of the Company. For the details of the continuing connected transactions, please see the announcement published on the website of the Stock Exchange and SSE respectively on 3 February 2015 and 3 March 2017.

- (3) As considered and approved by the Board, Tsingtao Finance Company, the Company's wholly-owned subsidiary, entered into an agreement with Yantai Asahi on 3 February 2015, whereby Yantai Asahi agreed to the related deposit and settlement service of depositing its sales income in the account opened in Tsingtao Finance Company for the period from 1 January 2015 to 31 December 2017. The cap amount (including the interests and settlement fees) for Tsingtao Finance Company absorbing the deposit of Yantai Asahi's sales income was not allowed to exceed the respective annual cap amount of the continuing connected transaction of distribution between the Company and Yantai Asahi as approved by the Board. As at the end of the Reporting Period, the principal and its corresponding interests and settlement fees deposited by Yantai Asahi in Tsingtao Finance Company was RMB752,937,116, not exceeding the annual cap amount of RMB1.4 billion. For details of the subject continuing connected transaction, please refer to the announcements published by the Company respectively on the websites of the Stock Exchange and SSE on 3 February 2015.

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

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

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

本公司審計師受聘根據香港會計師公會發布的香港鑒證業務準則第3000號《歷史財務資料審核或審閱以外之鑒證業務》及參考實務說明第740號《香港上市規則規定的持續關連交易的核數師函件》，對本集團持續關連交易作出報告。根據

Shareholder please also be noted of the announcements of continuing connected transactions between Tsingtao Shenzhen and certain members of the Group published by the Company on 18 May 2009. Asahi Breweries, a substantial shareholder of Tsingtao Shenzhen, became a substantial shareholder of the Company after acquiring approximately 19.99% of the total issued share capital of the Company on 6 May 2009. Pursuant to Rule 14A.11(5) of *Listing Rules* being in force at that time, Tsingtao Shenzhen became a connected person of the Company, and the transactions between Tsingtao Shenzhen and the members of the Group also constituted connected transactions of the Company. For other details of this continuing connected transaction, please refer to the announcement published by the Company on 18 May 2009 on the website of the stock exchanges on which the Company is listed.

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

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* of Hong Kong Standard on Assurance Engagements 3000 and with reference to *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* of Practice of Note 740 issued by Hong Kong Institute of Certified Public Accountants. The

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《上市規則》第14A.56條，審計師已就本年報第71至72頁所載本集團披露的持續關連交易發出函件，並載有其發現和結論。本公司已將審計師函件副本向香港聯交所提供。

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

本公司確認上述2017年進行的持續關連交易之披露，符合《上市規則》第14A章的披露規定。

auditor has issued a letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on page 71 to 72 of this Annual Report in accordance with Rule 14A.56 of *Listing Rules*. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Such transactions are conducted in the ordinary and usual course of business of the Company, and are necessary and continuous in the business operation of the Company. Such connected transactions will not affect the independence of the Company.

The Company confirms that the disclosure of the aforesaid continuing connected transactions carried out in 2017 were in compliance with the disclosure requirements in Chapter 14A of *Listing Rules*.

二、報告期內公司收購股權交易終止情況

經公司第八屆董事會第十四次會議批准，公司與石家莊眾碩企業管理有限公司(原石家莊嘉禾啤酒有限責任公司，下稱「石家莊眾碩」)於2016年10月29日簽訂一份《股權轉讓合同》，同意以人民幣叁億元整(¥300,000,000元)收購石家莊眾碩持有的河北嘉禾50%股權，基於商業環境的變化，經交易雙方協商，本公司董事會於2017年8月30日審議通過簽署《〈股權轉讓合同〉解除暨〈框架協議〉修訂協議》，同意解除該合同，雙方在該合同項下尚未履行的權利、義務均不再履行，雙方互不因此承擔違約責任。《股權轉讓合同》解除後，石家莊眾碩不得再以任何理由在任何時間再次要求本公司按照《框架協議》約定收購石家莊眾碩持有的河北嘉禾股權。

II. Termination of the Company's acquisition of equity during the Reporting Period

As approved at the fourteenth meeting of the Eighth Session of the Board, the Company signed the *Equity Transfer Contract* with Shijiazhuang Zhongshuo Enterprise Management Co., Ltd. (the former Shijiazhuang Jiahe Breweries Co., Ltd., hereinafter referred to as "Shijiazhuang Zhongshuo") on 29 October 2016, agreeing to purchase 50% of the equity of Hebei Jiahe held by Shijiazhuang Zhongshuo at RMB Three Hundred Million (RMB300,000,000). In view of the changes of the business environment and through the negotiation of the two parties, the Company's Board of Directors considered and approved the signing of "*Equity Transfer Contract*" Termination and "*Framework Agreement*" Amendment Agreement on 30 August 2017, agreeing to the termination of the Contract. Neither of the two parties will perform any right or obligation not yet performed under the Contract and neither of them shall be held liable for breach of contract. After the termination of the *Equity Transfer Contract*, Shijiazhuang Zhongshuo shall no longer require the Company for any reason at any time to purchase the equity of Hebei Jiahe held by Shijiazhuang Zhongshuo according to the *Framework Agreement*.

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三、報告期內擔保及購買理財產品情況

- (1) 經本公司第八屆董事會第十六次會議審議批准，本公司及青啤香港於2017年4月向中國銀行股份有限公司青島市分行（「中國銀行青島市分行」）提交了《授信額度安排與切分申請書》，通過中國銀行青島市分行以境內授信額度切分的方式，將公司在中國銀行青島市分行的授信額度切分35,000萬元人民幣給青啤香港使用，公司為該筆授信切分提供反擔保。由中國銀行首爾分行向青啤香港新發放33,800萬元港幣貸款，用於青啤香港歸還中國銀行澳門分行33,800萬元港幣到期貸款。
- (2) 經本公司第八屆董事會審議批准，本公司之全資子公司青啤財務公司開展了理財產品業務。青啤財務公司2017年累計購入貨幣市場基金金額為人民幣19,100萬元。截止報告期末，上述貨幣市場基金已贖回人民幣6,100萬元，實現收益人民幣52萬元，其本金及收益已全部到賬；未贖回貨幣市場基金合計人民幣13,000萬元，其公允價值變動收益約人民幣12萬元。

青啤財務公司截止2016年末已購買且尚未到期的理財產品金額合計人民幣72,000萬元，2017年累計購入理財產品金額合計人民幣170,000萬元。截止報告期末，上述理財產品累計已有人民幣180,000萬元到期，實現收益人民幣3,654萬元，到期理財產品本金及收益已全部到賬；未到期理財產品金額合計人民幣62,000萬元，預期收益約人民幣815萬元。

III. Information of guarantees and purchase of wealth management products during the Reporting Period

- (1) As considered and approved at the sixteenth meeting of the Eighth Session of the Board, in April 2017, the Company and Tsingtao HK submitted to Qingdao Branch of Bank of China Co., Ltd. (“Bank of China Qingdao Branch”) an *Application for Arrangement and Division of Credit Line*, pursuant to which, by way of dividing the domestic credit line through Bank of China Qingdao Branch, the Company divided RMB350 million of its credit line in Bank of China Qingdao Branch to Tsingtao HK for its use, and the Company would provide counter-guarantee for this division. Bank of China Seoul Branch would provide Tsingtao HK with a loan of HKD338 million for Tsingtao to repay the loan of HKD338 million due to Bank of China Macao Branch.
- (2) As considered and approved at the Eighth Session of the Board, Tsingtao Finance Company, a wholly-owned subsidiary of the Company, launched a wealth management product business. In 2017, Tsingtao Finance Company had accumulatively purchased RMB191 million of money market funds. As at the end of the Reporting Period, RMB61 million had been redeemed from the aforesaid funds, realizing approximately RMB520,000 of income, with the capital fund and income credited into the account; the amount of funds yet to be redeemed was RMB130 million in total, for which the income from fair value changes is approximately RMB120,000.

As at the end of 2016, Tsingtao Finance Company had purchased RMB720 million of wealth management products that had not matured. In 2017, it had accumulatively purchased RMB1.7 billion of wealth management products. As at the end of the Reporting Period, RMB1.8 billion of the aforesaid wealth management products had matured, realizing an income of RMB36.54 million and all the capital and income of the matured wealth management products had been credited into the account; the amount of wealth management products that had not matured was RMB620 million, with an estimated income of approximately RMB8.15 million.

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四、重大法律訴訟

報告期內，本公司並無涉及任何重大訴訟或仲裁，而據本公司所知，亦無任何尚未了結或可能面臨或對本公司作出之重大法律訴訟或仲裁。

五、報告期後事項(公司第二大股東股份轉讓最新進展)

- 1、於2017年12月20日，朝日集團與復星國際有限公司旗下五家實體(「復星集團」)分別簽署股份購買協議，擬將其所持本公司243,108,236股H股(約佔本公司總股本17.99%)轉讓給復星集團，總作價約為港幣66.17億元，相等於每股H股約港幣27.22元。
- 2、另外，同日，朝日集團與青啤集團及其子公司鑫海盛簽署股份購買協議，擬將其所持本公司27,019,600股H股(約佔本公司總股本1.99%)轉讓給鑫海盛，總作價約為港幣7.35億元，相等於每股H股約港幣27.22元。
- 3、本公司已接獲青啤集團及復星集團通知，股份購買協議所載的所有先決條件已獲滿足，其項下的交易已於2018年3月19日完成交割。自2018年3月19日起，(i)杉浦康譽先生辭任本公司董事會非執行董事、本公司審計與內控委員會委員及本公司提名與薪酬委員會委員等職務；及(ii)北川亮一先生辭任本公司第八屆監事會股東監事職務。

IV. Material legal proceedings

During the Reporting Period, the Company did not involve in any material litigation or arbitration and no material litigation or arbitration were pending or threatened or made against the Company so far the Company is aware.

V. Issues after the Reporting Period (latest progress of the share transfer by the second largest shareholder of the Company)

1. On December 20, 2017, Asahi Group Holdings, Ltd. ("Asahi Group") respectively signed share purchase agreements with 5 entities under Fosun International Limited ("Fosun Group"), proposed to transfer 243,108,236 H shares (representing 17.99% of the Company's total share capital) held in the Company to Fosun Group at the total consideration of HKD6.617 billion (equivalent to HKD27.22 per H Share).
2. In addition, on the same day, Asahi Group and Tsingtao Group and its subsidiary Xinhaisheng signed a share purchase agreement, proposed to transfer 27,019,600 H Shares (representing 1.99% of the Company's total share capital) held in the Company to Xinhaisheng at the total consideration of HKD735 million (equivalent to HKD27.22 per H Share).
3. The Company has received the notice from Tsingtao Group and Fosun Group that all the prerequisites stipulated in the share purchase agreement have been satisfied and the transaction under the agreement was completed on 19 March 2018. From 19 March 2018, (i) Mr. Yasutaka SUGIURA resigned as Non-executive Director of the Company's Board of Directors and member of the Company's Audit and Internal Control Committee and member of the Company's Nomination and Remuneration Committee; (ii) Mr. Ryoichi KITAGAWA resigned as Supervisor of Shareholders' Representative of the Company's Eighth Session of the Board of Supervisors.

財務報告 Financial Report

按中國企業會計準則編制的財務報表

Financial Statement prepared in accordance with the China Accounting Standards for Business Enterprises

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Auditor's Report



普华永道

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TO THE SHAREHOLDERS OF TSINGTAO BREWERY COMPANY LIMITED,

Opinion

What we have audited

We have audited the accompanying financial statements of Tsingtao Brewery Company Limited (hereinafter “Tsingtao Brewery”), which comprise:

- the consolidated and company balance sheets as at 31 December 2017;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders’ equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company’s financial position of Tsingtao Brewery as at 31 December 2017, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises (“CASs”).

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing (“CSAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of Tsingtao Brewery in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants (“CICPA Code”), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

普華永道中天會計師事務所(特殊普通合夥)

PricewaterhouseCoopers Zhong Tian LLP, 11/F PricewaterhouseCoopers Center

Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC

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

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- (1) Shandong Xin Immense Brewery Co., Ltd. ("Immense Brewery Company") — Impairment assessment on goodwill and other long-term assets
- (2) Impairment test on fixed assets

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>(1) Immense Brewery Company — Impairment assessment on goodwill and other long-term assets (Refer to Notes 4(13), 4(16) and 4(17) to the financial statements)</p> <p>Tsingtao Brewery has acquired 100% equity interest in Immense Brewery Company in prior years. The carrying amount of the goodwill arising from the acquisition of Immense Brewery Company amounted to approximately RMB958.87 million as at 31 December 2017. The other long-term assets of Immense Brewery Company primarily comprised of fixed assets and intangible assets of approximately RMB248.63 million and RMB281.45 million respectively.</p> <p>Due to the intensified beer market competition in the region where Immense Brewery Company operates and also the decrease in its sales volume and profits in recent years, the risk of impairment on the related goodwill and other long-term assets has been increased.</p> <p>Management has identified Immense Brewery Company as an independent cash generating unit ("CGU") and has engaged an independent valuer to conduct a valuation on the fair value of Immense Brewery Company, so as to assist management in performing the impairment assessment on the related goodwill and other long-term assets. The impairment assessment involved the determination of different valuation parameters (e.g. discount rate) and also the assumptions in the operating and financial performance (e.g. the sales growth rate and gross margin etc.) for the coming several years.</p> <p>We considered this area as a key audit matter because the carrying amounts of the goodwill and other long-term assets of Immense Brewery Company are significant to the financial statements and the reasonableness of the aforesaid judgements and assumptions would have a significant impact on the result of the impairment assessment.</p>	<p>In connection with the impairment assessment on goodwill and other long-term assets of Immense Brewery Company, we have performed the following procedures:</p> <ul style="list-style-type: none"> • Understood and validated the Tsingtao Brewery's internal controls over the assessment of impairment of the goodwill and other long-term assets; • Evaluated the competency, professionalism and objectivity of the independent valuer; • Engaged our internal valuation specialists to evaluate the reasonableness of the value type, methodology and parameters (e.g. discount rate) as adopted; • Evaluated the management's judgement on identifying the CGU, and also the reasonableness of the key assumptions as adopted in the impairment assessment. For discount rate, our internal valuation specialists have compared it by reference to the financial information of several comparable companies as publicly published. For the assumptions in the operating and financial performance for the coming several years (e.g. sales growth rate and gross margin etc.), we compared them with the historical financial data and approved budgets of Immense Brewery Company, and also the recent development trends of the beer industry; • Performed sensitivity analysis over the discount rate, operating and financial assumptions as adopted in the impairment assessment so as to assess the potential implication on the results of the impairment assessment if these parameters and assumptions are to be changed within a reasonable range. <p>We found that the valuation methodology and assumptions as adopted in the impairment assessment on the goodwill and other long-term assets of Immense Brewery Company are to be consistent with the audit evidence which we have obtained.</p>

Auditor's Report (Continued)

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Key Audit Matter	How our audit addressed the Key Audit Matter
<p>(2) Impairment test on fixed assets (Refer to Note 4(13) to the financial statements)</p> <p>As at 31 December 2017, the carrying amounts of fixed assets as recognised in the consolidated financial statements of Tsingtao Brewery amounted to approximately RMB10.99 billion. Given the intensified competition in the beer market in China, some of the subsidiaries as operated in different regions had suffered from the decline in sales volume and profits, and some subsidiaries may even suffer from losses persistently.</p> <p>Management had identified the related independent CGUs, analysed and identified the indication of impairment, conducted valuations on the recoverable amount of those fixed assets with indication of impairment and conducted the impairment test accordingly. The impairment test involved the determination of different valuation parameters (e.g. discount rate), and also the assumptions in the operating and financial performance (e.g. the sales growth rate and gross margin etc.) for the coming several years.</p> <p>We considered this area as a key audit matter because the carrying amounts of the fixed assets with indication of impairment are significant to the financial statements and the reasonableness of the aforesaid judgements and assumptions would have a significant impact on the results of the impairment test.</p>	<p>In connection with the impairment test on fixed assets, we have performed the following procedures:</p> <ul style="list-style-type: none"> • Understood and validated the Tsingtao Brewery's internal controls over the test of impairment of fixed assets; • Validated the management's processes in identifying the indications of impairment; • For those fixed assets with indication of impairment, examined the management's impairment test model as follows: <ul style="list-style-type: none"> — Engaged our internal valuation specialists to evaluate the reasonableness of the basis of value, methodology and parameters (e.g. discount rate) as adopted; — Evaluated the management's judgement on identifying the CGUs, and also the reasonableness of the key assumptions as adopted in the impairment test. For discount rate, our internal valuation specialists have compared it by reference to the financial information of several comparable companies as publicly published. For the assumptions in the operating and financial performance for the coming several years (e.g. sales growth rate and gross margin etc.), we compared them with the related historical financial data, approved budgets and also the recent development trends of the beer industry. — Performed sensitivity analysis over the discount rate, operating and financial assumptions as adopted in the impairment test so as to assess the potential implication on the results of the impairment test if these parameters and assumptions are to be changed within a reasonable range. <p>We found that the valuation methodology and assumptions as adopted by management in the impairment assessments on fixed assets are to be consistent with the audit evidence which we have obtained.</p>

Auditor's Report *(Continued)*

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Other Information

Management of Tsingtao Brewery is responsible for the other information. The other information comprises all of the information included in 2017 annual report of Tsingtao Brewery other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit Committee for the Financial Statements

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

In preparing these financial statements, management is responsible for assessing Tsingtao Brewery's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate Tsingtao Brewery or to cease operations, or have no realistic alternative but to do so.

Audit committee is responsible for overseeing Tsingtao Brewery's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor's Report *(Continued)*

PwC ZT Shen Zi (2018) No. 10023
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Auditor's Responsibilities for the Audit of the Financial Statements *(continued)*

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Tsingtao Brewery's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Tsingtao Brewery to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Tsingtao Brewery to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Zhong Tian LLP

Signing CPA
Jia Na (Engagement Partner)

Shanghai, the People's Republic of China
27 March 2018

Signing CPA
Zhang Dong

Consolidated and Company Balance Sheets

As at 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note 4 (unless otherwise stated)	As at 31 December			
		2017 Consolidated	2016 Consolidated	2017 Company	2016 Company
Current assets					
Cash at bank and on hand	(1)	9,805,485,121	8,572,685,245	3,652,150,167	3,412,002,240
Financial assets at fair value through profit or loss	(2)	130,115,254	—	—	—
Notes receivable	(3)	42,220,000	26,400,000	39,850,000	19,700,000
Accounts receivable	(4), 15(1)	141,397,244	124,647,040	922,481,180	812,009,033
Advances to suppliers	(5)	116,394,430	51,806,259	74,498,675	24,993,651
Interests receivable	(6)	86,573,933	71,557,290	21,499,661	14,898,299
Dividends receivable	15(2)	—	—	271,593,000	1,354,063,724
Other receivables	(7), 15(3)	261,826,598	233,843,886	140,202,125	147,123,899
Inventories	(8)	2,392,910,141	2,412,442,780	796,207,042	823,095,523
Other current assets	(9)	1,096,060,646	1,116,181,886	308,955,082	277,939,238
Total current assets		14,072,983,367	12,609,564,386	6,227,436,932	6,885,825,607
Non-current assets					
Available-for-sale financial assets	(10)	600,000	608,642	300,000	300,000
Long-term receivables	15(4)	—	—	25,000,000	6,000,000
Long-term equity investments	(11), 15(5)	375,899,439	379,530,915	10,034,228,614	9,943,282,037
Investment properties	(12), 15(6)	27,261,927	24,946,020	30,722,528	31,577,276
Fixed assets	(13), 15(7)	10,991,462,172	11,447,611,540	2,194,016,459	2,297,664,815
Construction in progress	(14), 15(8)	200,139,178	193,446,726	37,865,820	45,141,139
Fixed assets pending for disposal	(15)	2,310,587	1,158,936	1,686,474	761,719
Intangible assets	(16), 15(9)	2,776,216,295	2,974,746,773	581,663,443	630,198,434
Goodwill	(17)	1,307,103,982	1,307,103,982	—	—
Long-term prepaid expenses	(18)	36,042,642	39,921,000	2,390,151	6,221,005
Deferred tax assets	(19)	1,135,894,135	1,042,209,554	715,995,858	671,265,463
Other non-current assets	(21)	48,798,055	56,310,013	2,858,948	2,639,524
Total non-current assets		16,901,728,412	17,467,594,101	13,626,728,295	13,635,051,412
TOTAL ASSETS		30,974,711,779	30,077,158,487	19,854,165,227	20,520,877,019

Consolidated and Company Balance Sheets (Continued)

As at 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND EQUITY	Note 4 (unless otherwise stated)	As at 31 December			
		2017 Consolidated	2016 Consolidated	2017 Company	2016 Company
Current liabilities					
Short-term borrowings	(22)	282,534,200	302,341,000	—	—
Notes payable	(23)	289,472,296	307,516,920	76,624,794	76,500,000
Accounts payable	(24)	2,083,733,787	2,049,229,359	1,426,450,891	2,501,183,597
Advances from customers	(25)	1,177,632,347	1,320,882,187	926,380,162	1,027,556,435
Employee benefits payable	(26)	1,032,628,088	988,416,962	379,436,264	373,400,438
Taxes payable	(27)	400,835,890	396,466,643	44,536,778	86,703,934
Interests payable		815,222	737,291	—	—
Other payables	(28)	5,184,055,031	4,918,819,305	2,479,260,972	2,353,717,365
Current portion of non-current liabilities	(29)	419,160	376,372	—	—
Other current liability		107,284	—	—	—
Total current liabilities		10,452,233,305	10,284,786,039	5,332,689,861	6,419,061,769
Non-current liabilities					
Long-term borrowings	(30)	1,047,900	1,376,480	—	—
Payables for specific projects	(31)	123,140,327	175,014,368	15,440,660	15,440,660
Deferred income	(32)	1,904,109,828	1,948,814,560	50,542,428	61,307,433
Long-term employee benefits payable	(33)	499,008,449	538,957,516	274,230,780	288,026,884
Deferred tax liabilities	(19)	220,667,269	249,069,955	—	—
Total non-current liabilities		2,747,973,773	2,913,232,879	340,213,868	364,774,977
Total liabilities		13,200,207,078	13,198,018,918	5,672,903,729	6,783,836,746
Equity					
Share capital	(34)	1,350,982,795	1,350,982,795	1,350,982,795	1,350,982,795
Capital surplus	(35),15(11)	3,444,181,512	3,444,189,700	4,306,620,828	4,306,629,016
Other comprehensive income	(36),15(12)	(9,038,750)	(50,149,422)	(26,869,000)	(49,477,000)
Surplus reserve	(37)	1,400,704,380	1,400,704,380	1,400,704,380	1,400,704,380
General reserve	(38)	155,497,737	142,496,409	—	—
Undistributed profits	(39),15(13)	10,802,900,749	10,025,728,867	7,149,822,495	6,728,201,082
Total equity attributable to shareholders of the Company		17,145,228,423	16,313,952,729	14,181,261,498	13,737,040,273
Non-controlling interests		629,276,278	565,186,840	—	—
Total equity		17,774,504,701	16,879,139,569	14,181,261,498	13,737,040,273
TOTAL LIABILITIES AND EQUITY		30,974,711,779	30,077,158,487	19,854,165,227	20,520,877,019

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

Legal representative:
SUN MingboPrincipal in charge of accounting:
YU ZhumingHead of accounting department:
HOU Qiuyan

Consolidated and Company Income Statements

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4 (unless otherwise stated)	Year ended 31 December			
		2017 Consolidated	2016 Consolidated	2017 Company	2016 Company
Revenue	(40), 15(14)	26,277,051,684	26,106,343,738	17,533,712,051	17,162,339,623
Less: Cost of sales	(40), (44), 15(14), (15)	(15,622,130,867)	(15,265,279,542)	(13,285,777,622)	(12,705,362,572)
Taxes and surcharges	(41)	(2,325,028,134)	(2,231,364,935)	(534,784,608)	(531,299,089)
Selling and distribution expenses	(42), (44), 15(15)	(5,768,943,601)	(6,029,439,233)	(3,316,674,111)	(3,426,278,010)
General and administrative expenses	(43), (44), 15(15)	(1,244,256,438)	(1,340,543,211)	(378,034,079)	(403,339,431)
Finance expenses	(45), 15(16)	370,017,175	257,408,345	39,632,968	50,369,278
Assets impairment losses	(50), 15(18)	(10,716,839)	(7,842,038)	(150,428,618)	(684,768)
Add: Profit arising from changes in fair value	(46)	115,254	—	—	—
Investment income	(47), 15(17)	57,988,170	150,969,732	1,008,035,659	1,538,145,276
Including: Share of profit of associates and a joint venture		20,461,767	(5,214,764)	20,280,331	(4,873,468)
Gains/(losses) on disposals of assets	(48)	(46,283,580)	(223,543,613)	(3,768,044)	(11,548,954)
Other income	(49)	304,412,441	—	20,473,889	—
Operating profit		1,992,225,265	1,416,709,243	932,387,485	1,672,341,353
Add: Non-operating income	(51)	145,623,532	720,032,104	46,552,856	67,680,598
Less: Non-operating expenses	(52)	(33,030,158)	(13,299,582)	(9,683,341)	(774,840)
Total profit		2,104,818,639	2,123,441,765	969,257,000	1,739,247,111
Less: Income tax expense	(53), 15(19)	(722,562,998)	(1,017,743,313)	(74,791,609)	(412,786,256)
Net profit		1,382,255,641	1,105,698,452	894,465,391	1,326,460,855
Classified by continuity of operations					
Net profit from continuing operations		1,382,255,641	1,105,698,452	894,465,391	1,326,460,855
Net profit from discontinued operations		—	—	—	—
Classified by ownership of the equity					
Attributable to non-controlling interests		119,238,453	62,212,024	n/a	n/a
Attributable to shareholders of the Company		1,263,017,188	1,043,486,428	894,465,391	1,326,460,855

Consolidated and Company Income Statements (Continued)

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4 (unless otherwise stated)	Year ended 31 December			
		2017 Consolidated	2016 Consolidated	2017 Company	2016 Company
Other comprehensive income, net of tax	(36),15(12)	41,110,672	(29,823,263)	22,608,000	(17,367,000)
Other comprehensive income attributable to shareholders of the Company, net of tax					
Items that will not be subsequently reclassified to profit or loss					
Changes arising from re-measurement of defined benefit plan liabilities		23,670,000	(18,142,000)	22,608,000	(17,367,000)
Items that will be subsequently reclassified to profit or loss					
Shares of other comprehensive income of investees accounted for using the equity method that will be subsequently reclassified to profit or loss		135,737	51,552	—	—
Changes in fair value of available-for-sale financial assets		6,108,986	—	—	—
Currency translation differences		11,195,949	(11,732,815)	—	—
Total comprehensive income		1,423,366,313	1,075,875,189	917,073,391	1,309,093,855
Attributable to shareholders of the Company		1,304,127,860	1,013,663,165	917,073,391	1,309,093,855
Attributable to non-controlling interests		119,238,453	62,212,024	n/a	n/a
Earnings per share					
Basic earnings per share	(54)	0.935	0.772	n/a	n/a
Diluted earnings per share	(54)	0.935	0.772	n/a	n/a

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

Legal representative:
SUN MingboPrincipal in charge of accounting:
YU ZhumingHead of accounting department:
HOU Qiuyan

Consolidated and Company Cash Flow Statements

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Year ended 31 December			
		2017 Consolidated	2016 Consolidated	2017 Company	2016 Company
Cash flows from operating activities					
Cash received from sales of goods or rendering of services		29,619,137,633	29,277,078,222	19,689,886,525	19,413,249,464
Refund of taxes and surcharges		28,168,984	22,808,497	21,512,958	17,657,886
Cash received relating to other operating activities	(55)(a)	797,306,873	987,213,785	297,875,762	464,818,920
Sub-total of cash inflows		30,444,613,490	30,287,100,504	20,009,275,245	19,895,726,270
Cash paid for goods and services		(14,533,056,958)	(13,915,236,142)	(15,573,457,422)	(13,412,734,194)
Cash paid to and on behalf of employees		(4,326,577,423)	(4,290,094,173)	(1,513,672,381)	(1,492,774,687)
Payments of taxes and surcharges		(5,283,400,828)	(5,261,199,825)	(1,357,127,331)	(1,441,704,635)
Cash paid relating to other operating activities	(55)(b)	(4,078,042,406)	(3,849,679,160)	(2,464,537,363)	(2,214,776,789)
Sub-total of cash outflows		(28,221,077,615)	(27,316,209,300)	(20,908,794,497)	(18,561,990,305)
Net cash flows from operating activities	(56)(a)	2,223,535,875	2,970,891,204	(899,519,252)	1,333,735,965
Cash flows from investing activities					
Cash received from disposal of investments	(55)(e)	1,940,908,642	2,970,467,515	216,100,000	1,457,100,000
Cash received from returns on investments		61,725,468	45,045,052	2,090,694,072	121,303,917
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		8,522,201	26,868,010	1,705,591	1,951,936
Cash received relating to other investing activities	(55)(c)	499,925,339	607,457,479	2,186,000	16,587,290
Sub-total of cash inflows		2,511,081,650	3,649,838,056	2,310,685,663	1,596,943,143
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(888,193,622)	(855,872,099)	(179,449,818)	(194,183,933)
Cash paid to acquire investments	(55)(f)	(2,010,900,000)	(3,259,900,000)	(516,285,226)	(1,544,811,059)
Net cash paid to acquire subsidiaries	(56)(b)	(31,185,226)	(572,059,978)	—	—
Cash paid relating to other investing activities	(55)(d)	(84,472,730)	(126,021,221)	(696,362)	(2,711,633)
Sub-total of cash outflows		(3,014,751,578)	(4,813,853,298)	(696,431,406)	(1,741,706,625)
Net cash flows from investing activities		(503,669,928)	(1,164,015,242)	1,614,254,257	(144,763,482)

Consolidated and Company Cash Flow Statements (Continued)

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Year ended 31 December			
		2017 Consolidated	2016 Consolidated	2017 Company	2016 Company
Cash flows from financing activities					
Cash received from capital contributions		2,400,000	—	—	—
Including: Cash received from capital contributions by minority shareholders of subsidiaries		2,400,000	—	—	—
Cash received from borrowings		329,285,200	46,000,000	—	—
Sub-total of cash inflows		331,685,200	46,000,000	—	—
Cash repayments of borrowings		(329,675,200)	(918,538,871)	—	—
Cash payments for distribution of dividends, profits or interest expense		(534,730,832)	(597,303,929)	(470,595,190)	(530,801,581)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		(57,129,015)	(56,623,034)	—	—
Cash payments relating to other financing activities		(452,564)	(578,521)	—	—
Sub-total of cash outflows		(864,858,596)	(1,516,421,321)	(470,595,190)	(530,801,581)
Net cash flows from financing activities		(533,173,396)	(1,470,421,321)	(470,595,190)	(530,801,581)
Exchange effect on cash and cash equivalents		(14,256,695)	17,644,207	(4,119,825)	9,584,922
Net increase in cash and cash equivalents	(56)(a)	1,172,435,856	354,098,848	240,019,990	667,755,824
Add: Cash and cash equivalents at beginning of year		7,929,473,031	7,575,374,183	3,382,727,922	2,714,972,098
Cash and cash equivalents at end of year	(56)(c)	9,101,908,887	7,929,473,031	3,622,747,912	3,382,727,922

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

Legal representative:
SUN MingboPrincipal in charge of accounting:
YU ZhumingHead of accounting department:
HOU Qiuyan

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Attributable to shareholders of the Company							Total shareholders' equity
		Share capital	Capital surplus	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Non-controlling interests	
Balance at 1 January 2016		1,350,982,795	4,075,078,879	(20,326,159)	1,400,704,380	106,025,418	9,545,596,720	(292,050,983)	16,166,011,050
Movements for the year ended									
31 December 2016		—	(630,889,179)	(29,823,263)	—	36,470,991	480,132,147	857,237,823	713,128,519
Total comprehensive income		—	—	(29,823,263)	—	—	1,043,486,428	62,212,024	1,075,875,189
Net profit		—	—	—	—	—	1,043,486,428	62,212,024	1,105,698,452
Other comprehensive income	(36)	—	—	(29,823,263)	—	—	—	—	(29,823,263)
Profit distribution	(39)	—	—	—	—	36,470,991	(563,354,281)	(56,640,105)	(583,523,395)
Appropriation to general reserve		—	—	—	—	36,470,991	(36,470,991)	—	—
Profit distribution to shareholders		—	—	—	—	—	(526,883,290)	(56,640,105)	(583,523,395)
Others	(35)	—	(630,889,179)	—	—	—	—	851,665,904	220,776,725
Balance at 31 December 2016		1,350,982,795	3,444,189,700	(50,149,422)	1,400,704,380	142,496,409	10,025,728,867	565,186,840	16,879,139,569
Balance at 1 January 2017		1,350,982,795	3,444,189,700	(50,149,422)	1,400,704,380	142,496,409	10,025,728,867	565,186,840	16,879,139,569
Movements for the year ended									
31 December 2017		—	(8,188)	41,110,672	—	13,001,328	777,171,882	64,089,438	895,365,132
Total comprehensive income		—	—	41,110,672	—	—	1,263,017,188	119,238,453	1,423,366,313
Net profit		—	—	—	—	—	1,263,017,188	119,238,453	1,382,255,641
Other comprehensive income	(36)	—	—	41,110,672	—	—	—	—	41,110,672
Profit distribution	(39)	—	—	—	—	13,001,328	(485,845,306)	(57,129,015)	(529,972,993)
Appropriation to general reserve		—	—	—	—	13,001,328	(13,001,328)	—	—
Profit distribution to shareholders		—	—	—	—	—	(472,843,978)	(57,129,015)	(529,972,993)
Others	(35)	—	(8,188)	—	—	—	—	1,980,000	1,971,812
Balance at 31 December 2017		1,350,982,795	3,444,181,512	(9,038,750)	1,400,704,380	155,497,737	10,802,900,749	629,276,278	17,774,504,701

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

Legal representative:
SUN Mingbo

Principal in charge of accounting:
YU Zhuming

Head of accounting department:
HOU Qiuyan

Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 15	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 1 January 2016		<u>1,350,982,795</u>	<u>4,306,624,104</u>	<u>(32,110,000)</u>	<u>1,400,704,380</u>	<u>5,928,623,517</u>	<u>12,954,824,796</u>
Movements for the year ended							
31 December 2016		—	4,912	(17,367,000)	—	799,577,565	782,215,477
Total comprehensive income		—	—	(17,367,000)	—	1,326,460,855	1,309,093,855
Net profit		—	—	—	—	1,326,460,855	1,326,460,855
Other comprehensive income	(12)	—	—	(17,367,000)	—	—	(17,367,000)
Profit distribution		—	—	—	—	(526,883,290)	(526,883,290)
Profit distribution to shareholders	(13)	—	—	—	—	(526,883,290)	(526,883,290)
Others		—	4,912	—	—	—	4,912
Balance at 31 December 2016		<u>1,350,982,795</u>	<u>4,306,629,016</u>	<u>(49,477,000)</u>	<u>1,400,704,380</u>	<u>6,728,201,082</u>	<u>13,737,040,273</u>
Balance at 1 January 2017		<u>1,350,982,795</u>	<u>4,306,629,016</u>	<u>(49,477,000)</u>	<u>1,400,704,380</u>	<u>6,728,201,082</u>	<u>13,737,040,273</u>
Movements for the year ended							
31 December 2017		—	(8,188)	22,608,000	—	421,621,413	444,221,225
Total comprehensive income		—	—	22,608,000	—	894,465,391	917,073,391
Net profit		—	—	—	—	894,465,391	894,465,391
Other comprehensive income	(12)	—	—	22,608,000	—	—	22,608,000
Profit distribution		—	—	—	—	(472,843,978)	(472,843,978)
Profit distribution to shareholders	(13)	—	—	—	—	(472,843,978)	(472,843,978)
Others		—	(8,188)	—	—	—	(8,188)
Balance at 31 December 2017		<u>1,350,982,795</u>	<u>4,306,620,828</u>	<u>(26,869,000)</u>	<u>1,400,704,380</u>	<u>7,149,822,495</u>	<u>14,181,261,498</u>

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

Legal representative:
SUN Mingbo

Principal in charge of accounting:
YU Zhuming

Head of accounting department:
HOU Qiuyan

Notes to Financial Statements

For the Year Ended 31 December 2017

(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 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 its A shares have been listed on the Shanghai Stock Exchange since 27 August 1993. The total share capital upon issue amounted to RMB900,000,000. Subsequently, the Company increased its total share capital to RMB1,308,219,178 after issuing new RMB ordinary shares and corporate convertible bonds which were converted 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 RMB1.5 billion 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 year are disclosed in Note 6(1)(a). Subsidiary newly included in the scope of consolidation in this year is Shanghai Tsingtao Catering Management Co., Ltd. (“Tsingtao Catering”) (Note 5).

These financial statements have been approved for issue by the Company’s Board of Directors on 27 March 2018.

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) and (17)), timing of revenue recognition (Note 2(22)), etc.

The areas including significant judgments to determine the critical accounting policies of the Group are disclosed in Note 2(28).

(1) Basis of preparation

The financial statements are prepared in accordance with the Accounting Standards 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 Standards for Business Enterprises” or “CAS”) and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Rules on Financial Reporting issued by the China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

The new Hong Kong “Companies Ordinance” came into effect in 2016. The presentation and disclosures of certain information in the financial statements have been presented according to the requirement of Hong Kong “Companies Ordinance”.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

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

The financial statements of the Company for the year ended 31 December 2017 are in compliance with CAS, and truly and completely present the Consolidated and the Company's financial position as at 31 December 2017 and their financial performance, cash flows and other information for the year then ended.

(3) Accounting year

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

(4) Recording currency

The Company's recording currency is Renminbi (RMB). The recording currency of the Company's subsidiaries is determined based on the primary economic environment in which they operate. The recording currency of subsidiaries in Hong Kong and Macau is Hong Kong Dollar (HKD) and Macau Pataca (MOP) respectively. The financial statements are presented 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. If the merged party was acquired by the final control party from a third party in the previous year, then the consideration was measured based on carrying amount of assets and liabilities of the merged party (including the goodwill arising from acquisition by the final control party) in the final control party's consolidated financial statements. 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 interests 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 interests 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.

For business combinations achieved by stages involving enterprises not under common control, previously-held equity in the acquiree is remeasured at its fair value at the acquisition dates, and the difference between its fair value and carrying amount is included in investment income for the current period in consolidated financial statement. Where the previously-held equity in the acquiree involves other comprehensive income under equity method and shareholders' equity changes other than those arising from the net profit or loss, other comprehensive income and profit distribution, the related other comprehensive income and other shareholders' equity changes are transferred into income for the current period to which the acquisition dates belongs, excluding those arising from changes in the investee's remeasurement of net liability or net asset related to the defined benefit plan. The excess of the sum of fair value of the previously-held equity and fair value of the consideration paid at the acquisition dates over share of fair value of identifiable net assets acquired from the subsidiary is recognised as goodwill.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(5) Business combinations (continued)

(c) Acquisition of non-controlling 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.

(6) Preparation of consolidated financial statements

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

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realized 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 unrealized profits are eliminated in the consolidated financial statements. The items which can't be attributable to the shareholders of the Company in subsidiary's equity, net profit or loss, and total comprehensive income of the period, are separately presented in the equity item, in net profit item and total comprehensive income item of the consolidated financial statement respectively. Elimination of intra-group unrealized 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 unrealized 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 unrealized 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 highly liquid investments which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(8) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into functional currency 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 functional currency 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 capitalized as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates on 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.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(9) Financial instruments *(continued)*

(a) Financial assets *(continued)*

(i) Classification of financial assets *(continued)*

Held-to-maturity investments

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

(ii) Recognition and measurement

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

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

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

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.

The objective evidence of impairment is 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.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(9) Financial instruments *(continued)*

(a) Financial assets *(continued)*

(iii) Impairment of financial assets *(continued)*

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

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. The loss which has already occurred will not be reversed in subsequent period.

(iv) De-recognition 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 de-recognition 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.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(9) Financial instruments *(continued)*

(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 and borrowings.

Payables, including accounts payable, other payables and notes payable, are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities with maturities no more than one year are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year at the balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique when it is applicable under current conditions and there are enough available data and other information to support. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability, and should maximize the use of relevant observable inputs. When related observable inputs can't be acquired or are not feasible to be acquired, then use unobservable inputs.

(10) Receivables

Receivables comprise accounts receivable, other receivables and notes receivable. 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 is 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.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(10) Receivables (continued)

(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 no provision has been made 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 from government etc.
Group B	Amounts due from subsidiaries
Group C	Others
Bank Acceptance	Banks with lower credit risk

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
Bank Acceptance	Low credit risk upon assessment, no bad debts provided

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.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(11) Inventories

(a) Classification

Inventories comprise raw materials, packing materials, work in progress and finished goods, and are measured at the lower of cost and net realizable value.

(b) Cost formulas

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 realizable 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 realizable value. Net realizable 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) Amortization methods of low value consumables and packaging materials

Low value consumables and packaging materials are written off once used and amortised based upon periods of usage respectively.

(12) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and 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 shareholder's 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.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(12) Long-term equity investments (continued)

(a) Determination of investment cost (continued)

For business combinations achieved by stages involving enterprises not under common control, the initial investment cost accounted for using the cost method is the sum of carrying amount of previously-held equity investment and additional investment cost. Including, for previously-held equity accounted for using the equity method, the accounting treatment of related other comprehensive income from disposal of the equity is carried out on a same basis with the investee's direct disposal of related assets or liabilities. Shareholders' equity, which is recognised due to changes in investee's shareholders' equity other than those arising from the net profit or loss, other comprehensive income and profit distribution, is accordingly transferred into profit or loss in the period in which the investment is disposed. For investment in previously-held equity accounted for using the recognition and measurement standards of financial instruments, the initial investment cost accounted for using the cost method is the sum of carrying amount of previously-held equity investment and additional investment 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

Long-term equity investments accounted for using the cost method 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 recognizes 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 in the contingencies are satisfied, the Group continues recognising the expected 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 interests 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.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(12) Long-term equity investments (continued)

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

Control is the power 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 at the initial 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	20-40 years	3% to 5%	2.4% to 4.9%

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 when it is disposed or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

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

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the acquisition date. The fixed assets contributed by the State shareholders at the reorganization 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) 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.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(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 incurred in the Group that are directly attributable to the acquisition and construction of an 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 an 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 an 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, marketing networks, computer software, technology know-how and others. All intangible assets are measured at cost. The intangible assets contributed by the State-owned shareholders at the time of reform of corporate system into a corporation are recognised based on the revaluated amounts approved by the state-owned assets administration department.

(a) Land use rights

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

(b) Trademarks

Trademarks mainly include the “TSINGTAO BEER” trademark which was injected by the founding shareholders into the Company on 16 June 1993 as their capital contributions. The recorded value of the trademark was assessed based on the results of the valuation 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.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(17) Intangible assets *(continued)*

(c) *Marketing networks*

Marketing networks are the distribution channel identified in the process of business combination of the Company, which are amortised over their estimated useful lives with a range of 5-10 years using the straight-line method.

(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;
- There are adequate technical and financial resources 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 liable 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.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(17) Intangible assets (continued)

(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, constructions 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.

(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 benefits 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.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(20) Employee benefits (continued)

(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 pension 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 labour 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 labour and social security departments have obligations to pay the entire basic social pension. When an employee has rendered service to the Group during the accounting period, the Group should recognize liabilities and costs of assets or expenses.

Supplemental retirement benefits

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 a independent actuary using the Projected Unit Credit method and applying interests rates of government bonds that have similar currency and terms to maturity to those of the related pension obligation. The service cost and net interest 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 recognizes 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 recognizes costs or expenses related to the restructuring that involves the payment of termination benefits.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(20) Employee benefits (continued)

(c) Termination benefits (continued)

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) 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 it's probable that 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. The products will be delivered by carriers to the specific location agreed or will be picked up by the distributors themselves. If the goods are transported by carriers, the relevant risk of damage in transit will be taken by the carriers and settled to the distributors. Revenue is recognised once the goods are picked up by the distributors or carriers.

(b) Rendering of services

The Group provides construction service. 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.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(23) 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 satisfied 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 to be received. 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.

Government 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.

Government grant related to asset should be initially recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred 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. The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

The relocation compensations received directly from the government in terms of fiscal budget, which are due to the overall planning of the town, reservoir construction, shanty areas rebuilding, subsidence area management and other public interests, are recognised as payables for specific projects. The payables for specific projects, which attributes to the compensations for the losses on disposal of fixed assets and intangible assets, the expensed expenditure, the downtime losses and the new purchased and constructed assets after the relocation, in the process of the relocation and rebuilding, are transferred to deferred income and accounted for in accordance with the regulation of government grant. The excess of relocation compensation over the amount transferred to deferred income is recognised as capital reserve.

For the policy loans with favourable interest rates, the Group records the loans at the actual amounts and calculates the interests by loan principals and the favourable interest rates.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(24) 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 realized 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 utilized.

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 utilized, 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
- tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(25) Leases

A finance lease is a lease that transfers substantially all the risks and rewards related to the 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.

Lease income under an operating lease is recognised on a straight-line basis over the period of the lease.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(25) Leases *(continued)*

(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 amortized 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.

(26) 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 entered a legally enforceable sales agreement with other party and obtained relevant approval, and the sales transaction is expected 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/liabilities included in disposal groups as classified as held for sale are accounted for as current assets/liabilities, and are presented separately in the balance sheet.

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.

The net profit from discontinued operations in the income statement includes operating profit or loss and disposal gains or losses of discontinued operations.

(27) Segment information

The Group identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to generate revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance; and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(28) 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)).

If management revises the gross margin or the pre-tax discount rate that is used in the calculation of the future cash flows of asset groups and groups of asset groups, and the revised gross margin is lower than the one currently used or the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognize further impairment against goodwill. If the actual gross margin is higher or pre-tax discount rate is lower than management's estimates, the impairment loss of goodwill previously provided for is not allowed to be reversed by the Group.

(ii) Accounting estimates on impairment of fixed assets

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

For the year ended 31 December 2017, the Group recognised impairment losses of 8,429,040 (2016: 5,638,040) for fixed assets based on such evaluation. As at 31 December 2017, the Group recognised the cumulative provision for fixed assets impairment amounting to 359,461,764 (31 December 2016: 391,192,662) (Note 4(13)).

If management revises the gross margin or the pre-tax discount rate that is used in the calculation of the future cash flows of asset groups and groups of asset groups, and the revised gross margin is lower than the one currently used or the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognize further impairment against fixed assets. If the actual gross margin is higher or pre-tax discount rate is lower than management's estimates, the impairment loss of fixed assets previously provided for is not allowed to be reversed by the Group.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(28) Critical accounting estimates and judgments (continued)

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

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

As at 31 December 2017, deferred tax assets of 1,135,894,135 have been recognised in the Group's balance sheet. As stated in Note 4(19), the Group has unrecognised deferred tax assets aggregated to approximately 787,652,000 as at 31 December 2017, which mainly attributable to accumulated tax losses and impairment losses of certain subsidiaries. The company has unrecognised deferred tax assets for such deductible losses and deductible temporary differences due to the fact that there is no certainty of obtaining approval from local tax authorities or there is no certainty of their respective realization 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) Post-retirement benefits Actuary

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 Annuitant Mortality Table 2010-2013, 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 recognized as other comprehensive income in the future.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

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

(29) Significant changes in accounting policies

In 2017, the Ministry of Finance released the “Accounting Standard for Business Enterprises No. 42 – Non-current Assets or Disposal Groups Held for Sale and Discontinued Operations”, revised “Accounting Standard for Business Enterprises No. 16 – Government Grants” and the “Circular on Amendment to Formats of Financial Statements of General Industry” and its interpretation (Cai Kuai [2017] No. 30). The financial statements are prepared in accordance with the above standards and circular, and impacts are as follows:

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected	
		2016 Consolidated	2016 Company
The Group recorded the amount of the government grants related to operating activities as other income. The comparatives in 2016 were not restated according to relevant requirements.	Not Applicable	Not Applicable	Not Applicable
The Group recorded the gains or losses on disposals of fixed assets and intangible assets, occurred in 2017, in gains on disposals of assets. The comparatives in 2016 were restated accordingly.	Gains/(losses) on disposals of assets	(223,543,613)	(11,548,954)
	Non-operating income	(1,460,219)	(257,072)
	Non-operating expenses	225,003,832	11,806,026

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 (a)	Taxable income	3% to 25%
Value added tax (“VAT”) (b)	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%, 11% and 6%
Business tax (“BT”) (b)	Taxable turnover amount	3% and 5%
Consumption tax (c)	Sales Price of Beer More than or equal to RMB3,000 per ton	Consumption Tax per Unit 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% and 7%
Education surcharge	Amount of VAT, business tax and consumption tax paid	5%

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

3 Taxation (continued)

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

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

Tsingtao Brewery Hong Kong Trading Co., Ltd. (“Hong Kong Company”) and Asia Brewery (Macau) Co., Ltd. (“Macau Company”), the Company’s subsidiaries, were established in Hong Kong and Macau, applying Hong Kong profits tax and Macau profits supplemental tax respectively.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year. Macau profits supplemental tax is imposed on the estimated taxable profit for the year at a progressive rate scale ranging from 3% to 12%.

(b) VAT & BT

The Group is subject to output VAT calculated at 17% of the domestic sales value of tangible goods including beers. In addition, it is subjected to a refund at the rate of 15% on its export sales of products based on an “exempt, credit, refund” policy. The Group also pays input VAT on its purchases of raw 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.

Pursuant to the Circular on the overall Promotion of Pilot Program of Levying VAT in place of BT(Cai Shui [2016] No.36) jointly issued by the Ministry of Finance and the State Administration of Taxation, revenue from financial service of Tsingtao Brewery Financial LLC. (“Finance Company”, a subsidiary of the Company) and revenue from construction business of Tsingtao Brewery Construction Co., Ltd. (“Construction Company”, a subsidiary of the Company) are subject to VAT at the rates of 6% and 11% respectively from 1 May 2016, which were subject to business tax at the rates of 5% and 3% respectively before then.

(c) Consumption tax

Beer 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 3,000 or above per ton, the consumption tax is 250 per ton. Otherwise, the consumption tax is levied at 220 per ton.

Tsingtao Brewery (Yangzhou) Co., Ltd. (“Yangzhou Company”), Tsingtao Brewery (Xuzhou) Co., Ltd. (“Xuzhou Company”), Tsingtao Brewery (Langfang) Co., Ltd. (“Langfang Company”), which are subsidiaries of the Company, have accumulated outstanding consumption balances from previous years amounting to approximately 41,883,000, which are held over according to the preferential treatment provided by local governments.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

3 Taxation (continued)

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

(d) **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, a Chinese resident enterprise shall withhold the enterprise income tax on the basis of 10% of the dividends, when it pays dividends to its H-share holders who are overseas non-resident enterprises

4 Notes to the consolidated financial statements

(1) **Cash at bank and on hand**

	31 December 2017	31 December 2016
Cash on hand	367,745	411,137
Bank deposits	780,564,084	567,807,084
Interbank deposits (i)	8,322,055,551	7,362,521,925
Deposit in central bank (ii)	660,800,000	601,010,000
Other cash balances (iii)	41,697,741	40,935,099
	<u>9,805,485,121</u>	<u>8,572,685,245</u>
Including: Cash at bank and on hand overseas (iv)	<u>96,521,253</u>	<u>98,097,375</u>

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

(ii) Deposits in central bank represent statutory deposit reserves in the People’s Bank of China by Finance Company. As at 31 December 2017, the statutory deposit reserves ratio of Finance Company is 7% (31 December 2016: 7%).

(iii) As at 31 December 2017, other cash balances of 31,718,697 (31 December 2016: 31,588,099) represent housing maintenance fund in the bank; 5,506,000 (31 December 2016: 8,647,000) are pledged as collateral for issuance of bank acceptance (Note 4(23)); the remaining balances are other deposits of 4,473,044 (31 December 2016: 700,000).

(iv) As at 31 December 2017, cash at bank and on hand overseas represents the cash and bank deposits of Hong Kong Company and Macau Company held in Hong Kong and Macau respectively.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(1) Cash at bank and on hand (continued)

Cash and cash equivalents presented in cash flow statement

	31 December 2017	31 December 2016
Cash at bank and on hand	9,805,485,121	8,572,685,245
Other receivables – deposit in non-financial institutions	281,507	92,885
Less: Restricted bank deposit	(1,360,000)	(1,360,000)
Restricted deposit in central bank	(660,800,000)	(601,010,000)
Other restricted cash balances	(41,697,741)	(40,935,099)
	<u>9,101,908,887</u>	<u>7,929,473,031</u>

(2) Financial assets at fair value through profit or loss

	31 December 2017	31 December 2016
Money-market fund	<u>130,115,254</u>	—

Financial assets at fair value through profit or loss represent the money-market fund purchased by Finance Company (a subsidiary of the Company). As at 31 December 2017, the fair value is measured according to the earning announcement issued by related Fund Management Company on the last trading day of December 2017.

(3) Notes receivable

	31 December 2017	31 December 2016
Bank acceptance notes	<u>42,220,000</u>	<u>26,400,000</u>

As at 31 December 2017, the Group's notes receivable which have been endorsed but not yet matured are derecognised amounting to 173,368,716 (31 December 2016: 149,575,200), and there are no discounted bank acceptance notes that are not yet matured (31 December 2016: nil).

As at 31 December 2017, there are no pledged notes receivable, or no endorsed or discounted trade acceptance notes that are not yet matured (31 December 2016: nil).

(4) Accounts receivable

	31 December 2017	31 December 2016
Accounts receivable	334,430,948	317,973,385
Less: Provision for bad debts	<u>(193,033,704)</u>	<u>(193,326,345)</u>
	<u>141,397,244</u>	<u>124,647,040</u>

The majority of the Group's domestic sales are made by prepayments from customers. The remainder is settled by letters of credit, bank acceptance notes or providing credit terms from 30 to 100 days.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(4) Accounts receivable (continued)

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

	31 December 2017	31 December 2016
Within 6 months	139,714,900	122,294,348
6 months to 1 year	1,642,313	2,413,781
1 to 2 years	244,294	119,200
2 to 3 years	—	757,264
3 to 4 years	655,737	110,102
4 to 5 years	9,205	—
Over 5 years	192,164,499	192,278,690
	<u>334,430,948</u>	<u>317,973,385</u>

Accounts receivable are mainly recorded based on the dates of transaction. The ageing of accounts receivable represented on their recording date is basically the same as the ageing represented on the dates of invoice.

As at 31 December 2017, accounts receivable of 12,155,213 (31 December 2016: 14,837,330) are past due, but based on the analysis of the customers' financial position and credit record, the Group is of the view that the overdue amounts could be fully or partially recovered, thus no provision for bad debts is individually or fully provided. The past-due ageing of these accounts receivables is analysed as follows:

	31 December 2017	31 December 2016
Within 6 months	11,791,296	13,709,044
6 months to 1 year	202,687	1,104,627
1 to 2 years	161,230	23,659
	<u>12,155,213</u>	<u>14,837,330</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(4) Accounts receivable (continued)

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

	31 December 2017				31 December 2016			
	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	28,751,710	8.60%	(28,751,710)	100%	28,851,710	9.07%	(28,851,710)	100%
Subject to provision on the grouping basis								
Group C	305,679,238	91.40%	(164,281,994)	53.74%	289,121,675	90.93%	(164,474,635)	56.89%
	<u>334,430,948</u>	<u>100%</u>	<u>(193,033,704)</u>	<u>57.72%</u>	<u>317,973,385</u>	<u>100%</u>	<u>(193,326,345)</u>	<u>60.80%</u>

(c) As at 31 December 2017, accounts receivable with amounts that are individually significant and subjected to separate assessment for provision are analysed as follows:

	Ending balance	Provision for bad debts	Ratio	Reason
Gansu Nongken Brewery Co., Ltd. (“Nongken Brewery Company”)	14,996,236	(14,996,236)	100%	(i)
Beijing Tsingtao Brewery Sales Co., Ltd. (“Beijing Sales Company”)	11,245,784	(11,245,784)	100%	(ii)
Tsingtao Brewery (Guangzhou) General Agency Co., Ltd. (“Guangzhou General Agency”)	2,509,690	(2,509,690)	100%	(iii)
	<u>28,751,710</u>	<u>(28,751,710)</u>		

- (i) As the Group 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 outstanding receivable, therefore full bad debt provision has been made accordingly.
- (ii) As 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 outstanding receivable, 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 outstanding receivable, therefore full bad debt provision has been made accordingly. As at 31 December 2017, the carrying amount is the remaining unrecovered portion.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(4) Accounts receivable (continued)

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

	31 December 2017			31 December 2016		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
		Amount	Ratio		Amount	Ratio
Within 6 months	139,714,900	—	—	122,294,348	—	—
6 months to 1 year	1,642,313	(82,116)	5%	2,413,781	(120,689)	5%
1 to 2 years	244,294	(122,147)	50%	119,200	(59,600)	50%
2 to 3 years	—	—	—	757,264	(757,264)	100%
3 to 4 years	655,737	(655,737)	100%	110,102	(110,102)	100%
4 to 5 years	9,205	(9,205)	100%	—	—	—
Over 5 years	163,412,789	(163,412,789)	100%	163,426,980	(163,426,980)	100%
	<u>305,679,238</u>	<u>(164,281,994)</u>	<u>53.74%</u>	<u>289,121,675</u>	<u>(164,474,635)</u>	<u>56.89%</u>

- (e) The provisions for bad debts increased in the current year are 192,048, the amount of bad debts due to currency translation differences decreases by 180, and the reversal of provisions for bad debts are 440,222. The significant reversal of provision for bad debts is as follows:

	Reason for collecting or reversal	Rationality of provision basis	Amount of collecting or reversal	Collecting way
Guangzhou General Agency	Partially collected	The collecting probability is low in the management's view	<u>100,000</u>	By cash

- (f) In the current year, accounts receivable of 44,287 (2016: 1,323,292) are receivables of beer sales that cannot be collected and are written off with approval.

- (g) As at 31 December 2017, the top five accounts receivable are analysed as follows:

	Amount	Provision of bad debts	% of total balance
Total amount of the top five accounts receivable	<u>65,224,921</u>	<u>(26,242,020)</u>	<u>19.50%</u>

- (h) As at 31 December 2017, there are no accounts receivable derecognised due to the transfer of financial assets (31 December 2016: nil).

- (i) As at 31 December 2017, there are no accounts receivable pledged as collateral for the Group's borrowings (31 December 2016: nil).

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(5) Advances to suppliers

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

	31 December 2017		31 December 2016	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	113,806,374	97.78%	46,527,120	89.81%
1 to 2 years	2,261,744	1.94%	112,760	0.22%
2 to 3 years	20,945	0.02%	1,804,909	3.48%
Over 3 years	305,367	0.26%	3,361,470	6.49%
	116,394,430	100%	51,806,259	100%

As at 31 December 2017, advances to suppliers over 1 year with carrying amount of 2,588,056 (31 December 2016: 5,279,139) are mainly advances paid for materials, which have not been required to deliver yet due to production plan.

(b) As at 31 December 2017, the total amount of top five advances to suppliers is analysed as follows:

	Amount	% of total balance
Total amount of the top five advances to suppliers	48,425,836	41.60%

(6) Interests receivable

	31 December 2017	31 December 2016
Interests receivable	86,573,933	71,557,290

Interests receivable are mainly the interbank deposits interests due from external financial institutions, which not yet been received by Finance Company, a subsidiary of the Company.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(7) Other receivables

	31 December 2017	31 December 2016
Treasury bonds reverse repo investment (i)	119,900,000	79,900,000
Payment on behalf for recycling bottles	39,637,419	42,144,059
Guarantee deposits	24,325,620	19,750,335
Reservation fund	20,101,591	22,053,131
Receivables of refundable cost of land and buildings	17,441,647	17,441,647
Receivables on materials and waste materials	16,924,916	15,557,028
Dealer credit (ii)	8,100,000	7,100,000
VAT refund	5,092,773	5,598,156
Receivables on construction and equipment (iii)	4,902,774	26,238,208
Others	82,050,335	72,185,112
	<u>338,477,075</u>	<u>307,967,676</u>
Less: Provision for bad debts	<u>(76,650,477)</u>	<u>(74,123,790)</u>
	<u>261,826,598</u>	<u>233,843,886</u>

(i) It represents the treasury bonds reverse repo investment of Finance Company (a subsidiary of the Company).

(ii) It represents the loans to the customers by Finance Company (a subsidiary of the Company).

(iii) It represents receivables on construction and equipment business due from third parties to the Company's subsidiaries, Construction Company, Tsingtao Brewery Machinery and Equipment Co., Ltd. ("Machinery and Equipment Company") and Tsingtao Brewery Equipment Manufacture Co., Ltd. ("Equipment Manufacture").

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

	31 December 2017	31 December 2016
Within 6 months	240,017,145	222,358,023
6 months to 1 year	14,470,761	4,687,350
1 to 2 years	4,314,461	5,115,624
2 to 3 years	4,070,839	5,056,572
3 to 4 years	4,976,297	2,053,816
4 to 5 years	2,008,706	432,609
Over 5 years	68,618,866	68,263,682
	<u>338,477,075</u>	<u>307,967,676</u>

The Group has no specific credit terms for other receivables. Therefore, the Group has no other receivables that are past due but not individually provided for impairment as at 31 December 2017 and 31 December 2016.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(7) Other receivables (continued)

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

	31 December 2017				31 December 2016			
	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	5.15%	(17,441,647)	100%	17,441,647	5.66%	(17,441,647)	100%
Subject to provision on the grouping basis								
Group A	11,038,702	3.26%	—	—	10,115,864	3.29%	—	—
Group C	309,996,726	91.59%	(59,208,830)	19.10%	280,410,165	91.05%	(56,682,143)	20.21%
	<u>338,477,075</u>	<u>100%</u>	<u>(76,650,477)</u>	<u>22.65%</u>	<u>307,967,676</u>	<u>100%</u>	<u>(74,123,790)</u>	<u>24.07%</u>

(c) As at 31 December 2017, other receivables that are individually significant and subject to separate assessment for provision are analysed as follows:

	Ending balance	Provision for bad debts	Ratio	Reason
Receivables of refundable cost of land and buildings	<u>17,441,647</u>	<u>(17,441,647)</u>	100%	(i)

- (i) A land use right of the Company was expropriated by the government years ago. The government committed offering another new land use right instead. The management of the Company considers that the possibility of obtaining new land use right is low, and therefore has transferred the cost of the expropriated land use right of 8,584,437 and cost of buildings on this land of 8,857,210 to other receivables, and full bad debt provision has been recorded accordingly.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(7) Other receivables (continued)

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

	31 December 2017			31 December 2016		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
		Amount	Ratio		Amount	Ratio
Within 6 months	237,693,090	—	—	219,841,914	—	—
6 months to 1 year	12,239,378	(611,969)	5%	3,010,220	(150,511)	5%
1 to 2 years	2,934,795	(1,467,398)	50%	2,052,798	(1,026,399)	50%
2 to 3 years	1,827,040	(1,827,040)	100%	5,056,572	(5,056,572)	100%
3 to 4 years	4,976,297	(4,976,297)	100%	965,016	(965,016)	100%
4 to 5 years	919,906	(919,906)	100%	432,609	(432,609)	100%
Over 5 years	49,406,220	(49,406,220)	100%	49,051,036	(49,051,036)	100%
	<u>309,996,726</u>	<u>(59,208,830)</u>	<u>19.10%</u>	<u>280,410,165</u>	<u>(56,682,143)</u>	<u>20.21%</u>

- (e) The provisions for bad debts increased in the current year are 2,975,541, and the reversals of provision for bad debts are 439,568.

- (f) In the current year, other receivables of 9,286 were written off.

- (g) As at 31 December 2017, the top five other receivables are analysed as follows:

Nature	Amount	Ageing	% of total balance	Provision for bad debts
No. 1 Treasury bonds reverse repo investment	119,900,000	within 6 months	35.42%	—
No. 2 Payment on behalf for recycling bottles	39,637,419	within 6 months	11.71%	—
No. 3 Refund for payment of land use rights	8,584,437	Over 5 years	2.54%	(8,584,437)
No. 4 Receivables on tax refund	5,092,773	Within 2 years	1.50%	—
No. 5 Receivables on materials	5,000,000	Over 5 years	1.48%	(5,000,000)
	<u>178,214,629</u>		<u>52.65%</u>	<u>(13,584,437)</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(8) Inventories

(a) Classification of inventories is as follows:

	31 December 2017			31 December 2016		
	Ending balance	Provision	Carrying amount	Ending balance	Provision	Carrying amount
Raw materials	453,076,729	(1,605,275)	451,471,454	526,264,352	(1,629,861)	524,634,491
Packaging materials	786,537,984	(3,656,133)	782,881,851	751,529,177	(4,100,245)	747,428,932
Low-value consumables	48,978,297	—	48,978,297	47,281,048	—	47,281,048
Materials on consignment for further processing	7,845,750	—	7,845,750	11,485,076	—	11,485,076
Work in progress	390,788,388	—	390,788,388	402,043,549	—	402,043,549
Finished goods	710,944,401	—	710,944,401	679,569,684	—	679,569,684
	<u>2,398,171,549</u>	<u>(5,261,408)</u>	<u>2,392,910,141</u>	<u>2,418,172,886</u>	<u>(5,730,106)</u>	<u>2,412,442,780</u>

(b) The movements of inventories is as follows:

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Raw materials	526,264,352	3,959,236,386	(4,032,424,009)	453,076,729
Packaging materials	751,529,177	7,338,499,530	(7,303,490,723)	786,537,984
Low-value consumables	47,281,048	383,325,474	(381,628,225)	48,978,297
Material on consignment for further processing	11,485,076	16,075,734	(19,715,060)	7,845,750
Work in progress	402,043,549	5,521,965,524	(5,533,220,685)	390,788,388
Finished goods	679,569,684	15,655,268,382	(15,623,893,665)	710,944,401
	<u>2,418,172,886</u>			<u>2,398,171,549</u>

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

	31 December 2016	Increase in the current year	Decrease in the current year		31 December 2017
			Reversal	Write-off	
Raw materials	(1,629,861)	—	—	24,586	(1,605,275)
Packaging materials	(4,100,245)	—	—	444,112	(3,656,133)
	<u>(5,730,106)</u>	<u>—</u>	<u>—</u>	<u>468,698</u>	<u>(5,261,408)</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(8) Inventories (continued)

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

	Basis for provision	Reason for writing-off
Raw materials and packaging materials	Estimated selling price less the estimated costs to completion and estimated expenses necessary to sale and related taxes	Used in the current year

(9) Other current assets

	31 December 2017	31 December 2016
Available-for-sale financial assets (Note 4 (10))	628,145,315	720,000,000
Prepaid Enterprise Income tax	247,520,745	155,807,742
VAT input to be deducted	156,864,912	158,747,492
VAT input to be verified	63,024,221	81,133,475
Others	505,453	493,177
	1,096,060,646	1,116,181,886

(10) Available-for-sale financial assets

	31 December 2017	31 December 2016
Measured at fair value		
— Wealth management products with non-guaranteed floating income	628,145,315	720,000,000
Measured at cost		
— Available-for-sale equity instruments	9,253,179	9,261,821
Less: Provision for impairment	(8,653,179)	(8,653,179)
	628,745,315	720,608,642
Less: Available-for-sale financial assets listed in other current assets (Note 4 (9))	(628,145,315)	(720,000,000)
	600,000	608,642

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(10) Available-for-sale financial assets (continued)

(a) Available-for-sale financial assets are analysed as follows:

Available-for-sale financial assets measured at fair value:

	31 December 2017	31 December 2016
Wealth management products with non-guaranteed floating income		
— Fair value	628,145,315	720,000,000
— Cost	620,000,000	720,000,000
— Accumulated into other comprehensive income (before tax) (Note 4(36))	8,145,315	—

As at 31 December 2017, carrying amount is the maximum credit risk exposure of wealth management products purchased by the Group.

Available-for-sale financial assets measured at cost:

	31 December 2016	Changes in the current year	31 December 2017	Dividends distribution in the current year
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	1,666,560	(8,642)	1,657,918	7,830
	<u>9,261,821</u>	<u>(8,642)</u>	<u>9,253,179</u>	<u>7,830</u>

(b) Provision for impairment of available-for-sale financial assets is analysed as follows:

	31 December 2016	Changes in the current year	31 December 2017
Impairment allowance 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	(1,057,918)	—	(1,057,918)
	<u>(8,653,179)</u>	<u>—</u>	<u>(8,653,179)</u>

(c) 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 reasonable fair value estimates is wide and probabilities for determining these estimates cannot be reasonably determined. The Group has no plan to dispose these investments.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(11) Long-term equity investments

	31 December 2017	31 December 2016
Joint venture (a)	233,097,635	226,219,372
Associates (b)	144,021,804	154,531,543
	377,119,439	380,750,915
Less: Provision for impairment of long-term equity investments	(1,220,000)	(1,220,000)
	<u>375,899,439</u>	<u>379,530,915</u>

(a) Joint venture

	31 December 2016	Movements in the current period				Cash dividends declared	31 December 2017	Balance of provision for impairment at end of year
		Share of net profit or loss using the equity method	Share of other comprehensive income	Other equity changes				
Hebei Jiahe Beer Co., Ltd. ("Hebei Jiahe Company")	226,219,372	6,878,263	—	—	—	233,097,635	—	

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

Details of equity interests in the joint venture are disclosed in Note 6(2)(b).

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(11) Long-term equity investments (continued)

(b) Associates

	31 December 2016	Movements in the current year				31 December 2017	Balance of provision for impairment at end of year
		Share of net profit or loss using the equity method	Share of other comprehensive income	Other equity changes	Cash dividends declared		
Yantai Brewery Tsingtao Asahi Co., Ltd. ("Yantai Asahi")	132,718,159	10,992,849	—	—	(14,811,398)	128,899,610	—
Qingdao Zhaoshang Logistics Company Limited. ("Zhaoshang Logistics")	16,870,025	3,321,515	—	(8,188)	(9,409,394)	10,773,958	—
Tsingtao Brewery Import & Export S.A.R.L ("European Company")	1,953,268	181,436	135,737	—	—	2,270,441	—
Liaoning Shenqing Tsingtao Brewery Company Limited ("Liaoning Shenqing")	1,770,091	(912,296)	—	—	—	857,795	—
Others	1,220,000	—	—	—	—	1,220,000	(1,220,000)
	<u>154,531,543</u>	<u>13,583,504</u>	<u>135,737</u>	<u>(8,188)</u>	<u>(24,220,792)</u>	<u>144,021,804</u>	<u>(1,220,000)</u>

Details of equity interests in the associates are disclosed in Note 6(2)(c).

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(12) Investment properties

	Buildings
Original cost	
31 December 2016	53,430,046
Increase in the current year — Transfer from fixed assets	14,923,159
31 December 2017	68,353,205
Accumulated depreciation	
31 December 2016	(27,877,439)
Increase in the current year	(12,565,171)
Accrual	(1,686,174)
Transfer from fixed assets	(10,878,997)
31 December 2017	(40,442,610)
Provision for impairment	
31 December 2016	(606,587)
Increase in the current year — Transfer from fixed assets	(42,081)
31 December 2017	(648,668)
Carrying amount	
31 December 2017	27,261,927
31 December 2016	24,946,020

For the year ended 31 December 2017, the fixed assets with the carrying amount of 4,002,081 (cost: 14,923,159) are reclassified to investment properties as they are used for leasing instead of self-use.

As at 31 December 2017, there is no investment property without ownership certificates (31 December 2016: nil).

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(13) Fixed assets

	Buildings	Machinery and equipment	Vehicles	Other equipments	Total
Original cost					
As at 31 December 2016	7,100,793,985	10,996,820,185	363,886,714	849,498,987	19,310,999,871
Increase in the current year	194,923,808	455,817,969	12,317,990	37,292,465	700,352,232
Purchase	—	31,416,065	12,317,990	28,318,270	72,052,325
Transfer from construction in progress	194,923,808	424,401,904	—	8,974,195	628,299,907
Decrease in the current year	(183,308,561)	(535,312,397)	(30,420,439)	(31,339,064)	(780,380,461)
Disposal	(82,717,948)	(299,633,069)	(30,420,439)	(30,831,264)	(443,602,720)
Transfer to construction in progress (i)	(85,667,454)	(235,679,328)	—	(507,800)	(321,854,582)
Transfer to investment properties	(14,923,159)	—	—	—	(14,923,159)
As at 31 December 2017	7,112,409,232	10,917,325,757	345,784,265	855,452,388	19,230,971,642
Accumulated depreciation					
As at 31 December 2016	(1,519,006,075)	(5,214,672,163)	(207,427,882)	(531,089,549)	(7,472,195,669)
Increase in the current year	—	—	—	—	—
— Accrual	(191,551,297)	(628,340,921)	(26,660,094)	(80,910,187)	(927,462,499)
Decrease in the current year	78,790,782	387,642,084	26,439,001	26,738,595	519,610,462
Disposal	45,627,498	247,295,157	26,439,001	26,246,462	345,608,118
Transfer to construction in progress (i)	22,284,287	140,346,927	—	492,133	163,123,347
Transfer to investment properties	10,878,997	—	—	—	10,878,997
As at 31 December 2017	(1,631,766,590)	(5,455,371,000)	(207,648,975)	(585,261,141)	(7,880,047,706)
Provision for impairment					
As at 31 December 2016	(61,378,013)	(327,459,767)	(2,305,197)	(49,685)	(391,192,662)
Increase in the current year	—	—	—	—	—
— Accrual	(3,897,106)	(4,442,683)	(22,568)	(66,683)	(8,429,040)
Decrease in the current year	3,904,905	35,087,970	1,167,063	—	40,159,938
Disposal	3,862,824	35,087,970	1,167,063	—	40,117,857
Transfer to investment properties	42,081	—	—	—	42,081
As at 31 December 2017	(61,370,214)	(296,814,480)	(1,160,702)	(116,368)	(359,461,764)
Carrying amount					
As at 31 December 2017	5,419,272,428	5,165,140,277	136,974,588	270,074,879	10,991,462,172
As at 31 December 2016	5,520,409,897	5,454,688,255	154,153,635	318,359,753	11,447,611,540

- (i) For the year ended 31 December 2017, fixed assets of the Group with the carrying amount of 158,731,235 (cost: 321,854,582; accumulated depreciation: 163,123,347) are transferred to construction in progress to be upgraded due to technology renewal.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(13) Fixed assets (continued)

As at 31 December 2017, there are no fixed assets pledged as collateral for borrowings (31 December 2016: nil).

As at 31 December 2017, the fixed assets of Shandong New Immense Brewery Co., Ltd. (“Immense Brewery Company”), which were acquired through business combination not under common control in the previous years, with carrying amount of 248,626,195 and no provision of impairment.

For the year ended 31 December 2017, accrued depreciation are 927,462,499 (2016: 907,223,067), of which 828,291,374, 9,289,228 and 89,881,897 (2016: 799,870,619, 13,260,749 and 94,091,699) have been charged to cost of sales, selling and distribution expenses and general and administrative expenses respectively.

The cost of fixed assets transferred from construction in progress amounts to 628,299,907 (2016: 849,652,554).

(a) Temporarily idle fixed assets

As at 31 December 2017, the buildings and the machinery and equipment with carrying amount of 106,345,998 (cost: 223,872,739) are temporarily idle due to products update (31 December 2016: carrying amount of 80,756,169, cost: 193,706,174). The management planned to upgrade or reallocate these assets among the Group. The detailed analysis of these assets is as follows:

	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery and equipment	211,316,824	(109,274,183)	(1,071,496)	100,971,145
Buildings	12,555,915	(7,163,976)	(17,086)	5,374,853
	<u>223,872,739</u>	<u>(116,438,159)</u>	<u>(1,088,582)</u>	<u>106,345,998</u>

(b) Fixed assets held under finance leases

As at 31 December 2017, there are no fixed assets held under finance leases (31 December 2016: nil).

(c) Provision for impairment

According to the accounting policies stated in Note 2(19), the Group performs impairment testing on fixed assets with impairment indicators at the balance sheet date, and impairment of 8,429,040 has been provided during the year 2017.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(13) Fixed assets (continued)

(d) Fixed assets without ownership certificates

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

Reason	Carrying amount	
	31 December 2017	31 December 2016
In the application process	405,086,000	486,110,000
Unable to obtain	41,963,000	48,633,000
	447,049,000	534,743,000

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, and there are no significant adverse impact on the operations of the Group, therefore, no provision for impairment of fixed assets is provided. In addition, certain buildings of the Group are still located on parcels of allotted land owned by certain local municipal governments (Note 4(16)).

Reason	
Partial buildings of Shenzhen Asahi Company	In the application process
Partial buildings of Sanshui Company	In the application process
Partial buildings of Yulin Company	In the application process
Partial buildings of Wuwei Company	In the application process
Partial buildings of Wuhu Company	In the application process
Partial buildings of Suizhou Company	In the application process
Partial buildings of Immense Brewery Company	In the application process
Partial buildings of Luzhou Company	In the application process
Partial buildings of Xiamen Company	In the application process
Partial buildings of Shanghai Investment Company	In the application process
Partial buildings of Yangzhou Company	In the application process
Partial buildings of Shaoguan Company	Temporary buildings, unable to obtain
Partial buildings of Five Star Company	Temporary buildings, unable to obtain
Partial buildings of Xiamen Company	Lack of documents, unable to obtain
Partial buildings of No. 1 Factory	Lack of documents, unable to obtain
Partial buildings of Three Ring Company	Lack of documents, unable to obtain
Partial buildings of Xuecheng Company	Lack of documents, unable to obtain
Partial buildings of Yangzhou Company	Lack of documents, unable to obtain

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(14) Construction in progress

	31 December 2017			31 December 2016		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
New factory project of Zhangjiakou Company	48,536,978	—	48,536,978	16,344,643	—	16,344,643
Relocation project of Langfang Company	41,722,196	—	41,722,196	13,484,798	—	13,484,798
Office building project of Xi'an Company	28,192,183	—	28,192,183	—	—	—
Production line improvement of No. 1 Factory	12,119,930	—	12,119,930	17,950,454	—	17,950,454
Production line improvement of No. 2 Factory	10,703,954	—	10,703,954	12,755,649	—	12,755,649
Production line improvement of No. 5 Factory	7,076,524	—	7,076,524	3,465,804	—	3,465,804
Office building project of Shanghai Sales Company	5,521,390	—	5,521,390	3,258,376	—	3,258,376
Production line improvement of No. 3 Factory	4,740,337	—	4,740,337	2,182,747	—	2,182,747
Production line improvement of Gansu Nongken Company	4,461,539	—	4,461,539	443,960	—	443,960
Relocation project of Weinan Company	4,400,975	—	4,400,975	2,928,903	—	2,928,903
Production line improvement of Shouguang Company	3,611,293	—	3,611,293	—	—	—
Production line improvement of Jinan Company	3,564,187	—	3,564,187	511,090	—	511,090
Production line improvement of Lulansa Brewery	3,545,136	—	3,545,136	—	—	—
Production line improvement of Xuecheng Company	2,742,187	—	2,742,187	3,893,518	—	3,893,518
Production line improvement of Hangzhou Company	2,547,680	—	2,547,680	283,019	—	283,019
Production line improvement of Xiamen Company	2,273,056	—	2,273,056	948,433	—	948,433
Production line improvement of Fuzhou Company	1,831,249	—	1,831,249	2,733,661	—	2,733,661
Production line improvement of Shenzhen Asahi	1,174,814	—	1,174,814	209,694	—	209,694
Production line improvement of Tengzhou Company	1,145,495	—	1,145,495	—	—	—
Other projects	10,228,075	—	10,228,075	112,051,977	—	112,051,977
	200,139,178	—	200,139,178	193,446,726	—	193,446,726

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(14) Construction in progress (continued)

(a) Movement in significant construction in progress

Name	Budget	31 December 2016	Increase in the current year – Purchase	Increase in the current year – Transfer from fixed assets	Transfer to fixed assets	31 December 2017	Expenditures percentage of budget	Completion percentage	Source of funds
New factory project of Zhangjiakou									
Company	400,000,000	16,344,643	32,192,335	—	—	48,536,978	13%	12%	Self-funding
Relocation project of Langfang									
Company	299,220,000	13,484,798	31,460,309	—	(3,222,911)	41,722,196	20%	16%	Self-funding
Office building project of									
Xi'an Company	33,000,000	—	28,192,183	—	—	28,192,183	85%	85%	Self-funding
Production line improvement of									
No. 1 Factory	128,713,000	17,950,454	17,435,854	14,086,768	(37,353,146)	12,119,930	67%	67%	Self-funding
Production line improvement of									
No. 2 Factory	212,762,000	12,755,649	24,942,317	27,566,111	(54,560,123)	10,703,954	83%	83%	Self-funding
Production line improvement of									
No. 5 Factory	30,279,377	3,465,804	19,016,103	570,332	(15,975,715)	7,076,524	63%	63%	Self-funding
Office building project of Shanghai									
Sales Company	140,000,000	3,258,376	2,263,014	—	—	5,521,390	4%	4%	Self-funding
Production line improvement of									
No. 3 Factory	6,633,119	2,182,747	1,295,973	1,941,894	(680,277)	4,740,337	52%	52%	Self-funding
Production line improvement of									
Gansu Nongken Company	10,885,895	443,960	7,720,368	—	(3,702,789)	4,461,539	75%	75%	Self-funding
Relocation project of Weinan									
Company	308,330,000	2,928,903	1,873,519	—	(401,447)	4,400,975	86%	84%	Self-funding
Production line improvement of									
Shouguang Company	6,390,000	—	3,745,909	98,520	(233,136)	3,611,293	61%	59%	Self-funding
Production line improvement of									
Jinan Company	11,988,398	511,090	5,249,361	2,781,352	(4,977,616)	3,564,187	44%	44%	Self-funding
Production line improvement of									
Lulansa Brewery	2,450,000	—	2,087,786	3,175,233	(1,717,883)	3,545,136	85%	85%	Self-funding
Production line improvement of									
Xuecheng Company	12,820,000	3,893,518	2,066,229	1,481,379	(4,698,939)	2,742,187	16%	16%	Self-funding
Production line improvement of									
Hangzhou Company	9,538,504	283,019	6,799,827	935,485	(5,470,651)	2,547,680	71%	71%	Self-funding
Production line improvement of									
Xiamen Company	17,088,220	948,433	11,412,125	2,596,038	(12,683,540)	2,273,056	67%	67%	Self-funding
Production line improvement of									
Fuzhou Company	20,647,866	2,733,661	1,806,229	6,107,348	(8,815,989)	1,831,249	9%	9%	Self-funding
Production line improvement of									
Shenzhen Asahi	7,261,359	209,694	5,085,972	—	(4,120,852)	1,174,814	73%	70%	Self-funding
Production line improvement of									
Tengzhou Company	3,906,593	—	1,611,219	389,194	(854,918)	1,145,495	41%	41%	Self-funding
Other projects		112,051,977	270,004,492	97,001,581	(468,829,975)	10,228,075			Self-funding
		193,446,726	476,261,124	158,731,235	(628,299,907)	200,139,178			

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(14) Construction in progress (continued)

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

For the year ended 31 December 2017, there are no new increased borrowing costs capitalised (2016: nil).

(b) Provision for impairment

For the year ended 31 December 2017, the Group did not provide or write off provision for impairment of construction in progress (2016: nil).

(15) Fixed assets pending for disposal

	31 December 2017	31 December 2016
Machinery and equipment	<u>2,310,587</u>	<u>1,158,936</u>

(16) Intangible assets

	Land use rights	Trademarks	Technology known-how	Marketing networks	Software and others	Total
Original cost						
31 December 2016	2,511,821,119	449,743,612	18,629,100	974,935,670	373,203,139	4,328,332,640
Increase in the current year — Purchase	4,860,953	—	—	—	33,508,295	38,369,248
Decrease in the current year — Disposal	(1,673,937)	—	—	—	(4,671,229)	(6,345,166)
31 December 2017	2,515,008,135	449,743,612	18,629,100	974,935,670	402,040,205	4,360,356,722
Accumulated amortisation						
31 December 2016	(389,845,357)	(242,958,273)	(18,629,100)	(542,800,550)	(159,352,587)	(1,353,585,867)
Increase in the current year — Accrual	(62,687,918)	(37,491,678)	—	(98,144,803)	(33,060,547)	(231,384,946)
Decrease in the current year — Disposal	809,149	—	—	—	21,237	830,386
31 December 2017	(451,724,126)	(280,449,951)	(18,629,100)	(640,945,353)	(192,391,897)	(1,584,140,427)
Carrying amount						
31 December 2017	2,063,284,009	169,293,661	—	333,990,317	209,648,308	2,776,216,295
31 December 2016	2,121,975,762	206,785,339	—	432,135,120	213,850,552	2,974,746,773

For the year ended 31 December 2017, the amortisation amount of intangible assets is 231,384,946 (2016: 224,564,015).

As at 31 December 2017, there are no intangible assets pledged as collateral for borrowings (31 December 2016: nil).

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(16) Intangible assets (continued)

As at 31 December 2017, the intangible assets of Immense Brewery Company, which were acquired through business combination not under common control in the previous years, with carrying amount of 281,452,535 and no provision of impairment.

As at 31 December 2017, the relevant legal procedures for certificates application of the Group's land use rights with carrying amount of approximately 2,158,000 (31 December 2016: 839,000) are still in process. In addition, as at 31 December 2017, buildings of certain subsidiaries of the Group were located on parcels of allotted land owned by certain local municipal governments. Most of the relevant local governments have undertaken to implement transfer procedures for these lands. Carrying amount of the buildings constructed thereon are approximately 31,950,000 as at 31 December 2017 (31 December 2016: 31,105,000). The Company's directors consider that there is no significant adverse impact on the operations of the Group.

Development expenditures are set out as follows:

	31 December 2016	Increase in the current year	Decrease in the current year		31 December 2017
			Charged to profit or loss	Recognised as intangible assets	
Beer technology improvement project	—	18,688,799	(18,688,799)	—	—

For the year ended 31 December 2017, development expenditures of 18,688,799 (2016: 14,613,302) are recognised in profit or loss.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(17) Goodwill

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Goodwill —				
Immense Brewery Company	958,868,617	—	—	958,868,617
Lulansa Brewery	227,026,482	—	—	227,026,482
South China Region — Nanning Company	130,895,740	—	—	130,895,740
Southeast China Region — Fuzhou Company/ Xiamen Company/Zhangzhou Company/ Dongnan Sales Company	114,031,330	—	—	114,031,330
North China Region — Three Ring Company/ Beifang Sales Company	24,642,782	—	—	24,642,782
Other Regions	49,049,770	—	—	49,049,770
	<u>1,504,514,721</u>	<u>—</u>	<u>—</u>	<u>1,504,514,721</u>
Less: Provision for impairment (a) —				
Immense Brewery Company	—	—	—	—
Lulansa Brewery	—	—	—	—
South China Region — Nanning Company	(130,895,740)	—	—	(130,895,740)
Southeast China Region — Fuzhou Company/Xiamen Company/Zhangzhou Company/Dongnan Sales Company	—	—	—	—
North China Region — Three Ring Company/Beifang Sales Company	(24,642,782)	—	—	(24,642,782)
Other Regions	(41,872,217)	—	—	(41,872,217)
	<u>(197,410,739)</u>	<u>—</u>	<u>—</u>	<u>(197,410,739)</u>
	<u>1,307,103,982</u>	<u>—</u>	<u>—</u>	<u>1,307,103,982</u>

(a) Impairment

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

	31 December 2017	31 December 2016
South China Region	(130,895,740)	(130,895,740)
North China 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>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(17) Goodwill (continued)

(a) Impairment (continued)

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 is by reference to the long-term average growth rate of the brewery industry in the PRC.

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

	Immense Brewery Company	Lulansa Brewery	Southeast China Region	Other Regions
Gross margin	40%	30%	25%	26%
Pre-tax discount rate	14%	14%	14%	14%
Post-tax discount rate	11.5%	11.5%	11.5%	11.5%

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 2016	Increase in the current year	Amortisation in the current year	31 December 2017
Decoration and renovation expenses	18,863,747	7,078,841	(7,357,747)	18,584,841
Factory hardening expenses	9,043,509	832,176	(2,982,535)	6,893,150
Gardening expenses	3,371,177	2,447,772	(582,671)	5,236,278
Site and vehicle leasing expenses	4,045,719	2,763,511	(3,311,587)	3,497,643
Others	4,596,848	1,088,702	(3,854,820)	1,830,730
	<u>39,921,000</u>	<u>14,211,002</u>	<u>(18,089,360)</u>	<u>36,042,642</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(19) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets without offsetting

	31 December 2017		31 December 2016	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Deductible losses	223,502,140	55,875,535	293,541,748	73,385,437
Provision for asset impairment	9,967,276	2,491,819	11,420,660	2,855,165
Deferred income	490,526,572	122,631,643	444,044,664	111,011,166
Elimination of intra-group unrealised profit	92,649,212	23,162,303	97,366,116	24,341,529
Accruals of expenses	3,770,120,916	942,530,229	3,381,791,780	845,447,945
	4,586,766,116	1,146,691,529	4,228,164,968	1,057,041,242
Including:				
Expected to reverse within one year (inclusive)		922,225,068		819,084,034
Expected to reverse after one year		224,466,461		237,957,208
		1,146,691,529		1,057,041,242

(b) Deferred tax liabilities without offsetting

	31 December 2017		31 December 2016	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combinations not under common control	857,197,808	214,299,452	987,300,452	246,825,113
Depreciation of fixed assets	13,211,076	3,302,769	17,254,456	4,313,614
Changes in fair value of available-for-sale financial assets	8,145,315	2,036,329	—	—
The difference between carrying amount and tax base resulted from government grants charged in profit or loss in the current period	47,304,452	11,826,113	51,051,664	12,762,916
	925,858,651	231,464,663	1,055,606,572	263,901,643
Including:				
Expected to reverse within one year (inclusive)		35,450,852		32,779,311
Expected to reverse after one year		196,013,811		231,122,332
		231,464,663		263,901,643

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

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

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

	31 December 2017	31 December 2016
Deductible temporary differences	705,087,786	494,788,360
Deductible losses	2,445,519,712	2,430,156,260
	<u>3,150,607,498</u>	<u>2,924,944,620</u>

Given the loss-making position of certain subsidiaries, whether it is probable that sufficient future taxable incomes will be available against such deductible losses is highly uncertain. Therefore, the Group has not recognised deferred tax assets of approximately 611,380,000 (31 December 2016: 607,539,000) arising from the accumulated losses that can set off against taxable incomes under tax laws in the five-year period from 2018 to 2022. In addition, given the loss-making position of certain subsidiaries, whether it is probable that sufficient future taxable incomes will be available against temporary differences 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 176,272,000 (31 December 2016: 123,697,000) arising from the deductible temporary differences resulting from the impact of provision for impairment losses.

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

	31 December 2017	31 December 2016
2017	—	334,602,827
2018	374,540,627	448,241,230
2019	353,848,078	388,955,990
2020	579,391,796	569,085,697
2021	594,764,850	689,270,516
2022	542,974,361	—
	<u>2,445,519,712</u>	<u>2,430,156,260</u>

(e) *The net balances of deferred tax assets and liabilities after offsetting are as follows:*

	31 December 2017		31 December 2016	
	Offsetting amount	Net amounts	Offsetting amount	Net amounts
Deferred tax assets	10,797,394	1,135,894,135	14,831,688	1,042,209,554
Deferred tax liabilities	10,797,394	220,667,269	14,831,688	249,069,955

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(20) Provision for asset impairment

	31 December 2016	Increase in the current year	Decrease in the current year		Others	31 December 2017
			Reversal	Write-off		
Provision for bad debts	267,450,135	3,167,589	(879,790)	(53,573)	(180)	269,684,181
Including: Provision for bad debts of accounts receivable	193,326,345	192,048	(440,222)	(44,287)	(180)	193,033,704
Provision for bad debts of other receivables	74,123,790	2,975,541	(439,568)	(9,286)	—	76,650,477
Provision for decline in value of inventories	5,730,106	—	—	(468,698)	—	5,261,408
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 investment properties (i)	606,587	—	—	—	42,081	648,668
Provision for impairment of fixed assets (i)	391,192,662	8,429,040	—	(40,117,857)	(42,081)	359,461,764
Provision for impairment of goodwill	197,410,739	—	—	—	—	197,410,739
	<u>872,263,408</u>	<u>11,596,629</u>	<u>(879,790)</u>	<u>(40,640,128)</u>	<u>(180)</u>	<u>842,339,939</u>

- (i) Other changes were mainly due to the fact that the buildings with provision for impairment of fixed assets have been converted into investment properties measured with the cost model, and corresponding impairment loss have been reclassified (Note 4(12)).

(21) Other non-current assets

	31 December 2017	31 December 2016
Prepayments for construction and equipment	<u>48,798,055</u>	<u>56,310,013</u>

(22) Short-term borrowings

	Currency	31 December 2017	31 December 2016
Entrusted loan	HKD	<u>282,534,200</u>	<u>302,341,000</u>

As at 31 December 2017, short-term loan represented the borrowing from Bank of China, with RMB282,534,200 (Original foreign currency: HKD338,000,000) to Hong Kong company, a subsidiary of the Company. Through dividing the credit line from Bank of China, the Company shared the credit of RMB350,000,000 with Hong Kong Company. The Company provided a counter-guarantee for the division of credit line (As at 31 December 2016, principal RMB302,341,000 (original foreign currency: HKD338,000,000)).

As at 31 December 2017, the interest rate of short-term borrowings is 1.60% (31 December 2016: 1.53%).

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(23) Notes payable

	31 December 2017	31 December 2016
Trade acceptance notes	70,704,794	82,625,504
Bank acceptance notes	218,767,502	224,891,416
	<u>289,472,296</u>	<u>307,516,920</u>

Other cash balances of 5,506,000 (31 December 2016: 8,647,000) are pledged as collateral for the bank acceptance notes of the Group (Note 4(1)).

(24) Accounts payable

	31 December 2017	31 December 2016
Payable for materials purchase	1,986,212,114	1,928,984,313
Payable for beer purchase due to related parties (Note 8(5))	73,829,031	103,908,631
Payable for promotional goods	15,850,286	13,441,767
Others	7,842,356	2,894,648
	<u>2,083,733,787</u>	<u>2,049,229,359</u>

(a) As at 31 December 2017, accounts payable over 1 year with carrying amount of 30,969,162 (31 December 2016: 44,836,080) 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 as follows:

	31 December 2017	31 December 2016
Within 1 year	2,052,764,625	2,004,393,279
1 to 2 years	9,020,945	19,396,936
2 to 3 years	4,530,665	8,170,856
Over 3 years	17,417,552	17,268,288
	<u>2,083,733,787</u>	<u>2,049,229,359</u>

(25) Advances from customers

	31 December 2017	31 December 2016
Advances on sales of beer	1,177,632,347	1,320,882,187

As at 31 December 2017, advances from customers over 1 year with carrying amount of 8,300,366 (31 December 2016: 14,808,190) are mainly deposits received from customers. The amount has not been settled as the Group still maintains cooperative relationship with these customers.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(26) Employee benefits payable

	31 December 2017	31 December 2016
Short-term employee benefits (a)	895,379,790	849,670,462
Defined contribution plans (b)	25,891,433	24,177,787
Termination benefits (c)	92,301,300	97,832,721
Defined benefit plans (d)	19,055,565	16,735,992
	<u>1,032,628,088</u>	<u>988,416,962</u>

(a) Short-term employee benefits

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Wages and salaries, bonus, allowances and subsidies	560,806,852	3,033,346,326	(3,009,427,631)	584,725,547
Staff welfare	1,091,050	239,108,412	(239,061,449)	1,138,013
Social security contributions	15,101,415	241,238,848	(242,055,139)	14,285,124
Including:				
Medical insurance	11,598,421	206,262,697	(207,151,830)	10,709,288
Work injury insurance	1,762,766	16,435,238	(16,420,081)	1,777,923
Maternity insurance	1,740,228	18,540,913	(18,483,228)	1,797,913
Housing funds	16,433,576	243,985,962	(243,558,253)	16,861,285
Labour union funds and employee education funds	<u>256,237,569</u>	<u>108,980,163</u>	<u>(86,847,911)</u>	<u>278,369,821</u>
	<u>849,670,462</u>	<u>3,866,659,711</u>	<u>(3,820,950,383)</u>	<u>895,379,790</u>

(b) Defined contribution plans

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Basic pension	19,935,261	469,495,938	(467,919,245)	21,511,954
Unemployment insurance	<u>4,242,526</u>	<u>17,166,398</u>	<u>(17,029,445)</u>	<u>4,379,479</u>
	<u>24,177,787</u>	<u>486,662,336</u>	<u>(484,948,690)</u>	<u>25,891,433</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(26) Employee benefits payable (continued)

(c) Termination benefits

	31 December 2017	31 December 2016
Early retirement benefits (Note 4(33))	92,300,500	96,813,803
Other termination benefits (i)	800	1,018,918
	<u>92,301,300</u>	<u>97,832,721</u>

(i) For the year ended 31 December 2017, the Group has paid termination benefit of 2,857,431, mainly due to termination of labor relationship.

(d) Defined benefit plans

	31 December 2017	31 December 2016
Supplemental retirement benefits (Note 4(33))	<u>19,055,565</u>	<u>16,735,992</u>

(27) Taxes payable

	31 December 2017	31 December 2016
Enterprise income tax	168,534,126	130,342,186
Consumption tax	109,545,150	109,597,442
Unpaid VAT	51,053,836	77,885,966
City maintenance and construction tax	5,936,227	8,650,180
Education surcharge	5,871,932	8,154,050
Others	59,894,619	61,836,819
	<u>400,835,890</u>	<u>396,466,643</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(28) Other payables

	31 December 2017	31 December 2016
Accruals for marketing expenses	3,144,406,819	2,689,962,189
Guarantee deposits	709,796,967	684,183,068
Payables to vendors of construction, machinery and equipment	443,732,839	668,721,848
Accruals for transportation expenses	209,229,448	202,591,950
Accruals for advertising expenses	151,600,648	118,266,763
Accruals for general and administrative expenses	59,566,366	55,547,351
Accruals for labour expenses	56,467,337	58,817,147
Accruals for water, electricity and steam expenses	53,552,638	46,649,608
Withholding social expenses for staff	12,601,607	12,130,599
Absorbed deposits from related parties and interests payables (i)	9,305,035	18,530,087
Payables for equity transfer	—	37,000,000
Others	333,795,327	326,418,695
	5,184,055,031	4,918,819,305

- (i) It represents the principal and interest of deposits absorbed from the Company's associates by Finance Company, a subsidiary of the Company.

As at 31 December 2017, other payables over 1 year with carrying amount of 575,475,196 (31 December 2016: 575,145,948) are mainly liabilities due to acquisition of subsidiaries, payables to vendors of construction, machinery and equipment, and investment payable.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(29) Current portion of non-current liabilities

	31 December 2017	31 December 2016
Current portion of long-term borrowings (Note 4(30))	<u>419,160</u>	<u>376,372</u>

(30) Long-term borrowings

	Currency	31 December 2017	31 December 2016
Guaranteed	DKK	<u>1,467,060</u>	<u>1,752,852</u>
Less: Current portion of guaranteed borrowing (Note 4(29))		<u>(419,160)</u>	<u>(376,372)</u>
		<u>1,047,900</u>	<u>1,376,480</u>

Bank guaranteed borrowing of RMB1,467,060 (Original foreign currency: DKK1,400,000) (31 December 2016: RMB1,752,852 (Original foreign currency: DKK1,800,000)), is guaranteed by Beijing Development and Reform Commission. The principal amount shall be repaid twice annually based on the equal repayment of principal method, with the last repayment falling due on 1 April 2021. The amount due within one year amounted to RMB419,160 (31 December 2016: RMB376,372).

As at 31 December 2017 and 2016, the long-term borrowings are interest-free borrowings.

(31) Payables for specific projects

Payables for specific projects mainly represent the relocation compensation received from the government. As the relocation projects have not yet been completed, the amounts were temporarily accounted for as “payables for specific projects” in accordance with the requirements under No. 3 Interpretation of Accounting Standards for Business Enterprises issued by the Ministry of Finance.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(32) Deferred income

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017	Reason
Government grants	1,948,814,560	172,870,137	(217,574,869)	1,904,109,828	Grants for relocation and technology improvement projects
Items	31 December 2016	Additions in the current year	Charged to other income	31 December 2017	Related to assets/income
Relocation projects					
Tengzhou Company relocation project	182,859,984	—	(11,074,064)	171,785,920	Assets
Suizhou Company relocation project	126,607,790	47,613,952	(11,625,900)	162,595,842	Assets/Income
Wuwei Company relocation project	168,341,247	7,059	(11,581,023)	156,767,283	Assets
Rizhao Company relocation project	158,628,187	—	(10,639,829)	147,988,358	Assets
Zhuhai Company relocation project	150,833,692	—	(12,191,493)	138,642,199	Assets
Suqian Company relocation project	146,569,617	—	(10,634,619)	135,934,998	Assets
Gansu nongken Company relocation project	147,503,661	—	(12,065,603)	135,438,058	Assets
Yangzhou Company relocation project	129,349,046	—	(10,957,705)	118,391,341	Assets
Xingkaihu Company relocation project	129,171,945	10,000,000	(24,204,317)	114,967,628	Assets/Income
Fuzhou Company relocation project	124,152,481	—	(11,932,386)	112,220,095	Assets
Weinan Company relocation project	94,682,892	—	(6,919,710)	87,763,182	Assets
Harbin Company relocation project	69,065,619	—	(7,889,709)	61,175,910	Assets
Heze Company relocation project	29,836,044	50,000,000	(20,322,432)	59,513,612	Assets/Income
Langfang Company relocation project	44,668,565	742,447	(1,766,208)	43,644,804	Assets/Income
Malt Factory relocation project	23,286,287	—	(4,234,852)	19,051,435	Assets
No. 3 Factory relocation project	19,943,971	—	(3,758,187)	16,185,784	Assets
Hansi Baoji relocation project	22,634,391	—	(7,902,326)	14,732,065	Assets/Income
Pengcheng Company relocation project	14,745,120	11,115,600	(12,132,655)	13,728,065	Assets
Mishan Company relocation project	—	8,533,199	(8,533,199)	—	Income
Technology improvement projects					
Technology improvement projects of Five Star Company	12,768,572	—	(1,024,286)	11,744,286	Assets
Technology improvement projects of Luzhou Company	10,796,000	—	(1,202,944)	9,593,056	Assets
Technology improvement projects of Sanhuan Company	7,280,000	—	(560,000)	6,720,000	Assets
Technology improvement projects of Shouguang Company	—	6,400,000	—	6,400,000	Assets
Other projects	135,089,449	38,457,880	(14,421,422)	159,125,907	
	1,948,814,560	172,870,137	(217,574,869)	1,904,109,828	

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(33) Long-term employee benefits payable

	31 December 2017	31 December 2016
Early retirement benefits (a)	330,809,309	361,011,072
Supplemental retirement benefits (b)	279,555,205	291,496,239
	610,364,514	652,507,311
Less: Early retirement benefits within one year	(92,300,500)	(96,813,803)
Supplemental retirement benefits within one year	(19,055,565)	(16,735,992)
	(111,356,065)	(113,549,795)
	499,008,449	538,957,516

Early retirement benefits and supplemental retirement benefits which will be paid within one year are represented in employee benefits payable.

(a) Early retirement benefits

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

	31 December 2017	31 December 2016
Discount rate (yield-to-maturity of the government bond with the same term)	3.78%-3.90%	2.65%-3.01%

Early retirement benefits charged to profit or loss for the current period:

	2017	2016
General and administrative expenses	63,724,131	62,506,414
Finance expenses	12,073,287	10,515,976

(b) Supplemental retirement benefits

Supplemental retirement benefits are provided to those retired employees who met certain criteria and the benefit plan was approved by the board of directors and the President's office. The benefits they can receive depend on their positions and seniorities 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.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(33) Long-term employee benefits payable (continued)

(b) Supplemental retirement benefits (continued)

(i) Supplemental retirement benefits obligations of the Group:

	31 December 2017	31 December 2016
Defined benefit obligations	279,555,205	291,496,239
Less: Fair value of plan assets	—	—
Defined benefit liabilities	<u>279,555,205</u>	<u>291,496,239</u>

(ii) The movements in supplemental retirement benefits of the Group are as follows:

	Present value of the defined benefit obligation
As at 1 January 2017	291,496,239
Amount charged to profit or loss in the current period	
— Service cost	19,698,613
— Interest expense on the net defined benefit obligations	9,200,000
Re-measurement amount	
— Actuarial loss (Note 4(36))	(23,670,000)
Payment	<u>(17,169,647)</u>
As at 31 December 2017	<u>279,555,205</u>
	Present value of the defined benefit obligation
As at 1 January 2016	260,317,941
Amount charged to profit or loss in the current period	
— Service cost	21,805,000
— Interest expense on the net defined benefit obligations	7,572,000
Re-measurement amount	
— Actuarial loss (Note 4(36))	18,142,000
Payment	<u>(16,340,702)</u>
As at 31 December 2016	<u>291,496,239</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(33) Long-term employee benefits payable (continued)

(b) Supplemental retirement benefits (continued)

- (iii) The significant actuarial assumptions for the present value of the defined benefit obligations of the Group are as follows:

	31 December 2017	31 December 2016
Discount rate	4.00%	3.25%

Mortality refers to China Life Insurance Mortality Table (2010-2013).

- (iv) The sensitivity of the significant actuarial assumptions for the present value of defined benefit obligations is analysed as follows:

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 2.65%	Increase by 2.78%

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 of present value of the defined benefit obligation, the same method, projected unit credit method, has been applied as well.

- (v) The Group has not invested in any plan assets, and no separate trustee-administered assets to reimburse the payment of the defined benefit obligation of the Group (31 December 2016: nil).
- (vi) The weighted average duration of the defined benefit obligations is 10.8 years (31 December 2016: 11.7 years).
- (vii) Supplemental retirement benefits caused many risks to the Group, and the primary risk is the fluctuation of the interest rates of government bonds. Decreasing in interest rates of government bonds results in increasing in the defined benefit obligation.
- (viii) The expected maturity of undiscounted defined benefit obligations is analysed as below:

	Within 1 year	1 to 5 years	More than 5 years	Total
Supplemental retirement benefits	19,055,565	70,772,750	374,136,940	463,965,255

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For the Year Ended 31 December 2017

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4 Notes to the consolidated financial statements (continued)

(34) Share capital

	31 December 2016	Movements in the current year	31 December 2017
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>1,350,982,795</u>
	31 December 2015	Movements in the current year	31 December 2016
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>1,350,982,795</u>

(35) Capital surplus

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Share premium	3,356,662,970	—	—	3,356,662,970
Other capital surplus —	87,526,730	—	(8,188)	87,518,542
Share of changes in equity other than comprehensive income and profit distribution of investees accounted for using the equity method	(10,201,258)	—	(8,188)	(10,209,446)
Transfer from capital surplus recognised under the previous accounting system	93,338,214	—	—	93,338,214
Others	4,389,774	—	—	4,389,774
	<u>3,444,189,700</u>	<u>—</u>	<u>(8,188)</u>	<u>3,444,181,512</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(35) Capital surplus (continued)

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Share premium	3,987,557,061	—	(630,894,091)	3,356,662,970
Other capital surplus —	87,521,818	4,912	—	87,526,730
Share of changes of equity other than comprehensive income and profits distribution of investees accounted for using the equity method	(10,206,170)	4,912	—	(10,201,258)
Transfer from capital surplus recognised under the previous accounting system	93,338,214	—	—	93,338,214
Others	4,389,774	—	—	4,389,774
	<u>4,075,078,879</u>	<u>4,912</u>	<u>(630,894,091)</u>	<u>3,444,189,700</u>

(36) Other comprehensive income

	Other comprehensive income in the balance sheet		Other comprehensive income in the income statement of 2017					
	31 December 2016	Attributable to shareholders of the Company, net of tax	31 December 2017	The pre-tax amount in the current year	Less: Transfer out from which were recognised in other comprehensive income in the previous periods	Less: Income tax expense	Attributable to shareholders of the Company, net of tax	Attributable to the non- controlling interests, net of tax
Items that will not be subsequently reclassified to profit or loss								
Changes arising from re-measurement of defined benefit plan liabilities (Note 4(33)(b)(ii))	(51,422,000)	23,670,000	(27,752,000)	23,670,000	—	—	23,670,000	—
Items that will be subsequently reclassified to profit or loss								
Shares of other comprehensive income of investees accounted for using the equity method that will be subsequently reclassified to profit or loss	(790,080)	135,737	(654,343)	135,737	—	—	135,737	—
Profits or loss from change in fair value of assets available for sale (Note 4(10)(a))	—	6,108,986	6,108,986	8,145,315	—	(2,036,329)	6,108,986	—
Currency translation differences	2,062,658	11,195,949	13,258,607	11,195,949	—	—	11,195,949	—
	<u>(50,149,422)</u>	<u>41,110,672</u>	<u>(9,038,750)</u>	<u>43,147,001</u>	<u>—</u>	<u>(2,036,329)</u>	<u>41,110,672</u>	<u>—</u>

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For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(36) Other comprehensive income (continued)

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement of 2016				
	31 December 2015	Attributable to shareholders of the Company, net of tax	31 December 2016	The pre-tax amount in the current year	Less: Transfer out from which were recognised in other comprehensive income in the previous periods	Less: Income tax expense	Attributable to shareholders of the Company, net of tax	Attributable to the non-controlling interests, net of tax
Items that will not be subsequently reclassified to profit or loss								
Changes arising from re-measurement of defined benefit plan liabilities (Note 4 (33)(b)(ii))	(33,280,000)	(18,142,000)	(51,422,000)	(18,142,000)	—	—	(18,142,000)	—
Items that will be subsequently reclassified to profit or loss								
Shares of other comprehensive income of investees accounted for using the equity method that will be subsequently reclassified to profit or loss	(841,632)	51,552	(790,080)	51,552	—	—	51,552	—
Currency translation differences	13,795,473	(11,732,815)	2,062,658	(11,732,815)	—	—	(11,732,815)	—
	<u>(20,326,159)</u>	<u>(29,823,263)</u>	<u>(50,149,422)</u>	<u>(29,823,263)</u>	<u>—</u>	<u>—</u>	<u>(29,823,263)</u>	<u>—</u>

(37) Surplus reserve

	31 December 2016	Appropriation in the current year	Decrease in the current year	31 December 2017
Statutory surplus reserve	<u>1,400,704,380</u>	<u>—</u>	<u>—</u>	<u>1,400,704,380</u>
	31 December 2015	Appropriation in the current year	Decrease in the current year	31 December 2016
Statutory surplus reserve	<u>1,400,704,380</u>	<u>—</u>	<u>—</u>	<u>1,400,704,380</u>

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. According to the resolution of the Board of Directors, the Company would not appropriate the statutory surplus reserve in 2017 (2016: nil).

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(38) General reserve

	31 December 2016	Appropriation in the current year	Decrease in the current year	31 December 2017
General reserve	<u>142,496,409</u>	<u>13,001,328</u>	<u>—</u>	<u>155,497,737</u>
	31 December 2015	Appropriation in the current year	Decrease in the current year	31 December 2016
General reserve	<u>106,025,418</u>	<u>36,470,991</u>	<u>—</u>	<u>142,496,409</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, appropriated general reserve of 13,001,328 according to 1.5% of the ending balance of the risk assets at 31 December 2017 based on its risk consideration (2016: 36,470,991).

(39) Undistributed profits

	2017	2016
Undistributed profits at beginning of year	10,025,728,867	9,545,596,720
Add: Net profit attributable to shareholders of the Company in the current year	1,263,017,188	1,043,486,428
Less: Appropriation to general reserve	(13,001,328)	(36,470,991)
Ordinary shares dividends payable (a)	(472,843,978)	(526,883,290)
Undistributed profits at end of year	<u>10,802,900,749</u>	<u>10,025,728,867</u>

- (a) Pursuant to the resolution at the Annual General Meeting dated 30 June 2017, the Company approved a cash dividend RMB0.35 per share (pre-tax) to the shareholders of the Company with RMB472,843,978 for the year of 2016, based on a total number of 1,350,982,795 shares (2016: cash dividend RMB0.39 per share (pre-tax) to the shareholders of the Company with RMB526,883,290 for the year of 2015, based on a total number of 1,350,982,795 shares).

Pursuant to the resolution at the meeting of the Board of Directors dated 27 March 2018, the Board of Directors proposed a cash dividend of RMB567,412,774 (RMB0.42 per share (pre-tax)) based on a total number of 1,350,982,795 shares. Such dividend distribution is subject to the approval at the forthcoming Annual General Meeting (Note 10(1)).

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(40) Revenue and cost of sales

	2017	2016
Revenue from main operation (a)	25,985,075,078	25,818,250,498
Revenue from other operations (b)	291,976,606	288,093,240
	<u>26,277,051,684</u>	<u>26,106,343,738</u>
	2017	2016
Cost of main operation (a)	(15,425,885,974)	(15,077,843,363)
Cost of other operations (b)	(196,244,893)	(187,436,179)
	<u>(15,622,130,867)</u>	<u>(15,265,279,542)</u>

(a) Revenue and cost of main operation

	2017		2016	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sales of beer	<u>25,985,075,078</u>	<u>(15,425,885,974)</u>	<u>25,818,250,498</u>	<u>(15,077,843,363)</u>

(b) Revenue and cost of other operations

	2017		2016	
	Revenue from other operations	Cost of other operations	Revenue from other operations	Cost of other operations
Transportation services	55,978,555	(61,568,372)	41,527,421	(37,309,474)
Sale of packaging materials	44,979,956	(28,323,330)	46,534,419	(38,047,537)
Sale of raw materials	25,213,195	(26,885,475)	25,080,271	(25,061,745)
Construction and equipment installations	8,224,208	(5,749,493)	11,275,146	(6,845,669)
Others	<u>157,580,692</u>	<u>(73,718,223)</u>	<u>163,675,983</u>	<u>(80,171,754)</u>
	<u>291,976,606</u>	<u>(196,244,893)</u>	<u>288,093,240</u>	<u>(187,436,179)</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(41) Taxes and surcharges

	2017	2016	Tax base
Consumption tax	1,707,188,709	1,674,008,091	Note 3
City maintenance and construction tax	247,254,559	244,743,638	Note 3
Education surcharges	189,337,531	186,905,531	Note 3
Land use tax (i)	68,893,464	48,662,811	
Real estate tax (i)	60,950,528	39,219,747	
Stamp duty (i)	29,190,160	18,219,672	
Others	22,213,183	19,605,445	
	<u>2,325,028,134</u>	<u>2,231,364,935</u>	

- (i) According to the “Regulations on Accounting Treatment of Value-added Tax” (Cai Kuai [2016] No. 22) issued by the Ministry of Finance in December 2016, taxes (including land use tax, real estate tax, stamp duty etc) occurred from May 2016 were reclassified as taxes and surcharges, while related taxes occurred from January 2016 to April 2016 are still presented in general and administrative expenses.

(42) Selling and distribution Expenses

	2017	2016
Employee benefits expenses	1,864,923,548	1,828,020,185
Handling and transportation expenses	1,335,481,810	1,202,902,607
Promotion related expenses	1,298,584,474	1,750,331,937
Advertising related expenses	727,749,387	742,242,481
Administrative expenses	155,367,722	168,107,888
Depreciation and amortisation charges	120,411,300	124,382,821
Operating lease payments	109,560,115	90,389,202
Low-value consumables	96,819,845	62,569,906
Other expenses	60,045,400	60,492,206
	<u>5,768,943,601</u>	<u>6,029,439,233</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(43) General and administrative expenses

	2017	2016
Employee benefits expenses	645,301,730	656,715,149
Depreciation and amortisation charges	209,543,443	201,371,465
Administrative expenses	111,202,714	103,545,719
Agency fees	49,649,448	54,854,729
Repair expenses	32,054,764	38,426,202
Fire control expenses to guards	31,970,231	26,464,288
Insurance expenses	21,827,588	20,675,957
Operating lease payments	19,759,149	21,136,637
Disabled security fund	12,027,189	15,190,308
Handling and transportation expenses	10,207,508	27,624,483
Tax expenses (Note 4(41))	—	52,870,736
Other expenses	100,712,674	121,667,538
	<u>1,244,256,438</u>	<u>1,340,543,211</u>

(44) Expenses by nature

The cost of sales, selling and distribution expenses and general and administrative expenses classified by nature are as follows:

	2017	2016
Raw materials and consumables used	10,949,436,316	10,477,880,080
Employee benefits expenses	4,439,602,222	4,352,932,525
Handling and transportation expenses	1,523,072,986	1,395,706,223
Promotion related expenses	1,298,584,474	1,750,331,937
Depreciation and amortisation charges	1,178,622,979	1,152,031,220
Finished goods purchased from outside	1,091,200,358	1,525,389,128
Advertising related expenses	727,749,387	742,242,481
Repair expenses	377,278,613	394,047,649
Administrative expenses	276,091,109	280,001,926
Amortisation expenses of packaging materials	182,975,564	139,991,638
Service charges	164,750,662	160,150,850
Operating lease payments	142,110,749	127,708,687
Auditors' remuneration — audit services	8,094,340	8,094,340
Tax expenses (Note 4(41))	—	52,870,736
Changes in inventories of finished goods and work in progress	(20,119,556)	(179,752,968)
Other expenses	295,880,703	255,635,534
	<u>22,635,330,906</u>	<u>22,635,261,986</u>
Cost of sales, selling and distribution expenses, and general and administrative expenses in total	<u>22,635,330,906</u>	<u>22,635,261,986</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(45) Finance expenses

	2017	2016
Interest expense	10,542,443	13,462,188
Less: Interest income	(415,164,265)	(282,731,127)
Exchange losses/(gains)	9,552,255	(13,043,435)
Discounting impact of the long-term employee benefits payable	21,273,287	18,087,976
Others	3,779,105	6,816,053
	<u>(370,017,175)</u>	<u>(257,408,345)</u>

(46) Profit from changes in fair value

	2017	2016
Financial assets at fair value through profit or loss		
— Money market fund	<u>115,254</u>	<u>—</u>

(47) Investment income

	2017	2016
Revenue from long-term equity investments accounted for using the equity method	20,461,767	(5,214,764)
Income from available-for-sale financial assets (Note 4(10)(a))	7,830	158,905
Income from disposal available-for-sale financial assets	36,786,841	26,052,649
Income from transactions with Suntory Company	—	129,787,586
Others	731,732	185,356
	<u>57,988,170</u>	<u>150,969,732</u>

There is no significant restriction on transferring funds in the form of investment income.

(48) Gains on disposals of assets

	2017	2016
Losses on disposal of fixed assets	(45,418,792)	(131,175,519)
Losses on disposal of intangible assets	(864,788)	(92,368,094)
	<u>(46,283,580)</u>	<u>(223,543,613)</u>

For the year ended 31 December 2017, all asset disposal losses have been regard as non-recurring profit or loss in the current year.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(49) Other income

	2017	2016	Related to assets/ income
Relocation compensations	200,366,217	—	Assets/Income
Grant for production and operation	53,750,000	—	Income
Grant for technology improvement projects	2,787,230	—	Assets
Others	47,508,994	—	Assets/Income
	<u>304,412,441</u>	<u>—</u>	

(50) Assets impairment losses

	2017	2016
Losses of bad debts	2,287,799	2,203,998
Impairment losses of fixed assets	8,429,040	5,638,040
	<u>10,716,839</u>	<u>7,842,038</u>

(51) Non-operating income

	2017	2016
Government grants (a)	123,994,952	517,095,475
Gains on unpaid debts	5,271,556	5,047,551
Penalty gains	1,318,320	4,736,486
Effect of transactions with Suntory Company on non-operating income	—	177,701,522
Others	15,038,704	15,451,070
	<u>145,623,532</u>	<u>720,032,104</u>

For the year ended 31 December 2017, all non-operating income has been regard as non-recurring profit or loss in the current year.

(a) Details of government grants

	2017	2016	Related to assets/ income
Funds supporting for enterprises	86,126,766	96,456,352	Assets/Income
Relocation compensations	—	342,462,029	Assets/Income
Others	37,868,186	78,177,094	Income
	<u>123,994,952</u>	<u>517,095,475</u>	

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(52) Non-operating expenses

	2017	2016
Compensations, defaults and overdue fines	21,559,749	1,517,369
Penalty losses	917,731	393,495
Donations	666,879	613,655
Others	9,885,799	10,775,063
	<u>33,030,158</u>	<u>13,299,582</u>

For the year ended 31 December 2017, all non-operating expenses have been regard as non-recurring profit or loss in the current year.

(53) Income tax expense

	2017	2016
Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax	842,707,539	1,305,461,851
Current profits tax calculated according to tax law and related regulations in Hong Kong — Hong Kong profits tax	3,423,701	3,540,729
Current profits supplemental tax calculated according to tax law and related regulations in Macau — Macau profits supplemental tax	555,354	865,372
Deferred income tax	<u>(124,123,596)</u>	<u>(292,124,639)</u>
	<u>722,562,998</u>	<u>1,017,743,313</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(53) Income tax expense (continued)

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 expense is listed below:

	2017	2016
Total profit	<u>2,104,818,639</u>	<u>2,123,441,765</u>
Income tax expense calculated at applicable tax rates	524,686,269	529,064,666
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	75,153,473	53,437,240
Impairment of deferred tax asset	24,047,146	—
Income tax payment of the expired preferential tax rate difference for previous years	—	338,876,455
Income not subject to tax	(18,570,926)	(90,343,163)
Deductible losses and temporary differences effect of previously unrecognised deferred tax asset	(78,788,735)	(28,430,550)
Deductible temporary differences for which no deferred tax assets were recognised	60,292,181	42,821,036
Deductible tax losses for which no deferred tax assets were recognised	<u>135,743,590</u>	<u>172,317,629</u>
Income tax expense	<u>722,562,998</u>	<u>1,017,743,313</u>

(54) 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 numbers of ordinary shares outstanding:

	2017	2016
Consolidated net profit attributable to ordinary shareholders of the Company	<u>1,263,017,188</u>	1,043,486,428
Weighted average numbers of ordinary shares outstanding	<u>1,350,982,795</u>	<u>1,350,982,795</u>
Basic earnings per share	<u>0.935</u>	<u>0.772</u>
Including:		
— Basic earnings per share from continuing operations	0.935	0.772

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(54) Earnings per share (continued)

(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 numbers of ordinary shares outstanding. As there were no dilutive potential ordinary shares in 2017 (2016: nil), diluted earnings per share equals to basic earnings per share.

(55) Notes to consolidated cash flow statement

(a) Cash received relating to other operating activities

	2017	2016
Deposits	435,625,334	347,494,716
Government grants	239,610,386	159,332,846
Others	122,071,153	480,386,223
	<u>797,306,873</u>	<u>987,213,785</u>

(b) Cash paid relating to other operating activities

	2017	2016
Handling and transportation expenses	1,654,775,619	1,459,651,932
Marketing and promotion expenses	855,417,210	679,499,125
Advertising related expenses	730,760,277	786,885,710
Administrative expenses	293,005,845	356,937,939
Deposits	178,698,686	190,164,318
Others	365,384,769	376,540,136
	<u>4,078,042,406</u>	<u>3,849,679,160</u>

(c) Cash received relating to other investing activities

	2017	2016
Interest income of Finance Company's deposits	395,760,324	345,613,954
Government compensations for relocation and expansion projects	88,655,339	240,806,620
Bidding deposits collected	15,509,676	9,304,850
Interest income of structured deposit	—	11,732,055
	<u>499,925,339</u>	<u>607,457,479</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(55) Notes to consolidated cash flow statement (continued)

(d) Cash paid relating to other investing activities

	2017	2016
Deposit in central bank paid by Finance Company	59,790,000	111,990,000
Biding deposits paid	24,682,730	14,031,221
	<u>84,472,730</u>	<u>126,021,221</u>

(e) Cash received from disposal of investments

	2017	2016
The principal of wealth management products collected when matured	1,800,000,000	2,460,000,000
Government bonds reserve repo investment collected when matured	79,900,000	—
The principal of money market fund redeemed	61,000,000	—
The principal of available-for-sale financial asset collected when disposal	8,642	—
The principal of structured deposit collected when matured	—	300,000,000
Entrusted loans collected when matured	—	210,467,515
	<u>1,940,908,642</u>	<u>2,970,467,515</u>

(f) Cash paid to acquire investments

	2017	2016
Payment for wealth management products	1,700,000,000	3,180,000,000
Payment for money market fund	191,000,000	—
Government bonds reverse repo investment	119,900,000	79,900,000
	<u>2,010,900,000</u>	<u>3,259,900,000</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(56) Supplementary information to consolidated cash flow statement

(a) Supplementary information to consolidated cash flow statement

Reconciliation from net profit to cash flows from operating activities:

	2017	2016
Net profit	1,382,255,641	1,105,698,452
Add: Provision for asset impairment	10,716,839	7,842,038
Depreciation of fixed assets and investment properties	929,148,673	908,827,787
Amortisation of intangible assets	231,384,946	224,564,015
Amortisation of long-term prepaid expenses	18,089,360	18,639,418
Losses on disposal of fixed assets and intangible assets	46,283,580	223,543,613
Profits arising from changes in fair value	(115,254)	—
Finance expenses	(395,011,987)	(273,373,126)
Investment income	(57,988,170)	(150,969,732)
Increase in deferred tax assets	(93,684,581)	(264,646,253)
Amortisation of deferred income	(217,574,869)	(358,790,743)
Decrease in deferred tax liabilities	(30,439,015)	(27,478,386)
Decrease in inventories	15,154,446	149,859,706
(Increase)/Decrease in operating receivables	(151,456,401)	365,522,647
Increase in operating payables	536,772,667	1,041,651,768
Net cash flows from operating activities	<u>2,223,535,875</u>	<u>2,970,891,204</u>

Net increase in cash and cash equivalents:

	2017	2016
Cash and cash equivalents at end of year	9,101,908,887	7,929,473,031
Less: Cash and cash equivalents at beginning of year	(7,929,473,031)	(7,575,374,183)
Net increase in cash and cash equivalents	<u>1,172,435,856</u>	<u>354,098,848</u>

(b) Acquisition of subsidiaries

For the year ended 2017, the Company has paid 21,185,226 as the share transfer payment for the acquisition of Tsingtao Brewery (Shanghai) Investing Co., Ltd. (“Shanghai Investing Company”), and 10,000,000 as the share transfer payment for the acquisition of Shandong Lulansa Brewery Co., Ltd. (“Lulansa Brewery”). (For the the year ended 2016: 648,311,059 as the payment for the acquisition of Shanghai Investing Company, 10,000,000 as the payment for the acquisition of Lulansa Brewery).

(c) Cash and cash equivalents

	31 December 2017	31 December 2016
Cash and cash equivalents (Note 4(1))	9,101,908,887	7,929,473,031
Including: Cash on hand	367,745	411,137
Cash at bank that can be readily drawn on demand	9,101,259,635	7,928,969,009
Cash at non-financial institution that can be readily drawn on demand	281,507	92,885
Cash and cash equivalents at end of year	<u>9,101,908,887</u>	<u>7,929,473,031</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(57) Foreign currency items

	31 December 2017		
	Balance in foreign currency	Currency exchange rate	Balance in RMB
Cash at bank and cash on hand —			
USD	42,890,178	6.5342	280,253,001
EUR	19,512,427	7.8023	152,241,809
HKD	89,328,333	0.8359	74,669,554
MOP	25,419,855	0.8122	20,646,006
			<u>527,810,370</u>
Accounts receivable —			
HKD	44,939,008	0.8359	37,564,517
USD	6,365,430	6.5342	41,592,993
EUR	1,810,920	7.8023	14,129,341
MOP	9,095,220	0.8122	7,387,138
CAD	314,567	5.2009	1,636,032
			<u>102,310,021</u>
Other receivables —			
HKD	1,878,026	0.8359	1,569,842
MOP	508,383	0.8122	412,909
			<u>1,982,751</u>
Short-term borrowings —			
HKD	338,000,000	0.8359	282,534,200
Accounts payable —			
MOP	111,503	0.8122	90,563
Other payables —			
HKD	7,084,229	0.8359	5,921,707
USD	541,946	6.5342	3,541,184
MOP	863,373	0.8122	701,232
			<u>10,164,123</u>
Current portion of non-current liabilities —			
DKK	400,000	1.0479	419,160
Long-term borrowings —			
DKK	1,000,000	1.0479	1,047,900

Foreign currency monetary item mentioned above refers to all currencies other than RMB (the scope is different from the foreign currency items in Note 12(1)(a)).

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

5 Changes in consolidation scope

(1) Establishment of subsidiaries

As at 1 December 2017, the Company's subsidiaries, Tsingtao Brewery Cultural Communication Co., Ltd. ("Cultural Communication Company") and Shanghai Tsingtao Brewery Sales Co., Ltd. ("New Shanghai Sales") established Tsingtao Catering with Shanghai Weiji Industrial Co., Ltd. in cash 6,000,000, 3,600,000 and 2,400,000 respectively, holding 50%, 30% and 20% of shares.

6 Interests in other entities

(1) Interests in subsidiaries

(a) The structure of the Group

Name	Category of legal entity	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
					Directly	Indirectly	
Shenzhen Tsingtao Brewery Huanan Holding Co., Ltd. ("Huanan Holding Company")	Limited liability company	Shenzhen, the PRC	Shenzhen, the PRC	Financing	100%	—	Establishment or investment
Tsingtao Brewery (Zhuhai) Co., Ltd. ("Zhuhai Company")	Limited liability company	Zhuhai, the PRC	Zhuhai, the PRC	Manufacturing	—	100%	Establishment or investment
Tsingtao Brewery (Huangshi) Co., Ltd. ("Huangshi Company")	Limited liability company	Huangshi, the PRC	Huangshi, the PRC	Manufacturing	97.18%	2.82%	Establishment or investment
Tsingtao Brewery (Yingcheng) Co., Ltd. ("Yingcheng Company")	Limited liability 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")	Limited liability company	Guangdong, the PRC	Shenzhen, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery (Changsha) Co., Ltd. ("Changsha Company")	Limited liability company	Changsha, the PRC	Changsha, the PRC	Manufacturing	70%	30%	Establishment or investment
Shanghai Tsingtao Brewery Huadong (Holding) Co., Ltd. ("Huadong Holding Company")	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery Huadong Shanghai Sales Co., Ltd. ("Shanghai Sales Company")	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	97.01%	2.99%	Establishment or investment
Nanjing Tsingtao Brewery Huadong Sales Co., Ltd. ("Nanjing Sales Company")	Limited liability company	Jiangsu, the PRC	Nanjing, the PRC	Wholesale and retail sale	—	100%	Establishment or investment
Tsingtao Brewery (Wuhu) Co., Ltd. ("Wuhu Company")	Limited liability company	Wuhu, the PRC	Wuhu, the PRC	Manufacturing	89.04%	10.96%	Establishment or investment
Tsingtao Brewery (Maanshan) Co., Ltd. ("Maanshan Company")	Limited liability company	Maanshan, the PRC	Maanshan, the PRC	Manufacturing	94.12%	5.58%	Establishment or investment
Tsingtao Brewery (Shouguang) Co., Ltd. ("Shouguang Company")	Limited liability company	Shouguang, the PRC	Shouguang, the PRC	Manufacturing	99%	—	Establishment or investment
Tsingtao Brewery (Weifang) Co., Ltd. ("Weifang Company")	Limited liability company	Weifang, the PRC	Weifang, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Xuzhou) Huaihai Sales Co., Ltd. ("Huaihai Sales Company")	Limited liability company	Jiangsu, the PRC	Xuzhou, the PRC	Wholesale and retail sale	—	100%	Establishment or investment
Tsingtao Brewery (Xuecheng) Co., Ltd. ("Xuecheng Company")	Limited liability company	Xuecheng, the PRC	Xuecheng, the PRC	Manufacturing	—	85%	Establishment or investment
Tsingtao Brewery (Tengzhou) Co., Ltd. ("Tengzhou Company")	Limited liability company	Tengzhou, the PRC	Tengzhou, the PRC	Manufacturing	76.65%	23.35%	Establishment or investment
Tsingtao Brewery (Heze) Co., Ltd. ("Heze Company")	Limited liability company	Heze, the PRC	Heze, the PRC	Manufacturing	93.08%	6.92%	Establishment or investment

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For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 Interests in other entities (continued)

(1) Interests in subsidiaries (continued)

(a) The structure of the Group (continued)

Name	Category of legal entity	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
					Directly	Indirectly	
Langfang Company	Limited liability 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")	Limited liability company	Shaanxi, the PRC	Xi'an, the PRC	Manufacturing and Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery Hansi Baoji Co., Ltd. ("Hansi Baoji")	Limited liability company	Baoji, the PRC	Baoji, the PRC	Manufacturing	—	100%	Establishment or investment
Tsingtao Brewery (Anshan) Co., Ltd. ("Anshan Company")	Limited liability company	Anshan, the PRC	Anshan, the PRC	Manufacturing	60%	—	Establishment or investment
Tsingtao Brewery (Xingkaihu) Co., Ltd. ("Xingkaihu Company")	Limited liability company	Jixi, the PRC	Jixi, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Mishan) Co., Ltd. ("Mishan Company")	Limited liability company	Mishan, the PRC	Mishan, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Harbin) Co., Ltd. ("Harbin Company")	Limited liability company	Harbin, the PRC	Harbin, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery Import/Export Co., Ltd. ("Import/Export Company")	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery (Pingyuan) Co., Ltd. ("Pingyuan Company")	Limited liability company	Pingyuan, the PRC	Pingyuan, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Rizhao) Co., Ltd. ("Rizhao Company")	Limited liability company	Rizhao, the PRC	Rizhao, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Luzhou) Co., Ltd. ("Luzhou Company")	Limited liability company	Luzhou, the PRC	Luzhou, the PRC	Manufacturing	95%	—	Establishment or investment
Tsingtao Brewery (Taizhou) Co., Ltd. ("Taizhou Company")	Limited liability company	Taizhou, the PRC	Taizhou, the PRC	Manufacturing	86.43%	13.57%	Establishment or investment
Hong Kong Company	Limited liability company	Hong Kong, the PRC	Hong Kong, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery (Hanzhong) Co., Ltd. ("Hanzhong Company")	Limited liability company	Hanzhong, the PRC	Hanzhong, the PRC	Manufacturing	34%	66%	Establishment or investment
Beijing Tsingtao Brewery Beifang Sales Co., Ltd. ("Beifang Sales Company")	Limited liability company	Beijing, the PRC	Beijing, the PRC	Wholesale and retail sale	95%	5%	Establishment or investment
Qingdao Guangrunlong Logistics Co., Ltd. ("Guangrunlong Logistics")	Limited liability company	Shandong, the PRC	Qingdao, the PRC	Logistics	100%	—	Establishment or investment
Tsingtao Brewery (Xiamen) Co., Ltd. ("Xiamen Company")	Limited liability company	Xiamen, the PRC	Xiamen, the PRC	Manufacturing	—	100%	Establishment or investment
Xiamen Tsingtao Brewery Dongnan Sales Co., Ltd. ("Dongnan Sales Company")	Limited liability company	Fujian, the PRC	Xiamen, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery (Jinan) Co., Ltd. ("Jinan Company")	Limited liability company	Jinan, the PRC	Jinan, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Chengdu) Co., Ltd. ("Chengdu Company")	Limited liability company	Chengdu, the PRC	Chengdu, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Yulin) Co., Ltd. ("Yulin Company")	Limited liability company	Yulin, the PRC	Yulin, the PRC	Manufacturing	—	100%	Establishment or investment
Tsingtao Brewery Chengyang Sales Co., Ltd. ("Chengyang Sales Company")	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery Chenzhou Sales Co., Ltd. ("Chenzhou Sales Company")	Limited liability company	Chenzhou, the PRC	Chenzhou, the PRC	Wholesale and retail sale	—	100%	Establishment or investment
Machinery and Equipment Company	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Construction	—	100%	Establishment or investment
Tsingtao Brewery (Shijiazhuang) Co., Ltd. ("Shijiazhuang Company")	Limited liability company	Shijiazhuang, the PRC	Shijiazhuang, the PRC	Manufacturing	100%	—	Establishment or investment

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For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 Interests in other entities (continued)

(1) Interests in subsidiaries (continued)

(a) The structure of the Group (continued)

Name	Category of legal entity	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
					Directly	Indirectly	
Tsingtao Brewery (Taiyuan) Co., Ltd. ("Taiyuan Company")	Limited liability company	Taiyuan, the PRC	Taiyuan, the PRC	Manufacturing	100%	—	Establishment or investment
Finance Company	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Financing	100%	—	Establishment or investment
Tsingtao Brewery (Jieyang) Co., Ltd. ("Jieyang Company")	Limited liability company	Jieyang, the PRC	Jieyang, the PRC	Manufacturing	75%	—	Establishment or investment
Tsingtao Brewery (Shaoguan) Co., Ltd. ("Shaoguan Company")	Limited liability company	Shaoguan, the PRC	Shaoguan, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Electronic Commerce) Co., Ltd. ("Electronic Commerce Company")	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery (Jiujiang) Co., Ltd. ("Jiujiang Company")	Limited liability company	Jiujiang, the PRC	Jiujiang, the PRC	Manufacturing	90%	—	Establishment or investment
Tsingtao Brewery (Pingdu) Sales Co., Ltd. ("Pingdu Sales Company")	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
New Shanghai Sales	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	—	100%	Establishment or investment
Tsingtao Brewery (Xuzhou) Enterprise Management Service Co., Ltd. ("Xuzhou Enterprise Management")	Limited liability company	Xuzhou, the PRC	Xuzhou, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery (Luoyang) Co., Ltd. ("Luoyang Company")	Limited liability company	Luoyang, the PRC	Luoyang, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Shanghai) Industrial Co., Ltd. ("Shanghai Industrial Company")	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery (Zhangjiakou) Co., Ltd. ("Zhangjiakou company")	Limited liability company	Zhangjiakou, the PRC	Zhangjiakou, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Catering	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Services	—	80%	Establishment or investment
Tsingtao Brewery (Sanshui) Co., Ltd. ("Sanshui Company")	Limited liability company	Sanshui, the PRC	Sanshui, the PRC	Manufacturing	—	75%	Business combination not under common control
Tsingtao Brewery (Chenzhou) Co., Ltd. ("Chenzhou Company")	Limited liability company	Chenzhou, the PRC	Chenzhou, the PRC	Manufacturing	88.80%	11.20%	Business combination not under common control
Shenzhen Tsingtao Brewery Asahi Co., Ltd. ("Shenzhen Asahi")	Limited liability company	Shenzhen, the PRC	Shenzhen, the PRC	Manufacturing	51%	—	Business combination not under common control
Nanning Tsingtao Brewery Co., Ltd. ("Nanning Company")	Limited liability 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")	Limited liability company	Beijing, the PRC	Beijing, the PRC	Manufacturing	29%	25%	Business combination not under common control
Beijing Tsingtao Brewery Five Star Co., Ltd. ("Five Star Company")	Limited liability company	Beijing, the PRC	Beijing, the PRC	Manufacturing	37.64%	25%	Business combination not under common control
Tsingtao Brewery (Weinan) Co., Ltd. ("Weinan Company")	Limited liability company	Weinan, the PRC	Weinan, the PRC	Manufacturing	28%	72%	Business combination not under common control

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For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 Interests in other entities (continued)

(1) Interests in subsidiaries (continued)

(a) The structure of the Group (continued)

Name	Category of legal entity	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
					Directly	Indirectly	
Tsingtao Brewery (Gansu) Co., Ltd. ("Gansu Nongken Company")	Limited liability company	Lanzhou, the PRC	Lanzhou, the PRC	Manufacturing	—	55.06%	Business combination not under common control
Tsingtao Brewery (Wuwei) Co., Ltd. ("Wuwei Company")	Limited liability company	Wuwei, the PRC	Wuwei, the PRC	Manufacturing	—	99.72%	Business combination not under common control
Tsingtao Brewery (Rongcheng) Co., Ltd. ("Rongcheng Company")	Limited liability company	Rongcheng, the PRC	Rongcheng, the PRC	Manufacturing	70%	—	Business combination not under common control
Tsingtao Brewery (Suizhou) Co., Ltd. ("Suizhou Company")	Limited liability company	Suizhou, the PRC	Suizhou, the PRC	Manufacturing	—	90%	Business combination not under common control
Tsingtao Brewery (Fuzhou) Co., Ltd. ("Fuzhou Company")	Limited liability company	Fuzhou, the PRC	Fuzhou, the PRC	Manufacturing	—	100%	Business combination not under common control
Tsingtao Brewery (Zhangzhou) Co., Ltd. ("Zhangzhou Company")	Limited liability company	Zhangzhou, the PRC	Zhangzhou, the PRC	Manufacturing	—	90%	Business combination not under common control
Construction Company	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Construction	100%	—	Business combination not under common control
Tsingtao Brewery (Penglai) Co., Ltd. ("Penglai Company")	Limited liability company	Penglai, the PRC	Penglai, the PRC	Manufacturing	80%	—	Business combination not under common control
Cultural Communication Company	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Manufacturing	100%	—	Business combination not under common control
Tsingtao Brewery Beverage Co., Ltd. ("Beverage Company")	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Manufacturing	100%	—	Business combination not under common control
Immense Brewery Company	Limited liability company	Shandong, the PRC	Megnyin, the PRC	Manufacturing Wholesale and retail sale	75%	25%	Business combination not under common control
Tsingtao Brewery (Hangzhou) Co., Ltd. ("Hangzhou Company")	Limited liability company	Jiande, the PRC	Jiande, the PRC	Manufacturing	80%	—	Business combination not under common control
Macau Company	Limited liability company	Macau, the PRC	Macau, the PRC	Wholesale and retail sale	—	60%	Business combination not under common control
Tsingtao Brewery (Shanghai) Market Service Company Co., Ltd. ("Shanghai Market Service")	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	—	100%	Business combination not under common control
Tsingtao Brewery (Lianyungang) Sales Company Co., Ltd. (Lianyungang Sales)	Limited liability company	Jiangsu, the PRC	Lianyungang, the PRC	Wholesale and retail sale	—	100%	Business combination not under common control
Lulansa Brewery	Limited liability company	Zibo, the PRC	Zibo, the PRC	Manufacturing	55%	—	Business combination not under common control
Equipment Manufacture	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Manufacturing	—	100%	Business combination not under common control

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 Interests in other entities (continued)

(1) Interests in subsidiaries (continued)

(a) The structure of the Group (continued)

Name	Category of legal entity	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
					Directly	Indirectly	
Shanghai Investing Company	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Financing	100%	—	Business combination not under common control
New Songjiang Manufacturing	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Manufacturing	—	100%	Business combination not under common control
Tsingto Brewery (Suqian) Co.,Ltd. ("Suqian Company")	Limited liability company	Suqian, the PRC	Suqian, the PRC	Manufacturing	75%	25%	Business combination not under common control
Tsingto Brewery (Xuzhou) Pengcheng Co.,Ltd. ("Pengcheng Company")	Limited liability company	Xuzhou, the PRC	Xuzhou, the PRC	Manufacturing	—	100%	Business combination not under common control
Xuzhou Company	Limited liability company	Xuzhou, the PRC	Xuzhou, the PRC	Manufacturing	—	100%	Business combination not under common control
Yangzhou Company	Limited liability company	Yangzhou, the PRC	Yangzhou, the PRC	Manufacturing	50%	50%	Business combination not under common control
Tsingto Brewery (Kunshan) Co.,Ltd. ("Kunshan Company")	Limited liability company	Kunshan, the PRC	Kunshan, the PRC	Manufacturing	—	100%	Business combination not under common control
Tsingto Brewery (Huai'an) Co.,Ltd. ("Huai'an Company")	Limited liability company	Huai'an, the PRC	Huai'an, the PRC	Manufacturing	—	100%	Business combination not under common control
Tsingto Brewery (Lianyungang) Co.,Ltd. ("Lianyungang Company")	Limited liability company	Lianyungang, the PRC	Lianyungang, the PRC	Manufacturing	—	100%	Business combination not under common control
Tsingto Brewery (Yangpu) Co.,Ltd. ("Yangpu Company")	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Manufacturing	—	100%	Business combination not under common control
Tsingto Brewery (Minhang) Co.,Ltd. ("Minhang Company")	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Manufacturing	—	96.50%	Business combination not under common control

As at 31 December 2017, no share capital or debt securities are issued by the subsidiaries of the Company.

There are no restrictions on using the assets of the Group or settling the liabilities of the Group.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 Interests in other entities (continued)

(1) Interests in subsidiaries (continued)

(b) Subsidiaries with significant non-controlling interests

Name of subsidiaries	Share proportion of non-controlling interests	Non-controlling interests for the year ended 31 December 2017	Total dividends distributed to the minority shareholders in 2017	Non-controlling interests as at 31 December 2017
Shenzhen Asahi	49%	39,673,476	45,506,300	222,015,504

Summarised financial information of significant non-wholly owned subsidiaries is as follows:

	As at 31 December 2017					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Asahi	95,789,031	512,426,050	608,215,081	(149,452,814)	(5,463,530)	(154,916,344)

	As at 31 December 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Asahi	106,845,941	551,611,342	658,457,283	(186,376,308)	(6,422,606)	(192,798,914)

	Year ended 31 December 2017			
	Revenue	Net profit	Total other comprehensive income	Cash flows from operating activities
Shenzhen Asahi	757,715,100	80,510,368	80,510,368	99,519,606

	Year ended 31 December 2016			
	Revenue	Net profit	Total other comprehensive income	Cash flows from operating activities
Shenzhen Asahi	839,643,629	92,872,791	92,872,791	127,403,862

Financial information above represents the amounts of subsidiaries excluding elimination of the Group.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 Interests in other entities (continued)

(2) Interests in the joint venture and associates

(a) Fundamental information of the significant joint venture and associates

	Place of operation	Place of incorporation	Principal activities	Strategic impact on the Group	Share proportion	
					Directly	Indirectly
Joint Venture —						
Hebei Jiahe Company	Shijiazhuang, the PRC	Shijiazhuang, the PRC	Manufacturing	Yes	50%	—
Associates —						
Yantai Asahi	Yantai, the PRC	Yantai, the PRC	Manufacturing	Yes	39%	—
Zhaoshang Logistics	Qingdao, the PRC	Qingdao, the PRC	Logistics	Yes	30%	—
Liaoning Shenqing	Shenyang, the PRC	Shenyang, the PRC	Wholesale and retail sale	Yes	30%	—
European Company	France	France	Wholesale and retail sale	Yes	—	40%

The equity investments above are accounted for using the equity method.

(b) Summarised financial information of the joint venture

	Hebei Jiahe Company	
	31 December 2017	31 December 2016
Current assets	72,132,420	32,486,995
Including: Cash and cash equivalents	32,235,030	5,565,690
Non-current assets	105,356,533	109,818,901
Total assets	177,488,953	142,305,896
Current liabilities	(36,907,063)	(27,131,803)
Total liabilities	(36,907,063)	(27,131,803)
Total equity attributable to shareholders of the Company	140,581,890	115,174,093
Adjusted fair value of the identifiable net assets when obtained	97,756,038	109,407,433
Adjusted total equity attributable to shareholders of the Company	238,337,928	224,581,526
The share of net assets calculated based on the shareholding proportion (i)	119,168,964	112,290,763
Adjusting item — Goodwill	113,928,609	113,928,609
— Unrealised profits of internal transaction	62	—
Book value of investment on the joint venture	233,097,635	226,219,372

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

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 Interests in other entities (continued)

(2) Interests in the joint venture and associates (continued)

(b) Summarised financial information of the joint venture (continued)

	Hebei Jiahe Company	
	For the year ended 31 December 2017	For the year ended 31 December 2016
Revenue	300,242,985	277,070,370
Finance expenses	(380,283)	453,927
Income tax expense	8,688,194	5,128,897
Net profit	25,407,797	15,243,877
Total comprehensive income	25,407,797	15,243,877
Adjusted fair value of the identifiable net assets when obtained	(11,651,395)	(13,729,278)
Adjusted total comprehensive income attributable to shareholders of the Company	13,756,402	1,514,599
Dividends received from the joint venture in the current year	—	—

- (i) The share of the net asset of the 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 joint venture, adjusted according 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.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 Interests in other entities (continued)

(2) Interests in the joint venture and associates (continued)

(c) Summarised financial information of associates

	31 December 2017				31 December 2016			
	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company
Current assets	210,723,002	121,508,711	42,715,289	27,261,307	228,383,254	134,043,419	48,588,253	16,927,437
Including: Cash and cash equivalents	34,439,331	1,258,210	15,859,855	8,088,863	27,246,774	1,305,196	7,601,198	2,086,654
Non-current assets	283,555,661	2,835,905	4,703,991	122,012	271,442,287	4,266,724	5,053,723	123,952
Total assets	494,278,663	124,344,616	47,419,280	27,383,319	499,825,541	138,310,143	53,641,976	17,051,389
Current liabilities	(205,698,892)	(88,431,424)	(44,559,964)	(21,707,215)	(177,803,357)	(82,076,728)	(47,741,672)	(12,168,219)
Non-current liabilities	(6,571,007)	—	—	—	(32,044,508)	—	—	—
Total liabilities	(212,269,899)	(88,431,424)	(44,559,964)	(21,707,215)	(209,847,865)	(82,076,728)	(47,741,672)	(12,168,219)
Total equity attributable to shareholders of the Company	282,008,764	35,913,192	2,859,316	5,676,104	289,977,676	56,233,415	5,900,304	4,883,170
Adjusted fair value of the identifiable net assets when obtained	33,888,498	—	—	—	37,748,498	—	—	—
Adjusted total equity attributable to shareholders of the Company	315,897,262	35,913,192	2,859,316	5,676,104	327,726,174	56,233,415	5,900,304	4,883,170
The share of net assets calculated based on the shareholding proportion (i)	123,199,932	10,773,958	857,795	2,270,441	127,813,207	16,870,025	1,770,091	1,953,268
Adjusting items								
— Goodwill	9,640,679	—	—	—	9,640,679	—	—	—
— Unrealised profits of internal transaction	(3,941,001)	—	—	—	(4,735,727)	—	—	—
Book value of investments on Associates	128,899,610	10,773,958	857,795	2,270,441	132,718,159	16,870,025	1,770,091	1,953,268

There is no quoted market price for the investments in associates of the Group.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

6 Interests in other entities (continued)

(2) Interests in the joint venture and associates (continued)

(c) Summarised financial information of associates (continued)

	31 December 2017				31 December 2016			
	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company
Revenue	643,151,373	270,287,862	52,754,227	69,894,520	658,130,480	305,968,136	103,695,337	66,280,900
Net profit/(loss)	30,009,032	11,071,718	(3,040,988)	453,591	42,197,715	11,559,277	(1,424,230)	359,985
Other comprehensive income	—	—	—	339,343	—	—	—	128,881
Total comprehensive income	30,009,032	11,071,718	(3,040,988)	792,934	42,197,715	11,559,277	(1,424,230)	488,866
Total comprehensive income attributable to shareholders of the Company	30,009,032	11,071,718	(3,040,988)	792,934	42,197,715	11,559,277	(1,424,230)	488,866
Adjusted fair value of the identifiable net assets when obtained	(3,860,000)	—	—	—	(3,859,999)	—	—	—
Adjusted total comprehensive income attributable to shareholders	26,149,032	11,071,718	(3,040,988)	792,934	38,337,716	11,559,277	(1,424,230)	488,866
Dividends received from the associates in the current year	14,811,398	9,409,394	—	—	14,098,054	3,660,912	—	—

(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 associates, adjusted according 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 31 December 2017, the Group's joint venture and associates have no excess losses.

(e) In accordance with "Equity Transfer Contract" signed on 29 October 2016 between the Company and Shijiazhuang Zhongshuo Management Co., Ltd. ("Shijiazhuang Zhongshuo"), the Company planned to acquire the remaining 50% equity interests of Hebei Jiahe Company from Shijiazhuang Zhongshuo. Based on the changes in the business environment, the Company and Shijiazhuang Zhongshuo agreed to terminate the "Equity Transfer Contract" on 30 August 2017.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

7 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. Different regions require 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 on resources allocation and to assess their performance.

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

The Group identified seven reportable segments as follows:

- Shandong region, responsible for the production and distribution of beer in Shandong region and surrounding regions
- South China region, responsible for the production and distribution of beer in South China region
- North China region, responsible for the production and distribution of beer in North China region
- East China region, responsible for the production and distribution of beer in East China region
- Southeast China region, responsible for the production and distribution of beer in Southeast China region
- Hong Kong, Macau and other overseas regions, responsible for the distribution of beer in Hong Kong, Macau and other overseas regions
- Finance Company, engaged in the financial businesses of wealth management and agency collection and payment for its members.

Inter-segment transfer pricing is based on mutually-agreed prices.

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

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

7 Segment information (continued)

(a) Segment information as at and for the year ended 31 December 2017 is as follows:

	Shandong Region	South China Region	North China Region	East China Region	Southeast China Region	Hong Kong, Macau and other overseas Regions	Finance Company	Unallocated	Elimination	Total
Revenue from external customers	14,292,308,485	3,162,287,425	4,407,098,356	2,794,750,790	925,210,692	692,918,837	700,800	1,776,299	—	26,277,051,684
Inter-segment revenue	2,390,483,367	551,855,702	1,177,817,956	107,469,713	15,477,672	158,838,061	46,397,966	600,767	(4,448,941,204)	—
Cost of sales	(10,644,714,799)	(2,316,347,907)	(3,660,960,131)	(2,166,077,505)	(692,725,985)	(565,385,926)	(31,475)	(952,413)	4,425,065,274	(15,622,130,867)
Selling and distribution expenses	(2,967,752,418)	(1,025,428,613)	(730,113,119)	(681,937,086)	(204,787,082)	(158,925,283)	—	—	—	(5,768,943,601)
Interest income	34,104,487	16,633,108	34,318,966	4,235,264	1,752,702	2,482,546	410,790,742	56,484,968	(145,638,518)	415,164,265
Interest expenses	(13,854,308)	(6,542,590)	(13,532,271)	(16,821,479)	—	(4,747,878)	(147,090,113)	—	192,046,196	(10,542,443)
Share of profit of associates and a joint venture	—	—	—	—	—	—	—	20,461,767	—	20,461,767
Asset impairment reversals/ (losses)	(6,271,318)	7,221	(2,718,497)	(450,304)	(1,544,388)	8,898	1,457,282	(149,028,451)	147,822,718	(10,716,839)
Depreciation and amortisation	(504,071,695)	(195,340,858)	(205,958,358)	(177,528,595)	(39,777,419)	(1,387,828)	(720,929)	(53,837,297)	—	(1,178,622,979)
Total profit/(losses)	1,575,390,120	(30,198,645)	627,135,625	(374,620,865)	(21,907,392)	112,471,504	337,386,129	(292,356,733)	171,518,896	2,104,818,639
Income tax expense	(397,925,440)	(15,061,480)	(212,700,208)	8,794,771	5,745,786	(25,990,510)	(83,940,593)	—	(1,485,324)	(722,562,998)
Net profit/(losses)	1,177,464,680	(45,260,125)	414,435,417	(365,826,094)	(16,161,606)	86,480,994	253,445,536	(292,356,733)	170,033,572	1,382,255,641
Total assets	11,830,427,706	4,418,006,101	5,688,165,259	3,401,092,800	895,250,134	741,678,964	11,138,523,514	5,412,998,103	(12,551,430,802)	30,974,711,779
Total liabilities	6,218,794,904	2,059,788,646	3,540,854,684	2,522,176,064	485,733,804	854,045,067	9,560,519,518	450,369,758	(12,492,075,367)	13,200,207,078
Non-cash expenses other than depreciation and amortisation	12,953,869	454,619	7,671,328	174,133	19,338	—	—	—	—	21,273,287
Long-term equity investments in associates and a joint venture	—	—	—	—	—	—	—	375,899,439	—	375,899,439
Additions of non-current assets (i)	224,951,938	103,823,375	186,153,159	46,413,000	13,546,272	2,936,189	919,470	45,543,304	(30,904,966)	593,381,741

(i) Non-current assets do not include financial assets, long-term equity investments and deferred tax assets.

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For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

7 Segment information (continued)

(a) Segment information as at and for the year ended 31 December 2016 is as follows:

	Shandong Region	South China Region	North China Region	East China Region	Southeast China Region	Hong Kong, Macau and other overseas Regions	Finance Company	Unallocated	Elimination	Total
Revenue from external customers	13,779,050,791	3,292,461,433	4,214,930,052	2,770,479,695	1,445,523,051	598,725,462	3,193,069	1,980,185	—	26,106,343,738
Inter-segment revenue	2,636,349,130	480,840,888	1,074,508,734	123,303,372	10,726,493	162,899,924	50,707,579	600,767	(4,539,936,887)	—
Cost of sales	(10,148,236,962)	(2,349,822,819)	(3,481,106,499)	(2,167,456,124)	(1,080,653,200)	(515,735,035)	(169,974)	(875,877)	4,478,776,948	(15,265,279,542)
Selling and distribution expenses	(3,130,174,462)	(989,476,948)	(612,762,597)	(757,345,302)	(392,689,500)	(146,990,424)	—	—	—	(6,029,439,233)
Interest income	29,428,851	13,675,992	29,069,916	3,766,645	2,966,845	961,861	275,588,083	52,699,071	(125,426,137)	282,731,127
Interest expenses	(19,751,768)	(8,988,909)	(19,081,692)	(22,040,172)	—	(4,486,100)	(128,787,053)	—	189,673,506	(13,462,188)
Share of losses of associates and a joint venture	—	—	—	—	—	—	—	(5,214,764)	—	(5,214,764)
Asset impairment losses	(3,715,222)	(609,801)	(591,117)	(1,194,755)	(1,574,628)	(46,191)	(5,162,637)	(839,324)	5,891,637	(7,842,038)
Depreciation and amortisation	(508,693,828)	(189,647,728)	(211,147,018)	(143,945,087)	(39,587,042)	(2,469,808)	(971,323)	(55,569,386)	—	(1,152,031,220)
Total profit/(losses)	1,792,313,332	(11,352,432)	563,331,309	(417,320,196)	(83,745,161)	105,633,444	217,732,791	(54,158,733)	11,007,411	2,123,441,765
Income tax expense	(717,643,220)	(12,464,386)	(208,345,993)	(5,443,280)	(1,050,755)	(24,135,293)	(54,556,246)	—	5,895,860	(1,017,743,313)
Net profit/(losses)	1,074,670,112	(23,816,818)	354,985,316	(422,763,476)	(84,795,916)	81,498,151	163,176,545	(54,158,733)	16,903,271	1,105,698,452
Total assets	11,498,978,803	4,439,575,889	5,776,346,339	3,327,587,133	900,114,749	680,624,013	10,170,188,267	5,390,162,109	(12,106,418,815)	30,077,158,487
Total liabilities	6,452,698,020	1,821,713,586	4,051,904,558	2,294,101,058	464,505,353	819,257,630	8,850,070,106	498,294,745	(12,054,526,138)	13,198,018,918
Non-cash expenses other than depreciation and amortisation	10,694,200	438,716	6,640,832	298,704	15,524	—	—	—	—	18,087,976
Long-term equity investments in associates and a joint venture	—	—	—	—	—	—	—	379,530,915	—	379,530,915
Additions of non-current assets (i)	220,754,582	194,250,727	279,331,059	2,373,501,817	33,210,980	1,929,235	308,715	49,792,327	(29,689,832)	3,123,389,610

(i) Non-current assets do not include financial assets, long-term equity investments and deferred tax assets.

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For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

7 Segment information (continued)

The Group's revenue from external customers in domestic and overseas markets and the total non-current assets other than financial assets and deferred tax assets located domestically and in foreign countries or geographical areas are summarised as follows:

Revenue from external customers	2017	2016
Domestic	25,539,177,885	25,462,663,314
Hong Kong and Macau	261,987,116	259,073,170
Other overseas regions	475,886,683	384,607,254
	26,277,051,684	26,106,343,738
	31 December	31 December
Total non-current assets	2017	2016
Domestic	15,754,162,727	16,413,141,266
Hong Kong and Macau	11,071,550	11,634,639
	15,765,234,277	16,424,775,905

8 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 6(1).

(2) Information of the joint venture and associates

Except for the information of the joint venture and associates disclosed in Note 6(2), the other associates having related parties transactions with the Group are set out below:

Company name	Relationship with the Group
Beijing Sales Company	Associate
Guangzhou General Agency	Associate

Previous Associates (i) —

New Songjiang Manufacturing	A subsidiary of Shanghai Investing Company, the Group's previous associate
Pengcheng Company	A subsidiary of Shanghai Investing Company, the Group's previous associate
Yangzhou Company	A subsidiary of Shanghai Investing Company, the Group's previous associate
Xuzhou Company	A subsidiary of Shanghai Investing Company, the Group's previous associate
Suqian Company	A subsidiary of Shanghai Investing Company, the Group's previous associate
Kunshan Company	A subsidiary of Shanghai Investing Company, the Group's previous associate
Minhang Company	A subsidiary of Shanghai Investing Company, the Group's previous associate
Yangpu Company	A subsidiary of Shanghai Investing Company, the Group's previous associate
Lianyungang Company	A subsidiary of Shanghai Investing Company, the Group's previous associate

- (i) Shanghai Investing Company and its subsidiaries as mentioned above became subsidiaries of the Company on 28 March 2016. The amount of related transactions between the companies above and the Group, as presented in Note 8(4), was amount occurred from 1 January 2016 to 28 March 2016.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

8 Related parties and related party transactions (continued)

(3) Information of other related parties

	Relationship with the Group
Tsingtao Brewery Group Co., Ltd. (“Tsingtao Group”)	Majority shareholder of the Company
Asahi Group Holdings Co. Ltd. (“Asahi Group”) (Note 10(2))	Majority shareholder of the Company
Asahi Breweries, Ltd. (“Asahi Breweries”)	Subsidiary of Asahi Group
Asahi Beer (China) Investment Co., Ltd. (“Asahi Investment”)	Subsidiary of Asahi Group
Suntory (China) Holding Co., Ltd. (“Suntory Company”)	Previous 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	2017	2016
Yantai Asahi	Purchase of beer	Mutually-agreed prices and approval by Board of Directors	633,755,622	655,107,526
Hebei Jiahe Company	Purchase of beer	Mutually-agreed prices	299,803,086	276,699,271
Zhaoshang Logistics	Receiving logistics service (including payment on behalf)	Mutually-agreed prices	228,610,182	290,048,274
New Songjiang Manufacturing	Purchase of beer and materials	Mutually-agreed prices and approval by Board of Directors	—	165,705,582
Kunshan Company	Purchase of beer and materials	Mutually-agreed prices and approval by Board of Directors	—	63,114,083
Minhang Comapny	Purchase of beer and materials	Mutually-agreed prices and approval by Board of Directors	—	51,914,619
Pengcheng Company	Purchase of beer and materials	Mutually-agreed prices and approval by Board of Directors	—	39,975,253
Lianyungang Company	Purchase of beer and materials	Mutually-agreed prices and approval by Board of Directors	—	35,024,313
Yangzhou Company	Purchase of beer and materials	Mutually-agreed prices and approval by Board of Directors	—	30,759,529
Suqian Company	Purchase of beer and materials	Mutually-agreed prices and approval by Board of Directors	—	30,081,498
Xuzhou Company	Purchase of beer	Mutually-agreed prices and approval by Board of Directors	—	27,411,879
Yangpu Comapny	Purchase of beer	Mutually-agreed prices and approval by Board of Directors	—	2,017,144
			1,162,168,890	1,667,858,971

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For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

8 Related parties and related party transactions (continued)

(4) Related party transactions (continued)

(b) Sales of goods and providing services

Name of related party	Nature of transaction	Pricing policies	2017	2016
European Company	Sale of beer	Mutually-agreed prices	55,437,312	54,617,664
Asahi Breweries	Sales and commissioned processing of beer	Mutually-agreed prices and approval by Board of Directors	46,783,227	36,455,148
Liaoning Shenqing	Sale of beer	Mutually-agreed prices	43,945,714	97,508,124
Asahi Investment	Sales and commissioned processing of beer	Mutually-agreed prices and approval by Board of Directors	10,224,237	8,499,815
New Songjiang Manufacturing	Sale of materials	Mutually-agreed prices	—	786,153
Yantai Asahi	Sale of materials	Mutually-agreed prices	—	98,253
Minhang Company	Sale of materials	Mutually-agreed prices	—	61,046
Yangzhou Company	Sale of materials	Mutually-agreed prices	—	1,496
			<u>156,390,490</u>	<u>198,027,699</u>

(c) Brand royalty

Name of related party	Nature of transaction	Pricing policies	2017	2016
New Songjiang Manufacturing	Brand royalty	Mutually-agreed prices	—	2,063,593
Pengcheng Company	Brand royalty	Mutually-agreed prices	—	379,345
Yangzhou Company	Brand royalty	Mutually-agreed prices	—	347,350
Suqian Company	Brand royalty	Mutually-agreed prices	—	311,151
Xuzhou Company	Brand royalty	Mutually-agreed prices	—	237,982
Lianyungang Company	Brand royalty	Mutually-agreed prices	—	75,087
			<u>—</u>	<u>3,414,508</u>

(d) Entrusted loan from related parties

	2017	2016
Suntory Company	<u>—</u>	<u>542,964,875</u>

(e) Loan repayments to related parties

	2017	2016
Suntory Company	<u>—</u>	<u>731,409,485</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

8 Related parties and related party transactions (continued)

(4) Related party transactions (continued)

(f) Absorbed deposits from related parties

	2017	2016
Yantai Asahi	752,891,751	737,870,750
New Songjiang Manufacturing	—	160,724,669
Shanghai Investing Company	—	60,717,198
Pengcheng Company	—	39,257,665
Suqian Company	—	35,657,531
Xuzhou Company	—	27,611,514
Yangzhou Company	—	25,057,104
	<u>752,891,751</u>	<u>1,086,896,431</u>

(g) Interest expense paid to related parties

	2017	2016
Yantai Asahi	31,475	80,501
Suntory Company	—	2,002,640
New Songjiang Manufacturing	—	35,154
Pengcheng Company	—	30,170
Xuzhou Company	—	7,853
Suqian Company	—	7,020
Yangzhou Company	—	6,500
Shanghai Investing Company	—	2,776
	<u>31,475</u>	<u>2,172,614</u>

(h) Financial services fee received from related parties

	2017	2016
Yantai Asahi	13,890	10,210
New Songjiang Manufacturing	—	3,998
Pengcheng Company	—	1,247
Xuzhou Company	—	1,219
Suqian Company	—	812
Yangzhou Company	—	335
	<u>13,890</u>	<u>17,821</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

8 Related parties and related party transactions (continued)

(4) Related party transactions (continued)

(i) Key management compensation

	2017	2016
Key management compensation	<u>8,074,949</u>	<u>6,058,890</u>

(j) For the year ended 31 December 2017 and 2016, there is no loan provided to the key management from the Group.

(5) Receivable and payable balances with related parties

Receivables from related parties:

		31 December 2017		31 December 2016	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable	European Company	14,129,340	—	6,778,852	—
	Beijing Sales Company	11,245,784	(11,245,784)	11,245,784	(11,245,784)
	Asahi Breweries	3,430,707	—	8,600,891	—
	Guangzhou General Agency	2,509,690	(2,509,690)	2,609,690	(2,609,690)
	Asahi Investment	843,821	—	692,118	—
		<u>32,159,342</u>	<u>(13,755,474)</u>	<u>29,927,335</u>	<u>(13,855,474)</u>

Payables to related parties:

		31 December 2017	31 December 2016
Accounts payable	Yantai Asahi	71,317,118	102,352,747
	Hebei Jiahe Company	<u>2,511,913</u>	<u>1,555,884</u>
		<u>73,829,031</u>	<u>103,908,631</u>
Other payables	Zhaoshang Logistics	37,767,220	64,873,239
	Yantai Asahi	9,305,035	18,530,087
	Liaoning Shenqing	<u>3,885,852</u>	<u>3,458,735</u>
		<u>50,958,107</u>	<u>86,862,061</u>
Advances from customers	Liaoning Shenqing	<u>3,477,346</u>	<u>14,219,248</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

8 Related parties and related party transactions (continued)

(6) Benefits and interests of directors

(a) Directors' and CEO's emoluments

The remuneration of every director, supervisor and CEO for the year ended 31 December 2017 are set out below:

Name	Emoluments in respect of a person's services as a director				Emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking	Total
	Fees	Salary, bonus, and allowance	Social pension	Housing funds		
Executive directors:						
Sun Mingbo	—	946,980	51,611	20,274	—	1,018,865
Huang Kexing (acting as CEO)	—	897,306	51,611	20,274	—	969,191
Fan Wei	—	655,012	51,611	20,274	—	726,897
Yu Zhuming	—	633,841	51,611	20,274	—	705,726
Non-executive director:						
Yasutaka Sugiura	—	—	—	—	—	—
Independent directors:						
Yu Zengbiao	120,000	—	—	—	—	120,000
Wang Xuezheng	120,000	—	—	—	—	120,000
Ben Shenglin	120,000	—	—	—	—	120,000
Jiang Min	120,000	—	—	—	—	120,000
Supervisors:						
Li Gang	120,000	—	—	—	—	120,000
Li Yan	80,000	—	—	—	—	80,000
Wang Yaping	80,000	—	—	—	—	80,000
Xue Chaoshan	—	498,600	51,611	20,274	—	570,485
Sun Lihong	—	370,000	51,611	20,274	—	441,885
Xing Jun	—	340,700	51,611	20,274	—	412,585
Ryoichi Kitagawa	—	—	—	—	—	—
	<u>760,000</u>	<u>4,342,439</u>	<u>361,277</u>	<u>141,918</u>	—	<u>5,605,634</u>

In 2017, the executive directors (including Sun Mingbo, Huang Kexing, Fan Wei and Yu Zhuming) and the supervisors (including Xue Chaoshan, Sun Lihong and Xing Jun) have provided management services in connection with the management of the affairs of the Company or its subsidiaries undertaking. As the emoluments as directors or supervisors and other services can not be distinguished from each other, emoluments as both of the roles are combined disclosed together.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

8 Related parties and related party transactions (continued)

(6) Benefits and interests of directors (continued)

(a) Directors' and CEO's emoluments (continued)

In 2017, the non-executive director, Yasutaka Sugiura, and the supervisor of shareholders, Ryoichi Kitagawa, did not receive emoluments from the Company. As it is stated in Note 10(2), Asahi Group has no longer been a shareholder of the Company since 19 March 2018 and Yasutaka Sugiura and Ryoichi Kitagawa resigned on the same day.

The remuneration of every director, supervisor and CEO for the year ended 31 December 2016 are set out below:

Name	Emoluments in respect of a person's services as a director				Emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking	Total
	Fees	Salary, bonus, and allowance	Social pension	Housing funds		
Executive directors:						
Sun Mingbo	—	832,752	47,857	20,568	—	901,177
Huang Kexing (acting as CEO)	—	691,268	47,857	20,568	—	759,693
Jiang Hong (i)	—	343,770	23,929	10,902	—	378,601
Fan Wei (ii)	—	540,140	47,857	20,568	—	608,565
Yu Zhuming	—	533,203	47,857	20,568	—	601,628
Non-executive director:						
Yasutaka Sugiura	—	—	—	—	—	—
Independent directors:						
Ma Haitao (iii)	10,000	—	—	—	—	10,000
Yu Zengbiao (iv)	110,000	—	—	—	—	110,000
Wang Xuezheng	120,000	—	—	—	—	120,000
Ben Shenglin	120,000	—	—	—	—	120,000
Jiang Min	120,000	—	—	—	—	120,000
Supervisors:						
Li Gang	120,000	—	—	—	—	120,000
Li Yan	80,000	—	—	—	—	80,000
Wang Yaping	80,000	—	—	—	—	80,000
Xue Chaoshan	—	466,000	47,857	20,568	—	534,425
Sun Lihong	—	347,500	47,857	20,568	—	415,925
Xing Jun	—	317,700	47,857	20,568	—	386,125
Ryoichi Kitagawa	—	—	—	—	—	—
	760,000	4,072,333	358,928	154,878	—	5,346,139

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

8 Related parties and related party transactions (continued)

(6) Benefits and interests of directors (continued)

(a) Directors' and CEO's emoluments (continued)

- (i) Resigned from director on 16 June 2016.
- (ii) Appointed as director on 16 June 2016.
- (iii) Resigned from director on 16 February 2016.
- (iv) Appointed as director on 16 February 2016.

In 2016, the executive directors (including Sun Mingbo, Huang Kexing, Jiang Hong, Fan Wei and Yu Zhuming) and the supervisors (including Xue Chaoshan, Sun Lihong and Xing Jun) have provided management services in connection with the management of the affairs of the Company or its subsidiaries undertaking. As the emoluments as directors or supervisors and other services can't be distinguished from each other, emoluments as both of the roles are combined disclosed together.

In 2016, the non-executive director, Yasutaka Sugiura, and the supervisor of shareholders, Ryoichi Kitagawa, did not receive emoluments from the Company.

- (b) For the year ended 31 December 2017, there are no termination benefits for the directors (2016: nil).
- (c) For the year ended 31 December 2017, there is no consideration provided to third parties for obtaining available directors' services (2016: nil).
- (d) For the year ended 31 December 2017, there are no loans and quasi-loans in favour of directors, controlled body corporate of directors and connected entities of directors, and no guarantee or security provided to directors, controlled body corporate of directors and connected entities of directors (2016: nil).
- (e) No significant transactions, arrangements or contracts in related to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the year ended 31 December 2017 (2016:nil).

(7) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 3 (2016: 4) directors whose emoluments are reflected in the analysis shown in the table above. The emoluments payable to the remaining 2 (2016: 1) individuals during the year are as follows:

	2017	2016
Salary, bonus and allowance	2,581,460	567,000
Social pension	103,222	47,857
Housing funds	40,548	20,568
	<u>2,725,230</u>	<u>635,425</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

8 Related parties and related party transactions (continued)

(7) Five highest paid individuals (continued)

	Number of individuals	
	2017	2016
Emoluments bands:		
HKD500,000 – 1,000,000 (equivalent to approximately RMB420,000 – 840,000)	1	1
HKD2,000,000 – 2,500,000 (equivalent to approximately RMB1,680,000 – 2,100,000)	1	—

9 Commitments

(1) Capital commitments

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

	31 December 2017	31 December 2016
Buildings, machinery and equipment	245,204,859	142,242,441

(2) Operating lease commitments

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

	31 December 2017	31 December 2016
Within one year	25,082,760	24,095,463
1 to 2 years	7,376,875	1,369,406
2 to 3 years	4,501,889	131,930
More than 3 years	7,123,808	248,667
	44,085,332	25,845,466

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

10 Events after the balance sheet date

(1) Dividends distribution after the balance sheet date

	Amount
Dividends proposed	
— Dividends authorised to declare	567,412,774

In accordance with the resolution at the Board of Directors' meeting dated on 27 March 2018, the Board of Directors proposed a dividend of 567,412,774 to the shareholders, which is not recorded as liability in the financial statements for the current year (Note 4(39)).

(2) Transformation of shareholder's equity

As at 20 December 2017, Asahi group signed the share transfer agreement with 5 subsidiaries of Fosun International Co., Ltd. ("Fosun Group") to transfer 243,108,236 H-shares of the Company (approximately 17.99% of the Company's share capital) to Fosun Group. On the same day, Asahi Group signed the share transfer agreement with Tsingtao Group and its subsidiary Hong Kong Xinhaisheng Investment Development Co., Ltd. ("Xinhaisheng") to transfer 27,019,600 H-shares of the Company (approximately 1.99% of the Company's share capital) to Xinhaisheng. On 19 March 2018, the above equity transfer has been completed. Asahi Group is no longer a shareholder of the Company.

11 Lease

For the year ended 31 December 2017, there is no financing lease (2016: nil). Operating lease payments recognised in profit or loss for the current year amount to 142,110,749 (2016: 127,708,687).

12 Financial instrument and risk

The Group's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize 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 has recognized foreign exchange risk from foreign currency assets and liabilities and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are mainly denominated in dollars). The Group's head office is responsible for monitoring the amount of assets and liabilities and transactions denominated in foreign currencies to minimise the foreign exchange risk. The Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. For the year ended 31 December 2017 and 2016, the Group did not enter into any forward exchange contracts or currency swap contracts.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

12 Financial instrument and risk (continued)

(1) Market risk (continued)

(a) Foreign exchange risk (continued)

As at 31 December 2017 and 2016, the carrying amounts in RMB equivalent to the Group's assets and liabilities denominated in foreign currencies are summarised as below:

	31 December 2017		
	USD	Other foreign currencies	Total
Financial assets denominated in foreign currency —			
Cash at bank and on hand	279,008,581	157,731,061	436,739,642
Accounts receivable	41,592,993	15,765,373	57,358,366
	<u>320,601,574</u>	<u>173,496,434</u>	<u>494,098,008</u>
Financial liabilities denominated in foreign currency —			
Other payables	3,541,184	92,649	3,633,833
Current portion of non-current liabilities	—	419,160	419,160
Long-term borrowings	—	1,047,900	1,047,900
	<u>3,541,184</u>	<u>1,559,709</u>	<u>5,100,893</u>
	31 December 2016		
	USD	Other foreign currencies	Total
Financial assets denominated in foreign currency —			
Cash at bank and on hand	196,954,781	87,616,956	284,571,737
Accounts receivable	27,410,293	8,098,726	35,509,019
	<u>224,365,074</u>	<u>95,715,682</u>	<u>320,080,756</u>
Financial liabilities denominated in foreign currency —			
Other payables	2,776,777	—	2,776,777
Current portion of non-current liabilities	—	376,372	376,372
Long-term borrowings	—	1,376,480	1,376,480
	<u>2,776,777</u>	<u>1,752,852</u>	<u>4,529,629</u>

As at 31 December 2017, for various financial assets and liabilities denominated in USD, if USD had strengthened or weakened by 4% against the RMB while all other variables had been held constant, the Group's net profit for the year would have been approximately 9,512,000 (31 December 2016: approximately 6,648,000) higher or lower.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

12 Financial instrument and risk (continued)

(1) Market risk (continued)

(b) Interest rate risk

The Group's interest rate risk arises from interest bearing debts such as long-term bank borrowings. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2017 and 2016, as the long-term bank borrowings are all interest-free and immaterial, there is no material interest rate risk in the view of the directors of the Group.

The Group's head office continuously monitors the interest rate position of the Group. Increase in interest rate will increase the cost of new interest-bearing borrowings and therefore could have an adverse impact on the Group's financial performance. The management of the Group makes decisions according to the latest market conditions. The directors of the Company are of the view that future interest rate changes will not have a material adverse impact on the Group's operating performance.

(c) Price risk

The Group's price risk arises from price fluctuation of the principal raw materials in beer production, while the rise of raw material prices will have adverse impact on the Group's financial performance. The purchasing department of the Group keeps analysing and monitoring the trend of raw materials prices, and considers entering into long-term purchase contracts with the suppliers to make sure that there is no material fluctuation of raw material prices. 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 performance.

(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 medium or large size public-listed and individual city commercial 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, and accordingly, there is no significant credit risk related to customers.

In addition, the Group has policies to limit the credit exposure on accounts receivable and notes receivable. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

12 Financial instrument and risk (continued)

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's head office. The head office monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

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

	31 December 2017			Total
	Within 1 year	1 to 2 years	2 to 5 years	
Short-term borrowings	283,811,882	—	—	283,811,882
Notes payable	289,472,296	—	—	289,472,296
Accounts payable	2,083,733,787	—	—	2,083,733,787
Interests payable	815,222	—	—	815,222
Other payables	5,184,055,031	—	—	5,184,055,031
Current portion of non-current liabilities	419,160	—	—	419,160
Long-term borrowings	—	419,160	628,740	1,047,900
	7,842,307,378	419,160	628,740	7,843,355,278

	31 December 2016			Total
	Within 1 year	1 to 2 years	2 to 5 years	
Short-term borrowings	303,849,161	—	—	303,849,161
Notes payable	307,516,920	—	—	307,516,920
Accounts payable	2,049,229,359	—	—	2,049,229,359
Interests payable	737,291	—	—	737,291
Other payables	4,918,819,305	—	—	4,918,819,305
Current portion of non-current liabilities	376,372	—	—	376,372
Long-term borrowings	—	393,280	983,200	1,376,480
	7,580,528,408	393,280	983,200	7,581,904,888

Bank borrowings are analysed by repayment terms as follows:

	31 December 2017	31 December 2016
Within 1 year	282,953,360	302,717,372
1 to 2 years	419,160	393,280
2 to 5 years	628,740	983,200
	284,001,260	304,093,852

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

13 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) Assets measured at fair value on a recurring basis

As at 31 December 2017, the assets measured at fair value on a recurring basis are analysed below:

	Level 1	Level 3	Total
Financial assets at fair value through profit or loss			
— Money market fund	130,115,254	—	130,115,254
Available-for-sale financial assets			
— Wealth management products	—	628,145,315	628,145,315
	<u>130,115,254</u>	<u>628,145,315</u>	<u>758,260,569</u>

As at 31 December 2016, the assets measured at fair value on a recurring basis are analysed below:

	Level 3
Available-for-sale financial assets	
— Wealth management products	<u>720,000,000</u>

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

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

13 Fair value estimation (continued)

(1) Assets measured at fair value on a recurring basis (continued)

Changes of the above Level 3 financial assets are analysed below:

	Available-for-sale financial asset
1 January 2017	720,000,000
Purchase	1,700,000,000
Sales	(1,800,000,000)
Total gains for the current period	44,684,386
Gains recognised in profit or loss	(36,539,071)
Gains recognised in other comprehensive income (pre-tax)	(8,145,315)
31 December 2017	<u>628,145,315</u>
	Available-for-sale financial asset
1 January 2016	—
Purchase	3,180,000,000
Sales	(2,460,000,000)
Total gains for the current period	26,052,649
Gains recognised in profit or loss	(26,052,649)
31 December 2016	<u>720,000,000</u>

Gains recognised in profit or loss are included in the income statement under the items of investment income.

Gains recognised in other comprehensive income are included in the balance sheet under the items of profits and loss from change in fair value.

The unobservable input of above Level 3 financial asset is its expected return, which is used by the management to evaluate its fair value.

(2) Financial assets and liabilities not measured at fair value but disclosed at fair value

Financial assets and financial liabilities of the Group measured at amortised cost mainly represent receivables, short-term borrowings, payables and long-term borrowings. The difference between the carrying amount and fair value of those financial assets and liabilities not measured by fair value is small.

The fair value of long-term borrowings 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.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

14 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

For the year ended 31 December 2017, the Group's strategy, which was unchanged from the prior year, was to maintain the cash balance above 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 and long-term borrowings). The cash balance as at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Cash and cash equivalents	<u>9,101,908,887</u>	<u>7,929,473,031</u>
<i>Less:</i> Short-term borrowings	(282,534,200)	(302,341,000)
Current portion of non-current liabilities	(419,160)	(376,372)
Long-term borrowings	<u>(1,047,900)</u>	<u>(1,376,480)</u>
	<u>(284,001,260)</u>	<u>(304,093,852)</u>
Cash balance after deducting borrowings	<u>8,817,907,627</u>	<u>7,625,379,179</u>

15 Notes to the Company's financial statements

(1) Accounts receivable

	31 December 2017	31 December 2016
Accounts receivable	985,901,210	875,565,955
<i>Less:</i> Provision for bad debts	<u>(63,420,030)</u>	<u>(63,556,922)</u>
	<u>922,481,180</u>	<u>812,009,033</u>

The majority of the Company's domestic sales are made by prepayments from customers. The remainders are settled by letters of credit, bank acceptance notes or providing credit terms from 30 to 100 days.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(1) Accounts receivable (continued)

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

	31 December 2017	31 December 2016
Within 6 months	696,553,376	703,420,285
6 months to 1 year	70,439,109	57,089,016
1 to 2 years	110,618,308	35,228,701
2 to 3 years	29,170,538	12,376,910
3 to 4 years	11,792,286	18,464
4 to 5 years	9,205	—
Over 5 years	67,318,388	67,432,579
	<u>985,901,210</u>	<u>875,565,955</u>

As at 31 December 2017, accounts receivable of 213,943 (31 December 2016: 2,371,950) were past due, but based on the analysis of the customers' financial position and credit record, the Company was of the view that the overdue amounts could be fully or partially recovered, thus no provision for bad debt is individually or fully provided. The past-due ageing of these accounts receivables is analysed as follows:

	31 December 2017	31 December 2016
Within 6 months	<u>213,943</u>	<u>2,371,950</u>

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

	31 December 2017				31 December 2016			
	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	13,755,474	1.40%	(13,755,474)	100%	13,855,474	1.58%	(13,855,474)	100%
Subject to provision on the grouping basis								
Group B	866,319,085	87.87%	—	—	771,619,428	88.13%	—	—
Group C	105,826,651	10.73%	(49,664,556)	46.93%	90,091,053	10.29%	(49,701,448)	55.17%
	<u>985,901,210</u>	<u>100%</u>	<u>(63,420,030)</u>	<u>6.43%</u>	<u>875,565,955</u>	<u>100%</u>	<u>(63,556,922)</u>	<u>7.26%</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(1) Accounts receivable (continued)

- (c) As at 31 December 2017, accounts receivable with amounts that are individually significant and subject to separate assessment for provision are analysed as follows:

	Ending balance	Provision for bad debts	Ratio	Reason
Beijing Sales Company	11,245,784	(11,245,784)	100%	Note 4(4)(c)
Guangzhou General Agency	2,509,690	(2,509,690)	100%	Note 4(4)(c)
	<u>13,755,474</u>	<u>(13,755,474)</u>		

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

	31 December 2017			31 December 2016		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
		Amount	Ratio		Amount	Ratio
Within 6 months	55,985,430	—	—	40,209,012	—	—
6 months to 1 year	185,963	(9,298)	5%	190,098	(9,505)	5%
2 to 3 years	—	—	—	26,394	(26,394)	100%
3 to 4 years	13,159	(13,159)	100%	18,464	(18,464)	100%
4 to 5 years	9,205	(9,205)	100%	—	—	—
Over 5 years	49,632,894	(49,632,894)	100%	49,647,085	(49,647,085)	100%
	<u>105,826,651</u>	<u>(49,664,556)</u>	<u>46.93%</u>	<u>90,091,053</u>	<u>(49,701,448)</u>	<u>55.17%</u>

- (e) The provisions for bad debts increased in the current year are 9,298, and the reversal of provisions for bad debts are 146,190. The significant reversal of provision for bad debts is as follows:

	Reason for collecting or reversal	Rationality of provision basis	Amount of collecting or reversal	Collecting way
Guangzhou General Agency	Partially collected	The collecting probability is low in the management's view	<u>100,000</u>	By cash

- (f) As at 31 December 2017, there are no accounts receivable written off (2016: nil).

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(1) Accounts receivable (continued)

(g) As at 31 December 2017, the top five accounts receivable are analysed as follows:

	Amount	Provision for bad debts	% of total balance
Total amount of the top five accounts receivable	<u>375,967,203</u>	<u>—</u>	<u>38.13%</u>

(h) As at 31 December 2017, there are no accounts receivable derecognised due to the transfer of financial assets (31 December 2016: nil).

(i) As at 31 December 2017, there are no accounts receivable pledged as collateral for the Company's borrowings (31 December 2016: nil).

(2) Dividends receivable

	31 December 2017	31 December 2016
Huanan Holding Company	148,000,000	—
Xi'an Comapny	92,990,000	284,457,872
Chenzhou Company	17,760,000	—
Jiujiang Company	12,843,000	—
Pingdu Sales Company	—	364,626,982
Electronic Commerce	—	326,366,731
Chengyang Sales Company	—	190,832,490
Shijiazhuang Company	—	51,426,973
Taiyuan Company	—	42,872,378
Cultural Communication Company	—	40,000,000
Rizhao Company	—	29,127,083
Jinan Company	—	24,353,215
	<u>271,593,000</u>	<u>1,354,063,724</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(3) Other receivables

	31 December 2017	31 December 2016
Receivables from subsidiaries	124,211,413	122,541,057
Receivables of refundable cost of land and buildings	17,441,647	17,441,647
Staff advance	11,817,087	12,208,521
Deposits	3,270,624	3,369,432
Others	25,437,211	32,265,499
	<u>182,177,982</u>	<u>187,826,156</u>
Less: Provision for bad debts	<u>(41,975,857)</u>	<u>(40,702,257)</u>
	<u>140,202,125</u>	<u>147,123,899</u>

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

	31 December 2017	31 December 2016
Within 6 months	23,288,805	39,724,880
6 months to 1 year	13,190,277	24,931,573
1 to 2 years	40,890,329	63,760,684
2 to 3 years	47,091,958	14,839,660
3 to 4 years	14,717,107	1,722,168
4 to 5 years	217,990	231,984
Over 5 years	42,781,516	42,615,207
	<u>182,177,982</u>	<u>187,826,156</u>

The Company has no specific credit terms for other receivables. Therefore, the Company has no other receivables that were past due but not individually provided for impairments as at 31 December 2017 and 31 December 2016.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(3) Other receivables (continued)

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

	31 December 2017				31 December 2016			
	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	9.57%	(17,441,647)	100%	17,441,647	9.29%	(17,441,647)	100%
Subject to provision on the grouping basis								
Group A	2,119,907	1.16%	—	—	2,119,907	1.13%	—	—
Group B	124,211,413	68.18%	—	—	122,541,057	65.24%	—	—
Group C	38,405,015	21.09%	(24,534,210)	63.88%	45,723,545	24.34%	(23,260,610)	50.87%
	<u>182,177,982</u>	<u>100%</u>	<u>(41,975,857)</u>	<u>23.04%</u>	<u>187,826,156</u>	<u>100%</u>	<u>(40,702,257)</u>	<u>21.67%</u>

(c) As at 31 December 2017, other receivables that are individually significant and subject to separate assessment for provision are analysed as follows:

	Ending balance	Provision for bad debts	Ratio	Reason
Receivables of refundable cost of land and buildings	<u>17,441,647</u>	<u>(17,441,647)</u>	100%	Note 4(7)(c)

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(3) Other receivables (continued)

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

	31 December 2017			31 December 2016		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
		Amount	Ratio		Amount	Ratio
Within 6 months	12,652,854	—	—	18,975,137	—	—
6 months to 1 year	76,003	(3,800)	5%	3,007,554	(150,378)	5%
1 to 2 years	2,291,497	(1,145,749)	50%	1,261,244	(630,622)	50%
2 to 3 years	1,037,041	(1,037,041)	100%	226,820	(226,820)	100%
3 to 4 years	148,433	(148,433)	100%	260,396	(260,396)	100%
4 to 5 years	217,810	(217,810)	100%	231,984	(231,984)	100%
Over 5 years	21,981,377	(21,981,377)	100%	21,760,410	(21,760,410)	100%
	38,405,015	(24,534,210)	63.88%	45,723,545	(23,260,610)	50.87%

- (e) The provisions for bad debts increased in the current year are 1,637,871, and the reversals of provision for bad debts are 362,361.
- (f) In the current year, other receivables that were written off are 1,910.
- (g) As at 31 December 2017, the top five other receivables are analysed as follows:

	Nature	Amount	Ageing	% of total balance	Provisions for bad debts
No. 1	Payment on behalf for recycled bottles	49,565,561	Within 4 years	27.21%	—
No. 2	Payment on behalf for recycled bottles	22,883,091	Within 4 years	12.56%	—
No. 3	Payment on behalf for recycled bottles	22,862,255	Within 4 years	12.55%	—
No. 4	Payment on behalf for Social Security	16,968,410	Within 4 years	9.31%	—
No. 5	Receivables of refundable cost of land	8,584,437	Over 5 years	4.71%	(8,584,437)
		120,863,754		66.34%	(8,584,437)

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(4) Long-term receivables

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Entrusted loans to Subsidiaries	181,100,000	145,500,000	(216,100,000)	110,500,000
Less: Provisions for bad debts	<u>(175,100,000)</u>	<u>—</u>	<u>89,600,000</u>	<u>(85,500,000)</u>
	<u>6,000,000</u>			<u>25,000,000</u>

The entrusted loans to subsidiaries are unsecured RMB loans provided by the Company through banks and Finance Company, with annual interest of 3.92% and quarterly payment.

(5) Long-term equity investments

	31 December 2017	31 December 2016
Subsidiaries (a)	10,653,857,675	10,320,072,449
Joint venture (b)	233,097,635	226,219,372
Associates (c)	<u>141,751,363</u>	<u>152,578,275</u>
	11,028,706,673	10,698,870,096
Less: Provision for impairment of long-term equity investments (d)	<u>(994,478,059)</u>	<u>(755,588,059)</u>
	<u>10,034,228,614</u>	<u>9,943,282,037</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(5) Long-term equity investments (continued)

(a) Subsidiaries

	31 December 2016	Movements in the current year			31 December 2017	Balance of provision for impairment at end of year	Cash dividends declared in the current year (ii)
		Increased investment	Decreased investment	Others			
Shenzhen Asahi	126,746,680	—	—	—	126,746,680	—	(92,870,000)
Chenzhou Company	62,601,208	—	—	—	62,601,208	—	(20,000,000)
Huanan Sales Company	45,070,000	—	—	—	45,070,000	—	(100,000,000)
Huanan Holding Company	208,790,000	—	—	—	208,790,000	—	(148,000,000)
Huadong Holding Company	96,855,102	—	—	—	96,855,102	(96,855,102)	—
Shouguang Company	60,000,000	—	—	—	60,000,000	—	—
Five star Company	24,656,410	—	—	—	24,656,410	(24,656,410)	—
Three Ring Company	69,457,513	—	—	—	69,457,513	(69,457,513)	—
Beifang Sales Company	83,984,000	—	—	—	83,984,000	(83,984,000)	—
Xi'an Company	392,627,114	—	—	—	392,627,114	—	(92,990,000)
Weinan Company	14,000,000	—	—	—	14,000,000	—	—
Anshan Company	30,000,000	—	—	—	30,000,000	—	—
Xingkaihu Company (i)	129,430,000	70,000,000	—	—	199,430,000	(129,430,000)	—
Mishan Company (i)	23,920,000	94,600,000	—	—	118,520,000	(118,520,000)	—
Harbin Company	213,540,000	—	—	—	213,540,000	(109,940,000)	—
Penglai Company	30,000,000	—	—	—	30,000,000	(30,000,000)	—
Rongcheng Company	65,103,434	—	—	—	65,103,434	(65,103,434)	—
Import/ Export Company	11,210,000	—	—	—	11,210,000	—	—
Tsingtao Brewery (Laoshan) Co., Ltd.	18,089,491	—	—	—	18,089,491	—	—
Hong Kong Company	41,728,681	—	—	—	41,728,681	—	(10,000,000)
Tsingtao Brewery Kai Fa Co., Ltd.	1,320,000	—	—	—	1,320,000	(1,320,000)	—
Taizhou Company	60,000,000	—	—	—	60,000,000	—	—
Maanshan Company	80,000,000	—	—	—	80,000,000	—	—
Xianghong Shangwu	5,760,000	—	—	—	5,760,000	—	—
Dongnan Sales Company	293,088,560	—	—	—	293,088,560	—	—
Changsha Company	47,600,000	—	—	—	47,600,000	—	—
Jinan Company	560,000,000	—	—	—	560,000,000	—	(51,130,000)
Guangrunlong Logistics	16,465,405	—	—	—	16,465,405	—	—
Chengdu Company	280,000,000	—	—	—	280,000,000	—	—
Cultural Communication Company	5,290,000	—	—	—	5,290,000	—	(30,000,000)
Rizhao Company	339,239,300	—	—	—	339,239,300	—	(25,570,000)
Weifang Company	73,620,001	—	—	—	73,620,001	—	(16,340,000)
Pingyuan Company	21,730,001	—	—	—	21,730,001	—	—
Construction Company	2,490,000	—	—	—	2,490,000	—	—
Langfang Company	79,090,000	—	—	—	79,090,000	—	—
Heze Company	124,590,000	—	—	—	124,590,000	(51,301,600)	—
Tengzhou Company	48,310,000	—	—	—	48,310,000	—	(70,000,000)
Tsingtao Brewery (Shanghai) Company Limited	1,570,000	—	—	—	1,570,000	—	—

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(5) Long-term equity investments (continued)

(a) Subsidiaries

	31 December 2016	Movements in the current year			31 December 2017	Balance of provision for impairment at end of year	Cash dividends declared in the current year (ii)
		Increased investment	Decreased investment	Others			
Wuhu Company	144,290,000	—	—	—	144,290,000	(144,290,000)	—
Shanghai Sales Company	97,300,000	—	—	—	97,300,000	(47,300,000)	—
Chengyang Sales Company	8,000,000	—	—	—	8,000,000	—	(97,120,000)
Shijiazhuang Company	321,010,000	—	—	—	321,010,000	—	(45,370,000)
Taiyuan Company	200,000,000	—	—	—	200,000,000	—	(43,530,000)
Finance Company	500,000,000	—	—	—	500,000,000	—	—
Immense Brewery Company	1,404,558,400	—	—	—	1,404,558,400	—	—
Hangzhou Company	186,000,000	—	—	—	186,000,000	—	—
Jieyang Company	150,000,000	—	—	—	150,000,000	—	(19,480,000)
Beverage Company	30,044,252	—	—	—	30,044,252	—	—
Shaoguan Company	200,000,000	—	—	—	200,000,000	—	—
Electronic Commerce	8,000,000	—	—	—	8,000,000	—	—
Jiujiang Company	180,000,000	—	—	—	180,000,000	—	(14,270,000)
Xuzhou Enterprise Management	10,000,000	—	—	—	10,000,000	(10,000,000)	—
Pingdu Sales Company	5,000,000	—	—	—	5,000,000	—	(177,020,000)
Luoyang Company	200,000,000	—	—	—	200,000,000	—	—
Shanghai Industrial Company	204,484,048	—	—	(3,588,820)	200,895,228	(10,000,000)	—
Luzhou Company	118,460,956	—	—	—	118,460,956	—	—
Harbin Sales Company	1,100,000	—	—	—	1,100,000	(1,100,000)	—
Zhangjiakou Company	91,600,000	—	—	—	91,600,000	—	—
Lulansa Company	317,374,000	—	—	—	317,374,000	—	—
Huangshi Company	163,630,000	—	—	—	163,630,000	—	—
Yingcheng Company	42,070,000	—	—	—	42,070,000	—	—
Hanzhong Company	26,297,900	—	—	—	26,297,900	—	—
Shanghai Investing Company	1,922,879,993	—	—	(2,225,954)	1,920,654,039	—	—
Yangzhou Company (i)	—	100,000,000	—	—	100,000,000	—	—
Suqian Company (i)	—	75,000,000	—	—	75,000,000	—	—
	<u>10,320,072,449</u>	<u>339,600,000</u>	<u>—</u>	<u>(5,814,774)</u>	<u>10,653,857,675</u>	<u>(993,258,059)</u>	<u>(1,053,690,000)</u>

(i) According to the decision of the Board of Directors, the Company increased investment of 70,000,000 in cash in Xingkaihu Company, investment of 94,600,000 in cash in Mishan Company, investment of 100,000,000 in cash in Yangzhou Company and investment of 75,000,000 in cash in Suqian Company. As at 31 December 2017, the changes of industrial and commercial registration of the subsidiaries mentioned above have been completed. Among them, Yangzhou Company and Suqian Company are directly, instead of indirectly, controlled by the Company.

(ii) The cash dividends declared this year are distributed to all shareholders of the Company.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(5) Long-term equity investments (continued)

(b) Joint venture

	31 December 2016	Movements in the current year			31 December 2017	Balance of provision for impairment at end of year
		Share of net profit or loss using the equity method	Other equity changes	Cash dividends declared		
Hebei Jiahe Company	226,219,372	6,878,263	—	—	233,097,635	—

Details of equity interests in the joint venture are disclosed in Note 6(2)(b).

(c) Associates

	31 December 2016	Movements in the current year			31 December 2017	Balance of provision for impairment at end of year
		Share of net profit or loss using the equity method	Other equity changes	Cash dividends declared		
Yantai Asahi	132,718,159	10,992,849	—	(14,811,398)	128,899,610	—
Zhaoshang Logistics	16,870,025	3,321,515	(8,188)	(9,409,394)	10,773,958	—
Liaoning Shenqing	1,770,091	(912,296)	—	—	857,795	—
Others	1,220,000	—	—	—	1,220,000	(1,220,000)
	152,578,275	13,402,068	(8,188)	(24,220,792)	141,751,363	(1,220,000)

Details of equity interests in the associates are disclosed in Note 6(2)(c).

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

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Subsidiaries (i)	(754,368,059)	(238,890,000)	—	(993,258,059)
Associates	(1,220,000)	—	—	(1,220,000)
	(755,588,059)	(238,890,000)	—	(994,478,059)

(i) In 2017, long-term equity investments of the Company in Wuhu Company and Mishan Company are recognized impairment provision of 144,290,000 and 94,600,000 respectively.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(6) Investment properties

	Buildings
Original cost	
31 December 2016	56,972,737
Increase in the current year — Transfer from fixed asset	1,097,870
31 December 2017	58,070,607
Accumulated depreciation	
31 December 2016	(25,395,461)
Increase in the current year	(1,952,618)
Accrual	(1,318,351)
Transfer from fixed asset	(634,267)
31 December 2017	(27,348,079)
Carrying amount	
31 December 2017	30,722,528
31 December 2016	31,577,276

In 2017, the Company changed the use of certain Buildings with carrying amount of 463,603 (cost 1,097,870) to lease out and therefore, such assets were transferred from fixed assets to investment properties at the date of change.

As at 31 December 2017, there is no investment property without ownership certificates (31 December 2016: nil).

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(7) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Other equipment	Total
Original cost					
31 December 2016	1,201,073,388	2,509,897,256	100,028,428	340,455,543	4,151,454,615
Increases in the current year	11,220,007	113,088,314	1,357,501	21,338,835	147,004,657
Purchase	—	865,245	1,357,501	19,366,730	21,589,476
Transfer from construction in process	11,220,007	112,223,069	—	1,972,105	125,415,181
Decreases in the current year	(8,589,086)	(100,160,664)	(4,153,708)	(8,456,169)	(121,359,627)
Disposal	(2,282,418)	(27,119,249)	(4,153,708)	(8,456,169)	(42,011,544)
Transfer to construction in process (i)	(5,208,798)	(73,041,415)	—	—	(78,250,213)
Transfer to investment properties	(1,097,870)	—	—	—	(1,097,870)
31 December 2017	1,203,704,309	2,522,824,906	97,232,221	353,338,209	4,177,099,645
Accumulated depreciation					
31 December 2016	(285,123,435)	(1,252,404,115)	(58,706,989)	(226,120,993)	(1,822,355,532)
Increases in the current year — Accrual	(29,899,380)	(128,517,120)	(6,989,929)	(35,099,421)	(200,505,850)
Decreases in the current year	4,766,221	53,777,094	3,309,499	7,993,545	69,846,359
Disposal	111,253	23,712,687	3,309,499	7,993,545	35,126,984
Transfer to construction in process (i)	4,020,701	30,064,407	—	—	34,085,108
Transfer to investment properties	634,267	—	—	—	634,267
31 December 2017	(310,256,594)	(1,327,144,141)	(62,387,419)	(253,226,869)	(1,953,015,023)
Provision for impairment					
31 December 2016	(1,618,803)	(28,628,608)	(1,156,336)	(30,521)	(31,434,268)
Decreases in the current year — Disposal	—	991,310	374,795	—	1,366,105
31 December 2017	(1,618,803)	(27,637,298)	(781,541)	(30,521)	(30,068,163)
Carrying amount					
31 December 2017	891,828,912	1,168,043,467	34,063,261	100,080,819	2,194,016,459
31 December 2016	914,331,150	1,228,864,533	40,165,103	114,304,029	2,297,664,815

- (i) For the year ended 31 December 2017, the Company's fixed assets with carrying amount of 44,165,105 (cost of 78,250,213, accumulated depreciation of 34,085,108) are transferred to construction in progress to be upgraded due to the requirements of technology renewal.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(7) Fixed assets (continued)

As at 31 December 2017, there are no fixed assets pledged as collateral for borrowings (31 December 2016: nil).

For the year ended 31 December 2017, accrued depreciation are 200,505,850 (2016: 202,115,722), of which 172,227,854, 3,579,699 and 24,698,297 (2016: 171,459,549, 4,236,430 and 26,419,743) have been charged to cost of sales, selling and distribution expenses and general and administrative expenses respectively.

The cost of fixed assets transferred from construction in progress amounts to 125,415,181 (2016: 261,120,334).

As at 31 December 2017, the ownership certificates of certain fixed assets (buildings) with carrying amount of approximately 26,510,000 have not been obtained by the Company (31 December 2016: 27,756,000) (Note 4(13)(d)).

(8) Construction in progress

	31 December 2017			31 December 2016		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Production line improvement of No. 1 Factory	13,975,528	—	13,975,528	25,318,696	—	25,318,696
Production line improvement of No. 2 Factory	10,759,459	—	10,759,459	12,823,689	—	12,823,689
Production line improvement of No. 5 Factory	8,150,026	—	8,150,026	4,293,665	—	4,293,665
Production line improvement of No. 3 Factory	4,740,337	—	4,740,337	2,182,747	—	2,182,747
Production line improvement of No. 4 Factory	240,470	—	240,470	522,342	—	522,342
	37,865,820	—	37,865,820	45,141,139	—	45,141,139

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(8) Construction in progress (continued)

(a) Movements in significant construction in progress

Name	Budget	31 December 2016	Increase in the current year-purchase	Increase in the current year-transfer from fixed asset	Transfer to fixed assets	31 December 2017	Expenditures percentage of budget	Completion percentage	Source of funds
Production line improvement of No. 1 Factory	128,713,000	25,318,696	17,435,854	14,086,768	(42,865,790)	13,975,528	67%	67%	self-funding
Production line improvement of No. 2 Factory	212,762,000	12,823,689	24,942,317	27,566,111	(54,572,658)	10,759,459	83%	83%	self-funding
Production line improvement of No. 5 Factory	30,279,377	4,293,665	19,261,744	570,332	(15,975,715)	8,150,026	63%	63%	self-funding
Production line improvement of No. 3 Factory	6,633,119	2,182,747	1,295,973	1,941,894	(680,277)	4,740,337	52%	52%	self-funding
Production line improvement of No. 4 Factory	6,925,564	522,342	3,989,788	—	(4,271,660)	240,470	83%	65%	self-funding
Other projects	—	—	7,049,081	—	(7,049,081)	—	—	—	—
		45,141,139	73,974,757	44,165,105	(125,415,181)	37,865,820			

There are no new increased borrowing costs capitalised for the year ended 31 December 2017 (2016: nil).

(b) Provision for impairment

The Company did not provide or write off provision for impairment of construction in progress for the year ended 31 December 2017 (2016: nil).

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(9) Intangible assets

	Land use rights	Trademarks	Marketing networks	Software and others	Totals
Original cost					
31 December 2016	277,277,889	190,345,726	320,907,803	331,161,135	1,119,692,553
Increase in the current year — Purchase	173,097	—	—	31,538,038	31,711,135
Decrease in the current year — Disposal	—	—	—	(2,920)	(2,920)
31 December 2017	277,450,986	190,345,726	320,907,803	362,696,253	1,151,400,768
Accumulated amortisation					
31 December 2016	(73,488,022)	(99,006,737)	(181,330,050)	(135,669,310)	(489,494,119)
Increase in the current year — Accrual	(5,592,124)	(11,683,643)	(32,090,780)	(30,877,584)	(80,244,131)
Decrease in the current year — Disposal	—	—	—	925	925
31 December 2017	(79,080,146)	(110,690,380)	(213,420,830)	(166,545,969)	(569,737,325)
Carrying amount					
31 December 2017	198,370,840	79,655,346	107,486,973	196,150,284	581,663,443
31 December 2016	203,789,867	91,338,989	139,577,753	195,491,825	630,198,434

For the year ended 31 December 2017, the amortisation amount of intangible assets is 80,244,131 (2016: 77,761,889).

As at 31 December 2017, there are no intangible assets pledged as collateral for borrowings (31 December 2016: nil).

For the year ended 31 December 2017, development expenditures of 18,688,799 (2016: 14,613,302) are recognised in profit or loss.

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(10) Provision for asset impairment

	31 December	Increase in	Decrease in the current year		31 December
	2016		the current year	Reversal	Write-off
Provision for bad debts	279,359,179	1,647,169	(90,108,551)	(1,910)	190,895,887
Including: Provision for bad debts of accounts receivable	63,556,922	9,298	(146,190)	—	63,420,030
Provision for bad debts of other receivables	40,702,257	1,637,871	(362,361)	(1,910)	41,975,857
Provision for bad debts of long-term receivables	175,100,000	—	(89,600,000)	—	85,500,000
Provision for decline in value of inventories	662,025	—	—	—	662,025
Provision for impairment of available- for-sale financial assets	4,385,261	—	—	—	4,385,261
Provision for impairment of long-term equity investments	755,588,059	238,890,000	—	—	994,478,059
Provision for impairment of fixed assets	31,434,268	—	—	(1,366,105)	30,068,163
	<u>1,071,428,792</u>	<u>240,537,169</u>	<u>(90,108,551)</u>	<u>(1,368,015)</u>	<u>1,220,489,395</u>

(11) Capital surplus

	31 December	Increase in the	Decrease in the	31 December
	2016			current year
Share premium	4,190,058,186	—	—	4,190,058,186
Other capital surplus —	116,570,830	—	(8,188)	116,562,642
Share of changes in equity other than comprehensive income and profit distribution of investees accounted for using the equity method	(10,201,258)	—	(8,188)	(10,209,446)
Transfer from capital surplus recognised under the previous accounting system	123,006,624	—	—	123,006,624
Others	3,765,464	—	—	3,765,464
	<u>4,306,629,016</u>	<u>—</u>	<u>(8,188)</u>	<u>4,306,620,828</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(11) Capital surplus (continued)

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Share premium	4,190,058,186	—	—	4,190,058,186
Other capital surplus —	116,565,918	4,912	—	116,570,830
Share of changes in equity other than comprehensive income and profit distribution of investees accounted for using the equity method	(10,206,170)	4,912	—	(10,201,258)
Transfer from capital surplus recognised under the previous accounting system	123,006,624	—	—	123,006,624
Others	3,765,464	—	—	3,765,464
	<u>4,306,624,104</u>	<u>4,912</u>	<u>—</u>	<u>4,306,629,016</u>

(12) Other comprehensive income

	Changes arising from re-measurement of defined benefit plan liabilities
As at 31 December 2015	(32,110,000)
Movements for the year ended 31 December 2016	<u>(17,367,000)</u>
As at 31 December 2016	(49,477,000)
Movements for the year ended 31 December 2017	<u>22,608,000</u>
As at 31 December 2017	<u>(26,869,000)</u>

(13) Undistributed profits

	2017	2016
Undistributed profits at beginning of year	6,728,201,082	5,928,623,517
Add: Net profit in the current year	894,465,391	1,326,460,855
Less: Ordinary shares dividends payable	<u>(472,843,978)</u>	<u>(526,883,290)</u>
Undistributed profits at end of year	<u>7,149,822,495</u>	<u>6,728,201,082</u>

The dividends actual paid for the year ended 31 December 2017, and the dividends proposed but not paid at end of year are disclosed in Note 4(39).

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(14) Revenue and cost of sales

	2017	2016
Revenue from main operation (a)	16,292,990,739	15,954,561,851
Revenue from other operations (b)	1,240,721,312	1,207,777,772
	17,533,712,051	17,162,339,623
	2017	2016
Cost of main operation (a)	(12,073,791,069)	(11,539,236,662)
Cost of other operations (b)	(1,211,986,553)	(1,166,125,910)
	(13,285,777,622)	(12,705,362,572)

(a) Revenue and cost of main operation

	2017		2016	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sale of Beer	16,292,990,739	(12,073,791,069)	15,954,561,851	(11,539,236,662)

(b) Revenue and cost of other operations

	2017		2016	
	Revenue from other operations	Cost of other operations	Revenue from other operations	Cost of other operations
Sales of raw materials	1,228,480,383	(1,202,279,559)	1,187,070,198	(1,151,301,123)
Others	12,240,929	(9,706,994)	20,707,574	(14,824,787)
	1,240,721,312	(1,211,986,553)	1,207,777,772	(1,166,125,910)

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(15) Expenses by nature

The costs of sales, selling and distribution expenses and general and administrative expenses classified by nature are as follows:

	2017	2016
Finished goods purchased from third parties	8,723,878,071	8,333,127,480
Raw materials and consumables used	4,050,574,498	3,926,107,078
Employee benefits expenses	1,569,719,687	1,539,648,684
Handling and transportation expenses	877,677,316	847,524,643
Promotion related expenses	585,026,428	798,452,432
Advertising related expenses	560,082,932	560,964,838
Depreciation and amortisation charges	285,942,648	285,564,014
Administrative expenses	123,386,118	127,280,583
Repair expenses	77,433,795	82,070,807
Operating lease payments	65,450,788	55,827,689
Service charges	22,851,529	19,835,544
Auditors' remuneration – audit service	8,094,340	8,094,340
Tax expenses	—	11,647,868
Changes in inventories of finished goods and work in progress	(42,016,523)	(143,312,369)
Other expenses	72,384,185	82,146,382
	<u>16,980,485,812</u>	<u>16,534,980,013</u>
Cost of sales, selling and distribution expenses, and general and administrative expenses in total		

(16) Finance expenses

	2017	2016
Interest income	(58,688,712)	(53,028,623)
Exchange losses/(gains)	5,959,130	(11,104,656)
Discounting impact of the long-term employee benefits payable	10,270,001	8,626,540
Others	2,826,613	5,137,461
	<u>(39,632,968)</u>	<u>(50,369,278)</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(17) Investment income

	2017	2016
Investment income from long-term equity investment accounted for using the cost method (a)	983,299,600	1,424,049,605
Income from long-term equity investment accounted for using the equity method	20,280,331	(4,873,468)
Income from entrusted loans	4,455,728	17,969,702
Gains from disposal of long-term equity investment	—	100,999,437
	<u>1,008,035,659</u>	<u>1,538,145,276</u>

There is no significant restriction on transferring funds in the form of investment income.

- (a) Investment income from long-term equity investment accounted for using the cost method is the profit distribution of subsidiaries (Note 15(5)(a)).

(18) Assets impairment losses

	2017	2016
(Reversals)/ Losses of bad debts	(88,461,382)	358,284
Impairment losses of long-term equity investments	238,890,000	—
Impairment losses of fixed assets	—	326,484
	<u>150,428,618</u>	<u>684,768</u>

(19) Income tax expense

	2017	2016
Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax	119,522,004	650,798,325
Deferred income tax	(44,730,395)	(238,012,069)
	<u>74,791,609</u>	<u>412,786,256</u>

Notes to Financial Statements

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(19) Income tax expense (continued)

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the Company's financial statements to the income tax expense is as below:

	2017	2016
Total profit	<u>969,257,000</u>	<u>1,739,247,111</u>
Income tax expense calculated at applicable tax rates	242,314,250	434,811,778
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	47,031,681	22,718,104
Income tax payment of the expired preferential tax rate difference for previous years	—	338,876,455
Income not subject to tax	(251,843,905)	(382,842,566)
Temporary differences effect of previously unrecognised deferred tax assets	(608,913)	(934,156)
Deductible temporary differences for which no deferred tax assets were recognised	<u>37,898,496</u>	<u>156,641</u>
Income tax expense	<u>74,791,609</u>	<u>412,786,256</u>

Supplementary Information

For the Year Ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

1 Summary of non-recurring profit or loss

	2017	2016
Government grants recognised in profits	428,407,393	517,095,475
Losses on disposal of non-current assets	(46,283,580)	(223,543,613)
Reversal of impairment provision for accounts receivables which impairment is provided on the individual basis	100,000	1,350,000
Effect of transactions with Suntory Company on non-operating income	—	177,701,522
Effect of transactions with Suntory Company on investment income	—	129,787,586
Income tax payment of the expired preferential tax rate difference for previous years	—	(338,876,455)
Other non-operating income and expenses other than aforesaid items	(11,401,578)	11,935,525
	<u>370,822,235</u>	<u>275,450,040</u>
Impact of income tax expense	(69,438,531)	(37,531,111)
Impact on the non-controlling interests, net of tax	(13,632,285)	(13,831,668)
	<u>287,751,419</u>	<u>224,087,261</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

	Earnings per share					
	Weighted average return on net assets		Basic earnings per share		Diluted earnings per share	
	2017	2016	2017	2016	2017	2016
Net profit attributable to ordinary shareholders of the Company	7.55%	6.43%	0.935	0.772	0.935	0.772
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	5.83%	5.05%	0.722	0.607	0.722	0.607

釋義 Definitions

本報告中，除非文義另有所指，下列詞語具有下述含義：

In this Report, the following expressions have the following respective meanings set adjacent below, unless the context requires otherwise:

公司、本公司、青島啤酒	指	青島啤酒股份有限公司	the Company, Tsingtao Brewery	Means	Tsingtao Brewery Company Limited
本集團	指	本公司及其附屬公司	the Group	Means	the Company and its subsidiaries
董事會	指	本公司董事會	the Board	Means	board of directors of the Company
青啤集團	指	青島啤酒集團有限公司	Tsingtao Group	Means	Tsingtao Brewery Group Company Limited
青島市國資委	指	青島市人民政府國有資產監督管理委員會	SASACQ	Means	State-owned Assets Supervision & Administration Commission of the People's Government of Qingdao
煙臺朝日	指	煙臺啤酒青島朝日有限公司	Yantai Asahi	Means	Yantai Beer Tsingtao-Asahi Co., Ltd.
青啤深圳	指	深圳青島啤酒朝日有限公司	Tsingtao Shenzhen	Means	Shenzhen Tsingtao-Asahi Co., Ltd
朝日集團	指	日本朝日集團控股株式會社	Asahi Group	Means	Asahi Group Holdings Ltd.
朝日啤酒	指	日本朝日啤酒株式會社	Asahi Breweries	Means	Asahi Breweries, Ltd.
朝日投資公司	指	朝日啤酒(中國)投資有限公司	Asahi Investment	Means	Asahi Beer (China) Investment Co., Ltd.
上交所	指	上海證券交易所	SSE	Means	Shanghai Stock Exchange
香港聯交所	指	香港聯合交易所有限公司	the Stock Exchange	Means	The Stock Exchange of Hong Kong Limited
普華永道中天	指	普華永道中天會計師事務所(特殊普通合夥)	PwC Zhong Tian	Means	PricewaterhouseCoopers Zhong Tian LLP
審計委員會	指	本公司第八屆董事會審計與內控委員會	Audit Committee	Means	Audit & Internal Control Committee under the 8th session of the Board
戰略委員會	指	本公司第八屆董事會戰略與投資委員會	Strategy Committee	Means	Strategy & Investment Committee under the 8th session of the Board
報告期	指	本公司截至2017年12月31日止年度	Reporting Period	Means	The year ended 31 December 2017
《標準守則》	指	《上市發行人董事進行證券交易的標準守則》	Model Code	Means	Model Code for Securities Transactions by Directors of Listed Issuers
《上市規則》	指	《香港聯合交易所有限公司證券上市規則》	Listing Rules	Means	Rules Governing the Listing of Securities on The Stock of Exchange of Hong Kong Limited
《公司章程》	指	青島啤酒股份有限公司章程	Articles of Association	Means	Articles of Association of the Company
青啤財務公司	指	青島啤酒財務有限責任公司	Tsingtao Finance Company	Means	Tsingtao Brewery Finance LLC.
青啤香港	指	青島啤酒香港貿易有限公司	Tsingtao HK	Means	Tsingtao Brewery Hong Kong Trade Company Limited
河北嘉禾	指	河北嘉禾啤酒有限公司	Hebei Jiahe	Means	Hebei Jiahe Breweries Co., Ltd.
鑫海盛	指	香港鑫海盛投資發展有限公司	Xinhaisheng	Means	Hong Kong Xinhaisheng Investment Development Co., Ltd.

公司資料 Company Information

- | | |
|--|---|
| 1. 中文名稱：青島啤酒股份有限公司 | 1. English Name: Tsingtao Brewery Company Limited |
| 2. 法定代表人：孫明波 | 2. Legal Representative: SUN Ming Bo |
| 3. 公司秘書：張瑞祥
聯繫地址：山東省青島市香港中路
五四廣場
青啤大廈
1105室
董事會秘書室

郵政編碼：266071
電話：86-532-85713831
傳真：86-532-85713240 | 3. 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 |
| 4. 註冊地址：山東省青島市登州路56號
辦公地址：山東省青島市
香港中路五四廣場青啤大廈
郵政編碼：266071
公司網址：www.tsingtao.com.cn
電子信箱：info@tsingtao.com.cn | 4. Registered Address: No. 56, Dengzhou Road,
Qingdao, Shandong Province
Business Address: Tsingtao Beer Tower, May Fourth Square
Hong Kong Road Central, Qingdao,
Shandong Province

Postal Code: 266071
Company Website: www.tsingtao.com.cn
E-mail: info@tsingtao.com.cn |
| 5. 公司股票上市交易所：
A股：上海證券交易所
股票簡稱：青島啤酒
代碼：600600
H股：香港聯合交易所
股票簡稱：青島啤酒
代碼：00168 | 5. Stock Exchanges on which the Company's shares are listed:
A share: Shanghai Stock Exchange
Stock Name: 青島啤酒
Stock Code: 600600
H share: The Stock Exchange of Hong Kong Limited
Stock Name: TSINGTAO BREW
Stock Code: 00168 |
| 6. 未上市股票托管機構：中國證券登記結算有限責任公司上海分公司 | 6. Custodian of unlisted shares:
Shanghai Branch of China Securities Depository and Clearing Corporation Limited, |
| 7. 會計師事務所：普華永道中天會計師事務所(特殊普通合夥)，地址為上海市黃浦區湖濱路202號領展企業廣場2座普華永道中心11樓 | 7. Auditor: PricewaterhouseCoopers Zhong Tian LLP at 11/F PricewaterhouseCoopers Center, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai |
| 8. 法律顧問：
(1) 胡關李羅律師行，地址為香港中環康樂廣場1號怡和大廈26樓

(2) 北京市海問律師事務所，地址為北京市朝陽區東三環中路5號財富金融中心20層 | 8. Legal advisers:
(1) Woo Kwan Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong

(2) Haiwen & Partners at 20th Floor, Fortune Finance Center, No. 5 Dong San Huan Road Central, Chaoyang District, Beijing |



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TSINGTAO BREWERY CO., LTD.