



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)



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2019
YEAR OF THE
PIG

HAPPY CHINESE NEW YEAR

2018
年度報告
ANNUAL REPORT

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青島啤酒

公司簡介 Company Profile

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

公司的經營範圍是啤酒製造、銷售以及與之相關的業務。目前公司在國內擁有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，2018年青島啤酒產品已行銷全球一百餘個國家和地區。

The Company, the earliest brewery in China, can trace its root back to 1903 when its predecessor, the State-owned Tsingtao Brewery Factory, was established. The Company was registered and established on 16 June 1993, and then issued H-shares in Hong Kong which were listed on the Stock Exchange on 15 July 1993, being the first domestic enterprise listed on an overseas stock exchange. In July 1993, the Company issued A-shares in 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 on the international market. In 2018, products from Tsingtao Brewery have been distributed to more than 100 countries and regions around 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、本集團二零一八年財務資料

(單位：人民幣千元)

1. The Group’s financial information for the year ended 31 December 2018

(Unit: RMB'000)

營業利潤	Operating profit	2,377,565
利潤總額	Total profit	2,379,767
歸屬於母公司股東的淨利潤	Net profit attributable to shareholders of the Company	1,422,200
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	1,053,743
經營活動產生的現金流量淨額	Net cash flows from operating activities	3,992,008
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	523,898
產能整合的職工安置支出	Employee arrangement expenses arising from capacity integration	(47,590)
非流動資產處置淨收益	Gains on disposal of non-current assets	10,339
單獨進行減值測試的應收款項減值準備轉回	Reversal of impairment provision for receivables which provision is provided on the individual basis	2,000
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	1,479
小計	Subtotal	490,126
所得稅影響額	Impact of income tax expense	(96,952)
少數股東權益影響額(稅後)	Impact on the non-controlling interest, net of tax	(24,717)
合計	Total	368,457

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	2018	2017	2016	2015	2014
營業收入	Revenue	26,575,255	26,277,052	26,106,344	27,634,686	29,049,321
利潤總額	Total profit	2,379,767	2,104,819	2,123,442	2,274,822	2,682,999
歸屬於母公司股東的淨利潤	Net profit attributable to shareholders of the Company	1,422,200	1,263,017	1,043,486	1,713,129	1,990,098
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	1,053,743	975,266	819,399	1,052,707	1,671,409
基本每股收益	Basic earnings per share	1.053	0.935	0.772	1.268	1.473
稀釋每股收益	Diluted earnings per share	1.053	0.935	0.772	1.268	1.473
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	0.780	0.722	0.607	0.779	1.237
全面攤薄淨資產收益率(%)	Fully diluted return on net assets (%)	7.91	7.37	6.40	10.41	12.93
加權平均淨資產收益率(%)	Weighted average return on net assets (%)	8.10	7.55	6.43	10.76	13.53
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 (%)	5.86	5.69	5.02	6.40	10.86
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 (%)	6.00	5.83	5.05	6.61	11.36
經營活動產生的現金流量淨額	Net cash flows from operating activities	3,992,008	2,312,191	2,970,891	2,574,566	1,690,634
每股經營活動產生的現金流量淨額	Net cash flows from operating activities per share	2.95	1.71	2.20	1.91	1.25
總資產	Total assets	34,075,265	30,974,712	30,077,158	28,500,590	27,003,913
總負債	Total liabilities	15,385,314	13,200,207	13,198,019	12,334,579	11,716,631
歸屬於母公司股東權益	Total equity attributable to shareholders of the Company	17,970,471	17,145,228	16,313,953	16,458,062	15,387,562
歸屬於母公司股東的每股淨資產	Net assets per share attributable to shareholders of the Company	13.30	12.69	12.08	12.18	11.39



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
年初數	Opening balance	1,350,983	3,444,182	(15,147)	1,400,704	155,497	10,809,010	629,276	17,774,505
本年增加	Increase in the current year	—	5	—	—	44,015	1,422,200	138,812	1,561,017
本年減少	Decrease in the current year	—	—	(29,550)	—	—	(611,428)	(48,608)	(645,571)
年末數	Ending balance	1,350,983	3,444,187	(44,697)	1,400,704	199,512	11,619,782	719,480	18,689,951

(1) 其他綜合收益：減少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: Decrease is mainly due 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 is mainly due 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(「董事會」)建議就截至二零一八年十二月三十一日止年度派發末期股息每股人民幣0.48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二零一八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 of Directors(the “Board”) proposed a final dividend of RMB0.48 (pre-tax) per share for the year ended 31 December 2018, and the remaining distributable profits will carry forward to the next year. The aforesaid dividend proposal shall be subject to the approval at the 2018 Annual General Meeting to be held by the Company. The period for the closure of register of members for H-share will be set out in the notice of the Annual General Meeting to be published by the Company separately.





董事長報告書 Chairman's Statement

致各位股東：

2018年在國內經濟發展穩中有進，消費升級趨勢日益明顯的背景下，啤酒市場發展逐漸企穩，產能及產品結構進一步優化，行業競爭態勢有所改善。全國2018年共完成啤酒產量3,812萬千升（數據來源：國家統計局規模以上企業產量），同比微增0.5%，實現了2014年以來的首次正增長。

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」，堅守戰略自信、品牌自信、產品自信和團隊自信，大力推進新舊動能轉換和產品結構升級，通過「保增長、調結構、提費效」等多措並舉，積極開拓國內外市場，全年共實現啤酒銷量803萬千升，同比增長0.8%；實現營業收入約人民幣265.75億元，同比增長1.13%（註：由於報告期內公司執行新收入準則，按可比口徑營業收入同比增長5.15%）；實現歸屬於上市公司股東的淨利潤約人民幣14.22億元，同比增長12.60%；呈現利潤增長高於收入增長、收入增長高於銷量增長的健康發展態勢。

Dear shareholders,

In 2018, in the context of steady domestic economic development and the distinctive trend of consumption upgrade, the development of the beer market has stabilized gradually. Its capacity and product structure have been further optimized and industry competition has seen improvements. In 2018, the total beer production nationwide reached 381.2 million hl (Data source: Output of enterprises above designated size counted by National Bureau of Statistics), a slight year-on-year increase of 0.5%, which marked its first positive growth since 2014.

During the Reporting Period, the Company has continued to follow the “Development Strategies based on Capacity and Brand” established by the Board, and remained steadfastly confident in its strategy, brand, products, and team. The Company has vigorously promoted its transition from old growth drivers to new ones and the upgrading of its product structure. It has proactively expanded its domestic and foreign markets through a combination of measures, including “maintaining growth, adjusting structure and enhancing cost-effectiveness”. Total annual beer sales volume reached 80.3 million hl, a year-on-year increase of 0.8%; annual operating revenue reached approximately RMB26.575 billion, a year-on-year increase of 1.13% (Note: Due to the Company’s implementation of new revenue standards during the Reporting Period, the year-on-year increase of operating revenue was 5.15% on a comparative basis); net profits attributable to the shareholders of the company was approximately RMB1.422 billion, a year-on-year increase of 12.60%. In summary, the Company has shown a sound development trend with profit growth greater than revenue growth, and revenue growth greater than sales volume growth.



黃克興先生
Mr. HUANG Ke Xing

董事長報告書 Chairman's Statement

報告期內，面對啤酒行業產能過剩導致的競爭壓力和成本持續大幅上漲的嚴峻挑戰，本公司堅守戰略和運營定力，圍繞「轉型升級、雙增雙調、立足當下實現質量效益型增長；創新驅動、勇於擔當、著眼未來釋放新舊動能雙紅利」的工作方針，充分發揮青島啤酒品牌和品質的優勢，進一步完善立體化、結構化、層次化的全國市場戰略布局。公司充分發揮產銷協同效應，以優勢市場為中心，依托現有生產基地，以點帶面進一步打造戰略帶市場和城市基地市場圈，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產品的市場競爭力，實現區域市場的突破，輻射帶動周邊市場的增長。同時，公司在保持市場份額的前提下，緊盯市場調結構、調價格，提升了企業盈利能力。

公司不斷推進完善「大客戶+微觀運營」的營銷模式，發揮覆蓋全國主要市場的生產及銷售網絡布局優勢，不斷強化市場推廣力度和渠道開發力度，完善分銷網絡，強化終端運營，持續優化營銷價值鏈分工，提升區域市場和細分市場銷售能力，推動市場銷量和佔有率的提升。同時，公司持續優化費用精細化管理體系，提升促銷費用有效性和營銷效率。公司積極探索和實踐實體經濟與「互聯網+」的深度融合，完善電商渠道體系，多渠道滿足互聯網時代消費者的購買需求和消費體驗，實現了特色新商業模式的創新轉型。

During the Reporting Period, the Company has faced severe challenges in the form of competitive pressure and continually rising costs caused by overcapacity in the beer industry. In light of such challenges, the Company has remained steadfast in its strategic and operational capabilities, and concentrated on its work policy of “achieving quality- and profit-based growth through transformation, upgrading, dual increases, dual adjustments with a focus on the present; unleashing the dual benefits of old and new growth drivers through innovation-drives and assuming responsibilities boldly while keeping the future in mind”. The Company has harnessed the brand and quality advantages of Tsingtao Beer, and further refined a multi-dimensional, structured, and layered nationwide market strategic layout. The Company has also wielded the synergistic effects of production and sales, by focusing on advantaged markets, relying on the existing production bases, as well as fanning out to further establish a strategic market and urban market base. It has placed an emphasis on resource investment based on market layout and persisted in enhancing the market competitiveness of its products through its strong brand and product mix, to achieve breakthroughs in the regional market and drive the growth of its peripheral market. At the same time, the Company has maintained its market share, while keeping a close watch on the market to adjust its structure and prices. These actions have resulted in increased profitability.

The Company has continued to promote and improve its marketing model of “Key Account + Micro Management”, harnessed its advantages in production and sales networks covering major markets across the country, further reinforced market expansion and channel development, refined its distribution network, intensified terminal operations, continued optimizing its division of work along the marketing value chain, enhanced its sales capabilities in regional and subdivided markets, and driven growth in market sales and market share. At the same time, the Company has further optimized its expense management system to enhance the effectiveness of promotional expenses and marketing efficiency. In addition, the Company has proactively explored and practiced the deep integration of real economy and “Internet+”, improved its e-commerce channel system, satisfied the purchasing requirements and consumption experiences of consumers in the Internet era through several channels, and accomplished the innovative transformation of featured new business models.

董事長報告書 Chairman's Statement

面對啤酒市場消費結構升級的新趨勢，公司繼續推進「青島啤酒主品牌+崂山啤酒第二品牌」的品牌戰略，圍繞「四位一體」品牌傳播模式，通過體育營銷、音樂營銷積極拓展與消費者的互動交流。報告期內，公司借助上海合作組織青島峰會的召開以及俄羅斯世界杯足球賽的舉辦，持續開展青島啤酒全球品牌推廣活動，持續拓展市場覆蓋面及拉動銷量提升。2018年12月，青島啤酒再度攜手奧運，繼北京2008年奧運會官方贊助商之後，成為北京2022年冬奧會和冬殘奧會官方贊助商，將進一步加快青島啤酒品牌的國際化步伐。

在國際市場，本公司繼續結合國家「一帶一路」戰略的推進，積極推動青島啤酒全球營銷網絡的拓展。公司秉承「高品質、高價格、高可見度」的海外市場推廣理念，聚焦資源開拓具有市場潛力和品牌知名度的區域影響力市場，不斷豐富產品綫，契合了各地區消費者特別是年輕群體的喜好，提升了品牌影響力，持續打造和提升青島啤酒高端品牌定位和產品形象。公司積極推進各項市場策略和品牌策略落地，通過中國新年、中秋節活動等特色化的市場促銷、強化消費者體驗互動，以及在美洲、歐洲、大洋洲及亞太地區首次舉辦「Tsingtao Mini啤酒節」等多種方式，不斷優化海外市場渠道結構，並借助全球主流社交媒體平臺以綫上綫下相呼應的推廣活動增強品牌傳播及推廣力度，為海外消費者提供最佳的品牌和產品體驗，2018年青島啤酒產品已行銷全球一百餘個國家和地區。

In light of the emerging trend of upgrades in the industrial consumption structure, the Company has continued to promote its brand strategy of “Core Brand Tsingtao Beer + Secondary Brand Laoshan Beer”. It has remained committed to its “Four in One” promotional model for its brand and vigorously expanded interactions and communications with consumers through sports marketing and music marketing. During the Reporting Period, the Company has taken the opportunity of the Shanghai Cooperation Organization Summit in Qingdao and the 2018 FIFA World Cup in Russia to carry out further global brand promotional activities for Tsingtao Beer, thereby expanding market coverage further and boosting sales. In December 2018, Tsingtao Beer was selected as an official sponsor of the Beijing 2022 Winter Olympics and Paralympics. This marked another cooperation with the Olympic Games, following Tsingtao Beer's official sponsorship for the 2008 Olympic Games in Beijing. The upcoming event will further accelerate the internationalization of the Tsingtao Beer brand.

In terms of the international market, the Company has continued the proactive expansion of Tsingtao Beer's global marketing network through the advancement of the country's “Belt and Road” Strategy. The Company has adhered to the concept of “High quality, high price and high visibility” for promotion in overseas markets, gathered resources to develop regional influential markets with market potential and brand popularity, and continued to diversify its product lines to accommodate the preferences of consumers in different regions, especially the younger consumers. Furthermore, the Company has elevated its brand influence, and continuously built and enhanced the high-end brand positioning and product image of Tsingtao Beer. The Company has taken active steps to facilitate the implementation of various market strategies and brand strategies. It has continued to optimize the channel structure of overseas markets through a combination of means, including featured market promotions and richer consumer experiences and interactions such as the Chinese New Year and Mid-Autumn Festival activities, as well as the inaugural “Tsingtao Mini” Beer Festival in the Americas, Europe, Oceania and Asia Pacific regions. In addition, it has strengthened brand communications and promotions through concerted online and offline promotional activities on global mainstream social media platforms, hence providing overseas consumers with the best brand and product experiences. In 2018, products from Tsingtao Brewery has been distributed to more than 100 countries and regions around the world.

董事長報告書 Chairman's Statement

公司依托國內一流的研發平臺，以消費者需求為導向研發消費者喜好的差異化產品，近年來已先後研發上市了「經典1903、全麥白啤、原漿、皮爾森、青島啤酒IPA」等新特啤酒產品，有力推動了公司產品結構優化和戰略性新產品、新特產品布局。公司加快了向聽裝酒和精釀產品為代表的高附加值產品的轉型升級，在推動供給側改革、引領消費趨勢的同時，也實現了盈利能力的提升。2018年公司主品牌青島啤酒共實現銷量391.4萬千升，同比增長3.97%，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173.3萬千升，同比增長5.98%，繼續保持了在國內啤酒中高端產品市場的競爭優勢。

報告期內，公司以優異的品質獲得了國內外消費者的廣泛認可，青島啤酒產品先後在國際市場分別榮獲「世界啤酒錦標賽」金獎和「2018歐洲啤酒之星」大獎。2018年，青島啤酒以人民幣1,455.75億元的品牌價值繼續保持中國啤酒行業品牌價值第一（世界品牌實驗室發布），「崂山啤酒」品牌價值亦達人民幣272.58億元（世界品牌實驗室發布）。

Thanks to first-class domestic R&D platforms, the Company has developed popular differentiated products based on the consumers' demands. In recent years, a number of new special products have been successfully developed and launched, including "Classic 1903, whole-barley Weissbier, Tsingtao Original Beer, Tsingtao Pilsner and Tsingtao Beer IPA". These products have boosted the optimization of the Company's product structure and the layout of strategic new products and new special products. The Company has expedited the transformation and upgrading of high value-added products represented by canned beer and craft beer. While promoting the supply-side reform and leading the consumption trend, the Company has also improved its profitability. In 2018, the Company's total sales volume of its core brand, Tsingtao Beer, reached 39.14 million hl, a year-on-year increase of 3.97%, including a total of 17.33 million hl in high-end products such as "Augerta, Hong Yun Dang Tou, Classic 1903 and Draft Beer" etc., a year-on-year increase of 5.98%, thus maintaining its leading position in the mid-and-high-end market.

During the Reporting Period, the Company was widely recognized by domestic and overseas consumers for its excellent quality. Tsingtao Beer products received the Gold Medal at the "World Beer Championships" and was awarded the "2018 European Beer Star". In 2018, Tsingtao Beer has maintained its top position in terms of beer industrial brand value in China with a brand value of RMB145.575 billion (published by World Brand Laboratory). The brand value of "Laoshan Beer" reached RMB27.258 billion (published by World Brand Laboratory).



董事長報告書 Chairman's Statement

報告期內，公司董事會、監事會圓滿完成了換屆選舉，完善了公司治理結構，為公司未來戰略發展目標的繼續推進和實現可持續健康發展奠定了堅實基礎。同時經2017年度股東大會審議批准，本公司對《公司章程》進行了修訂，落實了黨組織在公司法人治理結構中的法定地位，將黨的核心作用與公司治理有機融合，進一步保障了公司治理的規範有效運行。

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

黃克興

中華人民共和國·青島

二零一九年三月二十八日

During the Reporting Period, the Company has completed the general election for a new session of the Board and Board of Supervisors, improved its corporate governance structure, as well as laid a solid foundation for the continued progress of its future strategic development goals and sound sustainable development. At the same time, upon review by and approval from the 2017 Annual General Meeting, the Company has amended the Articles of Incorporation, implemented the legal position of Party organizations within the Company's corporate governance structure, organically integrated the core role of the Party and corporate governance, and further guaranteed the effective operation of corporate governance standard.

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

HUANG Ke Xing

Qingdao, the People's Republic of China

28 March 2019





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幾乎完全由生產及銷售啤酒而產生。

2018年公司共實現啤酒銷售量803萬千升，實現營業收入人民幣265.75億元，實現歸屬於上市公司股東的淨利潤人民幣14.22億元。

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 2018, the Company realized 80.3 million hl of sales volume of beer in total, realized RMB26.575 billion of revenue; and realized RMB1.422 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 Currency: RMB

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	1,945,407	928,935	373,760	2,745,500	469,591
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	488,031	364,150	356,643	1,642,074	475,524
青島啤酒財務有限責任公司 Tsingtao Brewery Finance LLC	金融業 Financial business	500,000	14,250,644	1,907,561	327,567	40,886	436,289



樊偉先生
Mr. FAN Wei

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) 2018年度前五名供應商採購額約人民幣1,252,620千元(2017年度：人民幣954,570千元)，佔年度採購總額9.86%(2017年度：8.16%)。
- (2) 2018年度前五名客戶銷售額約人民幣1,341,060千元(2017年度：人民幣1,366,657千元)，佔年度銷售總額5.11%(2017年度：5.26%)。

報告期內，本公司各董事、監事及其連絡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. 利潤分配和派息政策

董事會建議就截至2018年12月31日止年度派發末期股息每股人民幣0.48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2018年度股東年會審議批准。末期股息預期於2019年8月5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。

根據《公司章程》的規定，公司實行持續、穩定的利潤分配政策，在公司當年盈利且累計未分配利潤為正值的前提下，應當進行現金分紅，且公司董事會制訂的年度利潤分配預案中以現金方式分配的利潤不低於當年實現的可分配利潤的30%。公司現金分紅的方案依法經過公司董事會審議，並報股東大會批准，獨立非執行董事和中小股東能夠充分表達意見，程序合法、完備。

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 2018 was approximately RMB1,252.62 million (2017: RMB954.57 million), which accounted for 9.86% of its annual purchase amount in aggregate (2017: 8.16%).
- (2) The total amount of the Company's sales of its top 5 clients in 2018 was approximately RMB1,341.06 million (2017: RMB1,366.66 million), which accounted for 5.11% of its annual sales amount in aggregate (2017: 5.26%).

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 and Dividend Policy

The Board proposed a final dividend of RMB0.48 (pre-tax) per share for the year ended 31 December 2018, and the remaining distributable profits will carry forward to the next year. The proposed preliminary distribution scheme of final dividend, which is expected to be payable to the shareholders on 5 August 2019, will be subject to the consideration and approval at the Company's 2018 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.

According to the provisions of the *Articles of Association*, the company implements a continuous and stable profit distribution policy. Under the premise that the company's profit for the year and the accumulated undistributed profit are positive, cash dividends should be made, and the annual profit distribution plan formulated by the Company's Board of Directors should not be less than 30% of the distributive profit in cash. The company's cash dividend plan is reviewed by the Company's Board of Directors according to law and approved by the shareholders meeting. Independent non-executive directors and major and minor shareholders are able to fully express their opinions, and the procedures are legally completed.

董事會報告 Report of the Directors

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52至71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79至84頁「重要事項」。

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2018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2019年3月28日於香港交易所網站上載之《青島啤酒2018環境、社會及管治報告》。

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 52 to 71 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 79 to 84 of this Annual Report.

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 2018, 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 2018 Environment, Society and Governance Report* published by the Company on the website of the Stock Exchange on 28 March 2019.

董事會報告 Report of the Directors

四. 儲備

報告期內本公司及集團的儲備變動詳列於合並財務報表(按中國企業會計準則編制)附註四(31)及(32)。

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 31,935 戶。其中：A 股 31,657 戶，H 股股東 278 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。

IV. Reserve

Details of changes of reserve of the Company and the Group during the Reporting Period are set out in Note 4 (31) and (32) to Consolidated Financial Statements (prepared in accordance with CAS).

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
I.	RMB-denominated ordinary shares (A-share)		695,913,617
II.	Overseas listed foreign shares (H-share)		655,069,178
	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 31,935 including 31,657 holders of A-share, and 278 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
香港中央結算(代理人)有限公司(附註1) HKSCC Nominees Limited (Note 1)	243,296,215	613,815,648	45.43	未知 Unknown	H股 H-share
青島啤酒集團有限公司(附註2) Tsingtao Brewery Group Company Limited (Note 2)	27,019,600	443,467,655	32.83	無 Nil	A股和H股 A-share and H-share
中國證券金融股份有限公司 China Securities Finance Corporation Company	-7,649,064	32,708,915	2.42	無 Nil	A股 A-share
中國建銀投資有限責任公司 China Jianyin Investment Company Ltd.	0	17,574,505	1.30	無 Nil	A股 A-share
香港中央結算有限公司 Hong Kong Securities Clearing Company Limited	1,010,778	11,005,344	0.81	無 Nil	A股 A-share
中央匯金資產管理有限責任公司 Central Huijin Asset Management LLC.	0	10,517,500	0.78	無 Nil	A股 A-share
中國工商銀行股份有限公司 — 東方紅產業升級靈活配置 混合型證券投資基金 Industrial and Commercial Bank of China Co., Ltd. — Dongfanghong Industry Upgrade Flexible Configuration Hybrid Securities Investment Fund	6,728,565	8,521,456	0.63	無 Nil	A股 A-share
澳門金融管理局 — 自有資金 Macao Monetary Authority — Internal Funds	2,702,398	6,679,433	0.49	無 Nil	A股 A-share
招商銀行股份有限公司 — 東方紅睿澤三年定期開放靈活配置 混合型證券投資基金 China Merchants Bank Co., Ltd., — Dongfanghong Ruize Three- year Regular Open Flexible Configuration Hybrid Securities Investment Fund		6,149,973	0.46	無 Nil	A股 A-share
中國銀行 — 華夏大盤精選證券投資基金 Bank of China, Huaxia Large-Scale Select Securities Investment Fund	20,804	5,953,922	0.44	無 Nil	A股 A-share

附註：

- 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，並已扣除青啤集團及鑫海盛持有的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。
- 青啤集團持股數量包括了通過其自身以及全資附屬公司鑫海盛持有的本公司H股股份合計38,335,600股，其本身持有本公司A股股份405,132,055股。
- 根據復星國際有限公司的說明，復星國際有限公司下屬五家實體合計持有本公司H股股份243,108,236股，佔本公司總股本約17.99%。於報告期末，復星五家實體所持股份是由香港中央結算(代理人)有限公司代為持有。

Notes:

- 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 Tsingtao Group and Xinhaisheng, while the A-shares are held by Hong Kong Securities Clearing Company Limited also on behalf of different clients.
- Tsingtao Group holds 38,335,600 shares of H-share in the Company by itself and through the wholly-owned subsidiary Xinhaisheng, and 405,132,055 shares of A-share in the Company by itself.
- According to the instructions of Fosun International Co., Ltd., five entities under Fosun International Co., Ltd. hold a total of 243,108,236 stock shares of the Company, accounting for approximately 17.99% of the total share capital of the Company. At the end of the reporting period, the shares held by the five entities of Fosun were held by Hong Kong Securities Clearing (Agent) Limited.

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。

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2018年12月31日，除下述人士外，本公司的董事並不知悉有任何本公司的董事、監事、最高行政人員或他們的聯絡人以外的人士，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 2018, had an interest or short position in the shares or underlying shares of the Company which was recorded in the register to be kept under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”):

名稱 Name	性質 Nature	股份類別 Class of Share	持股身份 Shareholder Identity	註釋 Note	股份/相關 股份的數目 Number of Share/ Related Shares	佔全部已發行 股本之百分比 As a percentage of the entire issued capital	佔全部H股 之百分比 As a percentage of all H Shares
青島市國資委 SASACQ	好倉 Long position	A股 A-Share	法團權益 Corporate Interests		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%
JPMorgan Chase & Co.	好倉 Long position	H股 H-Share	受控制法團權益/ 持有保證權益的人/ 投資經理/保管人 Interest of controlled corporation/person having security interest in shares/ Investment Manager/Custodian	2	58,922,492 H股 H-Share	4.36%	8.99%
	可供借出股份中權益 Interest in a lending pool	H股 H-Share	核准借出代理人 Approved Lending Agent		34,250,895 H股 H-Share	2.54%	5.23%
	淡倉 Short position	H股 H-Share	實益擁有人 Beneficial Owner		3,070,254 H股 H-Share	0.23%	0.47%
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	3	58,933,003 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	4	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	4	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	4	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	5	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股是透過青島啤酒集團有限公司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，其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。
- (3) 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。
- (4) 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。
- (5) 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。
- (6) 公司主要股東新近的披露權益申報，請參閱香港交易及結算所有限公司網站(www.hkex.com.hk)有關「披露權益」的部分。

3. 優先認股權

《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 Brewery Group Company Limited, 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. The shares in which it was deemed to be interested were held through various intermediate holding companies.
- (3) The shares in which Baillie Gifford & Co. was deemed to be interested were held through various controlled wholly-owned subsidiaries of Baillie Gifford & Co.
- (4) 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.
- (5) The shares in which China Momentum Fund, L.P. was deemed to be interested were held by China Momentum Investment (BVI) Limited.
- (6) 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
黃克興 HUANG Ke Xing	董事長、黨委書記 Chairman and Secretary of the Party Committee	1,300 (註) (Note)	1,300	A 股 A-share
樊偉 FAN Wei	執行董事、總裁兼製造總裁、總釀酒師 Executive Director, President of the Company & President of Manufacturing Center, Chief Brewer	122,876	122,876	A 股 A-share
于增彪 YU Zeng Biao	獨立非執行董事 Independent non-executive director	0	10,000	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2018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 2018, 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：

2.1 公司董事的資料更改情況如下：

- (1) 公司獨立非執行董事于增彪，於報告期內新任蘇州綠的諧波傳動科技股份有限公司獨立董事。
- (2) 公司獨立非執行董事蔣敏，自2019年1月起新任科大智能科技股份有限公司獨立董事。
- (3) 公司獨立非執行董事姜省路，兼任青島東軟載波科技股份有限公司、海利爾藥業集團股份有限公司、青島康普頓科技股份有限公司獨立董事。
- (4) 公司非執行董事唐斌，兼任南京鋼鐵股份有限公司，海南礦業股份有限公司，上海廣電電氣(集團)股份有限公司和上海鋼鐵電子商務股份有限公司董事。

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:

2.1 Updates on the profiles of the Company's Directors include the following:

- (1) Mr. YU Zeng Biao, an independent non-executive director of the Company, served as an independent director of Suzhou Green's Harmonic Transmission Technology Co., Ltd. during the reporting period.
- (2) Mr. JIANG Min, an independent non-executive director of the Company, has been serving as an independent director of Keda Intelligent Technology Co., Ltd. since January 2019.
- (3) Mr. JIANG Xing Lu, an independent non-executive director of the Company, is concurrently serving as an independent director of Qingdao Dongruan Zaibo Technology Co., Ltd., Haier Pharmaceutical Group Co., Ltd. and Qingdao Compton Technology Co., Ltd.
- (4) Mr. TANG Bin, a non-executive director of the Company, is concurrently serving as a director of Nanjing Iron and Steel Co., Ltd., Hainan Mining Co., Ltd., Shanghai Guangdian Electric (Group) Co., Ltd. and Shanghai Iron and Steel E-Commerce Co., Ltd.

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	備註 Note	薪酬合計 (稅前，含企業繳納社保 及公積金)(萬元) Total Remuneration (Pre-tax, including social security and provident fund paid by the Company) (RMB0'000)
黃克興 HUANG Ke Xing	董事長、黨委書記 Chairman and Secretary of the Party Committee	現任 Current	64.37
樊偉 FAN Wei	執行董事、總裁兼製造 總裁、總釀酒師 Executive Director, President of the Company & President of Manufacturing Center, Chief Brewer	現任 Current	58.71
于竹明 YU Zhu Ming	執行董事、財務總監 Executive Director, CFO	現任 Current	53.92
王瑞永 WANG Rui Yong	執行董事、副總裁 Executive Director, Vice President	現任 Current	52.87
唐斌 TANG Bin	非執行董事 Non-executive Director	現任 Current	0
于增彪 YU Zeng Biao	獨立非執行董事 Independent Non-executive Director	現任 Current	12
賈聖林 BEN Sheng Lin	獨立非執行董事 Independent Non-executive Director	現任 Current	12
蔣敏 JIANG Min	獨立非執行董事 Independent Non-executive Director	現任 Current	12
姜省路 JIANG Xing Lu	獨立非執行董事 Independent Non-executive Director	現任 Current	6
李綱 LI Gang	監事會主席 Chairman of Board of Supervisors	現任 Current	12
姚宇 YAO Yu	股東監事 Supervisor as Shareholders' Representative	現任 Current	0
李燕 LI Yan	獨立監事 Independent Supervisor	現任 Current	8
王亞平 WANG Ya Ping	獨立監事 Independent Supervisor	現任 Current	8

董事會報告 Report of the Directors

姓名 Name	職務 Position	備註 Note	薪酬合計 (稅前，含企業繳納社保 及公積金)(萬元) Total Remuneration (Pre-tax, including social security and provident fund paid by the Company) (RMB0'000)
于嘉平 YU Jia Ping	職工監事 Supervisor as Employees' Representative	現任 Current	52.87
孫麗紅 SUN Li Hong	職工監事 Supervisor as Employees' Representative	現任 Current	47.19
邢軍 XING Jun	職工監事 Supervisor as Employees' Representative	現任 Current	43.02
蔡志偉 CAI Zhi Wei	營銷總裁 President of Marketing Center	現任 Current	250.92
張瑞祥 ZHANG Rui Xiang	董事會秘書 Board Secretary	現任 Current	55.69
孫明波 SUN Ming Bo	原任董事長 Former Chairman	於 2018 年 5 月 17 日辭任董事長一職， 並於 2018 年 6 月 28 日股東年會結 束後卸任董事職務 Resigned as Chairman of the board on 17 May 2018, and retired as Director following the annual meeting of shareholders on 28 June 2018.	44.20
杉浦康譽 Yasutaka SUGIURA	非執行董事 Non-executive Director	於 2018 年 3 月 19 日辭任董事職務 Resigned as Director on 19 March 2018	0
王學政 WANG Xue Zheng	獨立非執行董事 Independent Non-executive Director	於 2018 年 6 月 28 日股東年會結束後 卸任獨立非執行董事一職 Retired as Independent Non-executive Director following the annual meeting of shareholders on 28 June 2018	6
北川亮一 Ryoichi KITAGAWA	股東代表監事 Supervisor as Shareholders' Representative	於 2018 年 3 月 19 日辭任股東監事職 務 Resigned as Shareholder Supervisor on 19 March 2018	0
薛超山 XUE Chao Shan	職工監事 Supervisor as Employees' Representative	於 2018 年 6 月 28 日股東年會結束後 卸任職工監事一職 Retired as Employee Supervisor following the annual meeting of shareholders on 28 June 2018	29.37
合計 Total			829.13

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39,320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	16,991
銷售人員	Sales personnel	11,643
工程技術人員	Technical and engineering personnel	2,805
財務人員	Financial personnel	1,302
行政管理人員	Administrative personnel	6,579
合計	Total	39,320
教育程度 Educational Background	教育程度類別 Class of education	數量(人) Number (person)
碩士以上	Master's degree and above	397
本科生	Undergraduate	6,896
專科生	2-year college	11,667
中專生	Secondary specialized school	7,929
中專以下	Under secondary specialized school	12,431
合計	Total	39,320

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。2018年持續提升增長分享機制，降本增效、戰略性產品、市場開發等專項激勵。

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。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. Employees

4.1 As at the end of the Reporting Period, the Company (including the subsidiaries) totally had 39,320 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 2018, we shall continue to improve the growth sharing mechanism, reduce cost, enhance efficiency, hone strategic products, boost market development and drive other special incentives.

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. 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.

董事會報告 Report of the Directors

4.3 培訓計劃

2018年，公司持續全方位賦能員工，充分利用多元化學習技術，發揮微信交流平臺、專用學習平臺、綫下互動平臺的不同優勢，打造立體化、全方位的綜合學習平臺，為員工提供豐富、便捷的學習體驗。

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。

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。

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。

4.3 Training plan

In 2018, the Company has continued its employee empowerment strategy, utilized diversified learning technologies, as well as harnessed the various advantages of the WeChat communication platform, dedicated learning platform and offline interactive platform, to create a three-dimensional and comprehensive learning platform and deliver rich and convenient learning experiences to the employees.

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.

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.

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並財務報表附註。

十二. 固定資產

有關報告期內固定資產之變動載於隨附合並財務報表附註。

十三. 銀行貸款

於2018年12月31日之銀行貸款詳情載於隨附合並財務報表附註。

十四. 獲准許之彌償條文

經本公司2017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。

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 2018 are set out in the attached Notes to Consolidated Financial Statements.

XIV. Permitted Indemnity Provision

As approved at the 2017 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.

董事會報告 Report of the Directors

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。

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並財務報表項目附註四(48)。

除上述披露者外，本集團並無於年內作出慈善及其他捐款。

黃克興
董事長
中華人民共和國 青島
二零一九年三月二十八日

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.

XVII. Donations

The amount of charitable and other donations made by the Group during the year is set out in Note 4 (48) to Consolidated Financial Statements.

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

HUANG Ke Xing
Chairman
Qingdao, the People's Republic of China
28 March 2019



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2018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、關連交易和市場開拓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

報告期內，監事會順利完成了換屆工作，在提升監事會治理水平的同時，確保了監事會工作的連續性及穩定性。本屆監事會選聘了在財稅、法律等方面具有豐富經驗的行業專家作為外部監事，且外部監事人數佔監事會總人數的一半以上，為監事會實現科學監督、有效監督奠定了基礎。

I hereby present the 2018 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, connected transactions and market development. 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

During the Reporting Period, the Board of Supervisors successfully completed re-election, and ensured the continuity and stability of the work of the Board of Supervisors while improving the governance level of the Board of Supervisors. The current Supervisory Committee has selected industry experts with rich experience in finance, taxation and law as external supervisors, and the number of external supervisors accounted for more than half of the total number of Supervisory Committee members, laying the foundation for the scientific and effective supervision of the Board of Supervisors.



李鋼先生
Mr. LI Gang

監事會報告 Report of the Supervisors

(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6次，臨時會議1次，審議各類議案共計21項。主要議案如下：

1、 審議定期報告：

- (1) 審議公司2017年度財務報告；
- (2) 審議公司2018年第一季度報告；
- (3) 審議公司2018年半年度報告；
- (4) 審議公司2018年第三季度報告。

2、 審議持續關連交易：

審議批准關於烟台朝日與本公司及青啤財務公司於2018年按照《產品經銷合同》及《人民幣單位結算賬戶管理協議》分別進行購銷產品及賬管服務持續關連交易的議案。

(I) Meetings held by Board of Supervisors

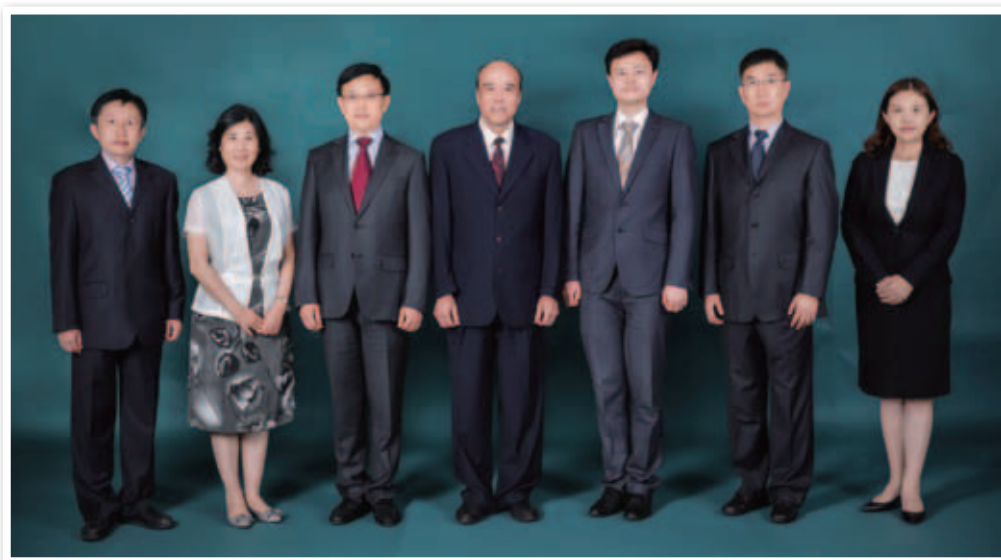
During the Reporting Period, the Board of Supervisors held totally 7 meetings, including 6 regular meetings and 1 unscheduled meetings, with 21 different resolutions considered, mainly including the following:

1. Regular reports:

- (1) considered the Company's 2017 Financial Report;
- (2) considered the Company's 2018 First Quarterly Report;
- (3) considered the Company's 2018 Interim Report;
- (4) considered the Company's 2018 Third Quarterly Report.

2. Continuous connected transactions:

Proposal for the Continuing Connected Transactions of the Purchase and Sale Products and the Accounts Services of the Yantai Asahi and the Company with the Tsingtao Finance Company in 2018, in accordance with the Product Distribution Contract and the RMB Unit Settlement Account Management Agreement.



監事會報告 Report of the Supervisors

3、 審議其它事項：

通過第九屆監事會第一次會議選舉產生了監事會主席。通過召開會議，審議通過了公司2017年度利潤分配預案、2018年預算草案及其他議案等，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，同時為使公司新任監事加深對公司的了解，監事會深入公司所屬山東、福建等子公司和多家營銷分支機構進行了多次實地調研，並實地調研德州公司搬遷新建項目。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2018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。

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。

3. Other issues:

The Chairman of the Board of Supervisors was elected during the first meeting of the 9th session of the Board of Supervisors. A total of 10 items were reviewed and approved at the meeting, including the Company's 2017 profit distribution plan, the 2018 budget draft and other proposals.

(II) Site researches made by Board of Supervisors

During the Reporting Period, there was still fierce competition in the Chinese beer market. In order to have a better grasp on the production and sales of Tsingtao Brewery in the country, and to enable the Company's new supervisors to obtain a deeper understanding of the Company, the Board of Supervisors conducted multiple in-depth field research on subsidiaries in Shandong and Fujian etc., as well as a number of marketing branches. The Board of Supervisors also conducted on-site research on the relocation of new projects in Dezhou. The Board of Supervisors had mastered first-hand information through research and exchange, thus providing strong and effective support for the decision-making process.

II. Independent Comments made by Board of Supervisors to the issues in 2018

(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*.

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.

監事會報告 Report of the Supervisors

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2018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2018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, 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 2018, 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 Directors believes that it is in the interests of the Group and the Company's shareholders, to ensure that continuing connected transactions are legitimate, and that the terms and pricing of these agreements are fair and reasonable.

(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 *2018 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。

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。在2018年6月監事會換屆選舉中，本人續任新一屆監事會主席，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！

2019年，監事會將繼續嚴格按照法律法規、《公司章程》和監管規定的要求，對董事和其他高級管理人員的日常履職情況進行監督，積極參加股東大會，列席董事會會議，誠信勤勉地履行監事會的各項職責，充分發揮專業優勢，通過召開會議、實地調研等方式，進一步強化監督職能，提升履職能力，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：李綱
二零一九年三月二十七日

(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 summary, the Board of Supervisors has fulfilled their duties during the reporting period. In addition, the Board of Supervisors has fulfilled the duties assigned to them by the laws and regulations, and the *Articles of Association*, as well as played the role of the Board of Supervisors. During the election of the Supervisory Committee in June 2018, I shall continue to serve as the Chairman of the new Supervisory Committee. I would like to take this opportunity to express my heartfelt thanks to all the supervisors for their contributions to the work of the Supervisory Committee of the Company during the reporting period!

In 2019, the Board of Supervisors shall continue to supervise the daily performance of the directors and other senior management personnel in strict accordance with the requirements of the laws and regulations, the *Articles of Association* and the regulatory requirements. The Board of Supervisors shall actively participate in the general meeting of shareholders, attend the board meeting, and perform the various duties of the Board of Supervisors in good faith and diligence. The Board of Supervisors shall harness their professional advantages, further strengthen their supervisory functions, enhance their abilities to perform duties, ensure the Company's sustained, healthy and stable development, and safeguard the legitimate rights and interests of the Company and shareholders through meetings and field research.

Chairman of Board of Supervisors: LI Gang
27 March 2019

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。

本公司於2018年6月完成了董事會和監事會的換屆選舉工作，按照公司制定的董事會成員多元化政策，本次董事會換屆，董事會成員構成充分考慮了公司情況、自身業務模式和工作需要，兼顧了成員年齡、文化及教育背景或專業經驗。第九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。

提名及薪酬委員會負責物色董事會成員、提名及遴選事宜。執行董事潛在人選可在高層管理人員中發掘與選拔；獨立非執行董事人選可於全國甄選。根據《公司章程》及相關法例的規定，股東亦可於股東大會上提名任何人士(退任董事除外)參選為董事(包括非執行董事)。在有需要的情況下，提名及薪酬委員會可聘請外部顧問協助招聘合適人選的工作，董事會成員的委任最終由股東於股東大會審批。

報告期內，本公司已遵守《上市規則》附錄十四載列之《企業管治守則》的守則條文，惟偏離守則條文A.4.2條除外。

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.

In June 2018, the Company has elected the Board of Directors and the Board of Supervisors. In accordance with the policy of diversity among board members formulated by the Company, this election has taken the following into account while forming the Board: the Company's situation, its own business model and operational needs, as well as the age, cultural and educational background or professional experience of the members. The 9th Board of Directors showcases an appropriate balance of skills, experience and diversity perspectives to enhance the effective functioning of the Board and maintain a high standard of corporate governance.

The Nomination and Remuneration Committee shall be responsible for the identification, nomination and selection of Directors. Potential candidates of Executive Directors could be sourced and selected amongst the senior management. Potential candidates of Independent Non-executive Directors could be recruited through global selection. Pursuant to the provisions of the *Company's Articles of Association* and relevant regulations, shareholders could also nominate a person other than a retiring Director for election as a Director (including Non-executive Director) at a general meeting. Where necessary, the Nomination and Remuneration Committee may appoint external advisors to assist in recruiting appropriate individuals. The appointment of Directors shall be eventually approved by the Board and/or shareholders at general meetings.

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 the code provision A.4.2.

企業管治報告 Corporate Governance Report

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。本公司第九屆董事會和監事會的換屆選舉工作已於2018年6月28日完成。因此，本公司自2018年6月28日起已遵守A.4.2守則。

本公司所採納的企業管治措施如下：

一、董事會

1、職責與分工

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

As stated in Code provision A.4.2, all directors (including the director whose tenure is designated) shall retire by turns once every three years at least. As disclosed in the announcement of the Company dated 14 June 2017, the tenure of the Company's 8th Session of the Board and Board of Supervisors expired on 16 June 2017. Considering that the nomination of relevant director/supervisor candidates was not completed, the re-election and appointment of the 8th session of the Board and Board of Supervisors postponed and the tenure of various special committees of the Company's 8th session of the Board and Board of Supervisors was accordingly extended as well in order to guarantee the continuity and the stability of all works, the Company had completed the general election work of the 9th session of the Board and Board of Supervisors on 28 June 2018. Accordingly, the Company has already complied with the code provision A.4.2 since 28 June 2018.

Measures taken by the Company for corporate governance are as follows:

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.

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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。

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.

2、組成

截止2018年12月31日，公司第九屆董事會成員由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

黃克興先生(董事長)

樊偉先生(總裁)

于竹明先生

王瑞永先生

非執行董事

唐斌先生

獨立非執行董事

于增彪先生

賈聖林先生

蔣敏先生

姜省路先生

上述獲重選或獲選舉的董事的任期為三年，由2018年6月28日至本公司第九屆董事會任期屆滿，惟賈聖林先生和蔣敏先生之任期將至2020年6月公司召開的股東年會結束後屆滿。

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。

2. Composition

As at 31 December 2018, the ninth session of the Board comprises 4 executive directors, 1 non-executive director and 4 independent non-executive directors:

Executive Directors

Mr. HUANG Ke Xing (Chairman)

Mr. FAN Wei (President)

Mr. YU Zhu Ming

Mr. WANG Rui Yong

Non-Executive Director

Mr. TANG Bin

Independent Non-executive Directors

Mr. YU Zeng Biao

Mr. BEN Sheng Lin

Mr. JIANG Min

Mr. JIANG Xing Lu

The above-mentioned re-elected or elected directors shall serve for a term of three years, from 28 June 2018 until the expiration of the term of the 9th session of the Board, except that the terms of offices of Mr. BEN Sheng Lin and Mr. JIANG Min will expire after the annual general meeting to be held in June, 2020.

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.

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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」。

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

3、 董事會會議

2018年度，本公司共舉行了5次現場會議和5次以通訊表決方式召開的會議，以討論本公司的營運及財務表現、管理架構、投資方案等，主要事項包括：

- 審議批准年度、半年度及季度業績報告；
- 審議批准召集股東年會事項及董事會換屆後新的管理團隊聘任事項；

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.

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. Board meeting

In 2018, the Company totally held 5 site meetings and 5 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 convening of the Annual General Meeting and the appointment of a new management team following the change of Board of Directors;



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— 審議批准子公司搬遷新建項目和新增產能項目的可行性報告；

— 審議批准公司的持續關連交易事項。

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：

— Considering and approving the feasibility report for the relocation of new projects and new capacity projects of subsidiaries;

— Considering and approving the continuing connected transactions of the Company;

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 prudent 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
黃克興 HUANG Ke Xing	10	5	5	0	0	否 No	1
樊偉 FAN Wei	10	5	5	0	0	否 No	1
于竹明 YU Zhu Ming	10	5	5	0	0	否 No	1
王瑞永 WANG Rui Yong	4	2	2	0	0	否 No	1
唐斌 TANG Bin	4	2	2	0	0	否 No	1
于增彪 YU Zeng Biao	10	5	5	0	0	否 No	1
賁聖林 BEN Sheng Lin	10	3	5	2	0	是 Yes	0
蔣敏 JIANG Min	10	4	5	1	0	否 No	1
姜省路 JIANG Xing Lu	4	2	2	0	0	否 No	1
孫明波 (註1) SUN Ming Bo (Note 1)	6	3	3	0	0	否 No	0
王學政 (註2) WANG Xue Zheng (Note 2)	6	3	3	0	0	否 No	1
杉浦康譽 (註3) Yasutaka SUGIURA (Note 3)	1	0	不適用 N/A	0	1	否 No	不適用 N/A

註1：孫明波先生於2018年6月28日股東年會結束後卸任執行董事職務。

註2：王學政先生於2018年6月28日股東年會結束後卸任獨立非執行董事職務。

註3：杉浦康譽先生於2018年3月19日辭任非執行董事職務。

Note 1: Mr. SUN Ming Bo retired as executive director following the Annual General Meeting on 28 June 2018.

Note 2: Mr. WANG Xue Zheng retired as independent non-executive director following the Annual General Meeting on 28 June 2018.

Note 3: Mr. Yasutaka SUGIURA resigned as non-executive director on 19 March 2018.

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公司董事會的召集、召開嚴格按照《公司章程》、《董事會議事規則》的規定。董事會會議由董事長主持召開，並在會議通知發出後按時召開，各項提案在會議上充分討論，並對提案進行逐項表決。召開董事會定期會議的通知在會議召開前14天發出。如有董事因公務不能出席會議，可由該董事書面委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。

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。

二、董事

1、董事之培訓

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

於2018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。

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.

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.

II. Directors

1. Training of directors

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.

During the period from 1 January 2018 to 31 December 2018, 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.

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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2018年6月28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2018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：檢討公司風險管理及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。

第九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)、非執行董事唐斌先生(於2018年6月28日獲委任)及獨立非執行董事賈聖林先生、蔣敏先生和姜省路先生(亦於2018年6月28日獲委任)。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。2018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，委員會均會就曾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	出席會議(次) Number of meetings attended (time)	應出席會議(次) 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
賈聖林	BEN Sheng Lin	5	5	100
蔣敏	JIANG Min	5	5	100
姜省路	JIANG Xing Lu	2	2	100
唐斌	TANG Bin	2	2	100
王學政(註1)	WANG Xue Zheng (Note 1)	3	3	100
杉浦康譽(註2)	Yasutaka SUGIURA (Note 2)	0	1	0

註1：王學政先生於2018年6月28日股東年會結束後卸任本公司審計委員會委員職務。

註2：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 28 June 2018, 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 2018 is disclosed below.

1. Audit & Internal Control Committee (“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 risk management and 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.

Members of the Audit Committee of the 9th session of the Board include: Mr. YU Zeng Biao, Independent Non-executive Director (Chairman of the Audit Committee), Mr. TANG Bin, Non-executive Director (appointed on 28 June 2018) and Independent Non-Executive Director, Mr. BEN Sheng Lin, Mr. JIANG Min and Mr. JIANG Xing Lu (also appointed on 28 June 2018). Mr. Yu Zeng Biao is well-versed in finance and accounting, and he holds Chinese CPA qualifications. The 2018 Audit Committee held 5 meetings in total. To ensure the independence of the report, the Chairman of the meeting has arranged for the external auditor to conduct separate meetings with the members of the Audit Committee. After each meeting, the committee will submit recommendations to the Board of Directors on the important matters discussed. The attendance of each member is as follows:

Note 1: Mr. WANG Xue Zheng retired as member of the Audit Committee of the Company following the Annual General Meeting on 28 June 2018.

Note 2: Mr. Yasutaka SUGIURA resigned as member of the Audit Committee of the Company 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。

第九屆董事會戰略委員會的成員包括：董事長黃克興先生(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、蔣敏先生及唐斌先生(於2018年6月28日獲委任)。2018年度戰略委員會共舉行了5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)	5	5	100
于竹明	YU Zhu Ming	5	5	100
于增彪	YU Zeng Biao	5	5	100
蔣敏	JIANG Min	5	5	100
唐斌	TANG Bin	2	2	100
賈聖林(註)	BEN Sheng Lin (Note)	3	3	100
王學政(註)	WANG Xue Zheng (Note)	3	3	100

註1：賈聖林先生和王學政先生自2018年6月28日辭任戰略委員會委員。

戰略委員會在本年度的主要工作包括：審議子公司搬遷新建和新增產能項目的可行性報告，以及子公司關閉清算事項。

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 and 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 & Investment Committee ("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 the Strategy Committee of the 9th session of the Board include: Mr. HUANG Ke Xing (Chairman of the Strategy Committee), Mr. YU Zhu Ming and independent non-executive directors, Mr. YU Zeng Biao, Mr. JIANG Min and Mr. TANG Bin (appointed on 28 June 2018). 5 meetings were held by the Strategy Committee in 2018. The attendance of each member was as follows:

Note: Mr. BEN Sheng Lin and Mr. WANG Xue Zheng resigned as members of the Strategy Committee on 28 June 2018.

The main tasks of the Strategy Committee during the year include: reviewing the feasibility report of the relocation of new and new capacity projects by subsidiaries, and closing of the liquidation of 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。

第九屆董事會提名與薪酬委員會的成員包括：獨立非執行董事姜省路先生(提名委員會主席，於2018年6月28日獲委任)、非執行董事唐斌先生(於2018年6月28日獲委任)及獨立非執行董事于增彪先生、賁聖林先生和蔣敏先生。

2018年度提名與薪酬委員會舉行了3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，以及對於公司擬聘任的新任總裁的任職資格進行了審核。同時，提名委員會也對公司董事會換屆涉及的董事候選人名單進行了審查，認為相關候選人符合任職資格，建議股東大會予以選舉。並對公司第九屆董事會及監事會成員的建議薪酬方案進行了審核，同意提交股東大會予以審議。

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)	
姜省路(提名委員會現任主席)	JIANG Xing Lu (Current Chairman of the Nomination Committee)	0	0	不適用 N/A
于增彪	YU Zeng Biao	3	3	100
賁聖林	BEN Sheng Lin	3	3	100
蔣敏	JIANG Min	3	3	100
唐斌	TANG Bin	0	0	不適用 N/A
杉浦康譽(註1)	Yasutaka SUGIURA (Note 1)	0	0	不適用 N/A
王學政(註2)	WANG Xue Zheng (Note 2)	3	3	100

註1：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。

註2：王學政先生於2018年6月28日股東年會結束後卸任提名與薪酬委員會委員職務。

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 and Remuneration Committee of the 9th session of the Board include: Mr. JIANG Xing Lu, an independent non-executive Director (Chairman of the Nomination Committee, appointed on 28 June 2018) and Mr. TANG Bin, a non-executive Director (Appointed on 28 June 2018) and independent non-executive Directors Mr. YU Zeng Biao, Mr. BEN Sheng Lin and Mr. JIANG Min.

The 2018 Nomination and Remuneration Committee held three meetings to review the remuneration of directors, supervisors and senior executives disclosed in the annual report, and to review the qualifications of the new president to be appointed by the Company. At the same time, the Nomination Committee also reviewed the list of candidates nominated for the Board of Directors of the Company. It reviewed the eligibility of the relevant candidates and made recommendations for the election during the general meeting. The Company also reviewed the proposed compensation plan for members of the 9th Board and Board of Supervisors and agreed to submit it to the shareholders meeting for consideration.

Note 1: Mr. Yasutaka SUGIURA resigned as member of the Company's Nomination & Remuneration Committee on 19 March 2018.

Note 2: Mr. WANG Xue Zheng retired as member of the Nomination and Remuneration Committee following the Annual General Meeting on 28 June 2018.

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四. 監控機制

1、 監事會

截止2018年12月31日，公司第九屆監事會由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」。

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。2018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 2018, the ninth 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.

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 2018, 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.

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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 perspective, 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

公司第九屆董事會第五次會議審議通過公司2018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 2018 internal control evaluation report was considered and approved at the fifth meeting of the 9th 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計，認為公司於2018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 2018, 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2018年度內部控制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 evaluation report to the Company's 2018 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.

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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，嚴防內部消息泄露風險。

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.

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17年。2018年度，本公司應向普華永道中天支付其年度財務報告審計工作的酬金為人民幣660萬元，支付其內控審計工作的酬金為人民幣198萬元，公司不承擔稅費、差旅費及其它費用。審計師對財務報表審計的責任載於審計報告中「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 17 consecutive years. In 2018, 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 financial statements are set out in the disclosed content in "Auditor's Responsibilities for the Audit of the Financial Statements" 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。

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 Chairman 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 (Chairman 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.

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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。2018年6月28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2017年度股東年會，會議審議通過了公司2017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以及董事會和監事會換屆選舉議案、新一屆董事和監事薪酬方案和購買責任保險議案，並審議通過了關於修訂公司章程及其附件的特別決議案，以及聽取了公司2017年度獨立非執行董事述職報告。

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

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。

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 chairman and other attending executive directors make extensive and intensive communications and interpretation over the issues concerned by the shareholders at the Annual General Meeting. On 28 June 2018, the Company held the 2017 Annual General Meeting in Qingdao by combining an on-site meeting with an online voting. During the meeting, the following reports were reviewed and approved: Board of Directors' report, Board of Supervisors' report, audited financial report, profit distribution plan for the year 2017 and renewal financial report and internal control auditor. In addition, the re-election proposal for the Board of Directors and Board of Supervisors, remuneration plan for the new directors and supervisors, and the purchase liability insurance proposal, were reviewed and approved. Special resolutions on the amendment of the articles of association and its annexes were also passed, and advice from the Company's 2017 Independent Non-Executive Director's Debriefing Report were adopted.

For the resolutions approved at the aforesaid Annual General Meeting, 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. 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.

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

股東有權要求查詢《公司章程》第五十二條第(五)項所載信息，股東可就該等權利致函本公司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。

報告期內，公司股東年會審議通過關於修訂《公司章程》及其附件《股東大會議事規則》和《董事會議事規則》的特別決議案，落實了黨組織在公司法人治理結構中的法定地位，將黨的核心作用與公司治理有機融合，進一步保障了公司治理的規範有效運行，並對保護中小股東利益的有關條款予以完善。《公司章程》的修訂詳情請參閱本公司於2018年5月11日刊發的通告。

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*.

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.

During the Reporting Period, the company's annual shareholders' meeting reviewed and approved the special resolutions on the revision of the *Articles of Association* and its annexes the *Rules of Procedure for the General Meeting of Shareholders* and the *Rules of Procedure for the Board of Directors*, and implemented the legal status of the party organization in the corporate governance structure of the Company. The party's core role was integrated into corporate governance to further safeguard the effective operation of corporate governance and improve the relevant provisions protecting the interests of small and medium shareholders. For details of the amendments to the *Articles of Association*, please refer to the circular issued by the Company on 11 May 2018.



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了解，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。

2018年，公司共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92次。

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 2018, the Company participated in a total of 92 communication meetings with investors who had made advanced reservations, through calls and joint research.

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	26,575,255	26,277,052	1.13
營業成本	Cost of sales	16,555,775	15,622,131	5.98
銷售費用	Selling and distribution expenses	4,868,835	5,768,944	(15.60)
管理費用	General and administrative expenses	1,386,380	1,225,568	13.12
研發費用	Research and development expenses	19,756	18,689	5.71
財務費用	Finance expenses	(497,116)	(370,017)	(34.35)
資產減值損失	Asset impairment losses	147,033	10,717	1,271.98
信用減值損失	Credit impairment losses	(1,312)	—	—
投資收益	Investment income	20,519	57,988	(64.62)
公允價值變動收益	Profit arising from changes in fair value	54,171	115	46,901.35
資產處置收益	Gains on disposals of assets	10,339	(46,284)	122.34
營業外收入	Non-operating income	15,921	22,884	(30.43)
經營活動產生的現金流量淨額	Net cash flows from operating activities	3,992,008	2,312,191	72.65
投資活動產生的現金流量淨額	Net cash flows from investing activities	(816,744)	(592,325)	(37.89)
籌資活動產生的現金流量淨額	Net cash flows from financing activities	(640,733)	(533,173)	(20.17)

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	767	803	34	1.49	0.76	33.44

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

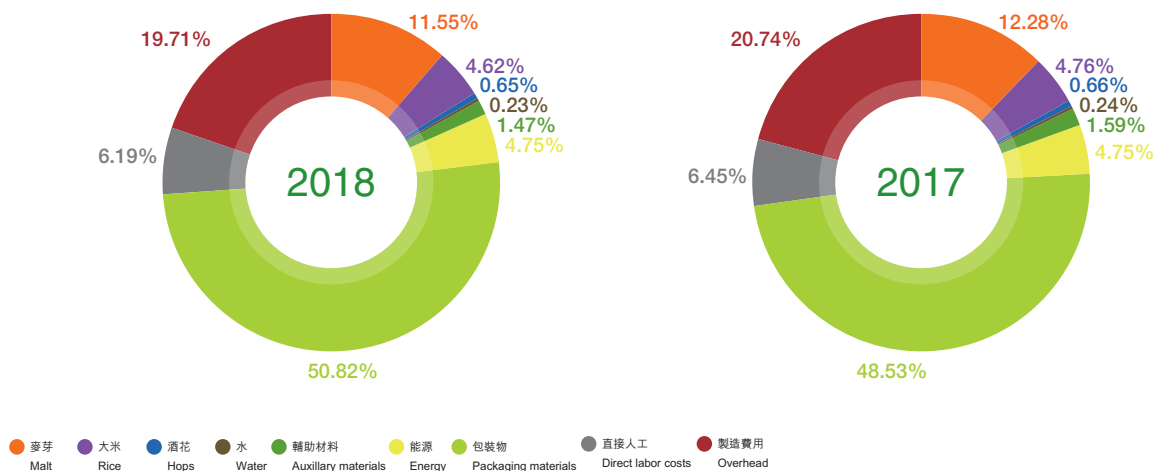
Unit: RMB'000 Currency: RMB

分行業 By industries	成本構成項目 Items in the costs	分行業情況 Information by industries		上年同期金額 Amount of corresponding period in prior year	上年同期佔 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 During this Reporting Period	本期佔總成本 比例(%) Percentage of the total cost (%)			
啤酒銷售 Sales of beer	直接材料 Direct materials	11,223,453	67.79	10,436,927	66.81	7.54
	直接人工 Direct labor	937,898	5.67	924,123	5.92	1.49
	製造費用 Overhead	2,985,636	18.03	2,973,636	19.03	0.40
	外購產成品 Outsourcing of finished goods	1,196,435	7.23	1,091,200	6.98	9.64
	其他非主營銷售業務 Other non-principle sales business	212,353	1.28	196,245	1.26	8.21
合計 Total		16,555,775	100.00	15,622,131	100.00	5.98

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 cost (%)	上年同期金額 Amount of corresponding period in prior year	Percentage of the total cost (%)	Increase/ (Decrease) (%)
啤酒銷售 Sales of beer	直接材料 Direct materials	11,223,453	67.79	10,436,927	66.81	7.54
	直接人工 Direct labor	937,898	5.67	924,123	5.92	1.49
	製造費用 Overhead	2,985,636	18.03	2,973,636	19.03	0.40
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	其他非主營銷售業務 Other non-principle sales business	212,353	1.28	196,245	1.26	8.21
合計 Total		16,555,775	100.00	15,622,131	100.00	5.98

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

2018年銷售費用同比減少15.60%，主要原因是本年度執行新收入準則，將原計入銷售費用的市場助銷投入調整沖減營業收入所致。

In 2018, selling and distribution expenses decreased by 15.60% from prior year, mainly due to the implementation of the new revenue standard in the current year, which resulted in the adjustment of the promotion-related marketing expenses originally included in selling and distribution expenses to offset revenue.

(2) 管理費用

General and administrative expenses

2018年管理費用同比增加13.12%，主要原因是本年度職工薪酬同比增加所致。

In 2018, general and administrative expenses increased by 13.12% from prior year, mainly due to the year-on-year increase in employee compensation during the year.

(3) 研發費用

Research and development expenses

2018年研發費用同比增加5.71%，主要原因是本年度研發支出投入同比增加所致。

In 2018, research and development expenses increased by 5.71% from prior year, mainly due to the year-on-year increase in R&D expenditures.

(4) 財務費用

Finance expenses

2018年財務費用同比減少34.35%，主要原因是本年度利息收入同比增加所致。

In 2018, finance expenses decreased by 34.35% from 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

2018年資產減值損失同比增加1271.98%，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 2018, asset impairment losses increased by 1271.98% 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) 信用減值損失

Credit impairment losses

本年度執行新金融工具準則，將原計入資產減值損失的各項金融工具的預期信用損失調整計入信用減值損失。2018年信用減值損失發生額為-1,312千元，主要原因是個別單位收回已計提信用減值損失的應收款項所致。

The new financial instruments standard was implemented during the year, and the expected credit loss adjustment of each financial instrument originally included in the asset impairment loss was included in the credit impairment loss. The amount of credit impairment losses in 2018 was RMB-1,311,608, mainly due to the credit impairment losses incurred by individual units during the recovery of receivables.

管理層討論與分析 Management Discussion and Analysis

(3) 投資收益

Investment income

2018年投資收益同比減少64.62%，主要原因是本年度執行新金融工具準則，理財產品到期時，前期確認的公允價值變動收益仍在公允價值變動收益項目列示，不再沖銷並計入投資收益所致。

Investment income in 2018 decreased by 64.62% from prior year, mainly due to the implementation of the new financial instrument standard in the current year. When wealth management products expired, the gains from fair value changes recognized in the previous period were still reported as profits arising from changes in fair value, which are no longer written off and included in investment income.

(4) 公允價值變動收益

Profits arising from changes in fair value

2018年公允價值變動收益同比增加人民幣54,056千元，主要原因是本年度執行新金融工具準則，將浮動收益理財產品的公允價值變動調整計入當期損益，且理財產品到期時，前期確認的公允價值變動收益仍在公允價值變動收益項目列示，不再沖銷並計入投資收益所致。

Profits arising from changes in fair value in 2018 increased by RMB54,055,682 from prior year, mainly due to the implementation of the new financial instruments standard in the current year. Adjustment of the fair value of wealth management products with floating income was included in the current profit and loss. When wealth management products expired, gains from fair value changes recognized in the previous period were still reported as income from fair value changes, which were no longer written off and included in investment income.

(5) 資產處置收益

Gains on disposals of assets

2018年資產處置收益同比增加122.34%，主要原因是本年度個別子公司處置固定資產收益同比增加所致。

In 2018, gains on disposals of assets increased by 122.34% from prior year, mainly due to the year-on-year increase in income from disposal of fixed assets by individual subsidiaries during the year.

(6) 營業外收入

Non-operating income

2018年營業外收入同比減少30.43%，主要原因是本年度個別子公司確認的與日常經營無關的收入同比減少所致。

Non-operating income in 2018 decreased by 30.43% from prior year, mainly due to the year-on-year decrease in revenue recognized by individual subsidiaries that were not related to daily operations.



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
Unit: RMB'000

本期費用化研發投入	R&D expenditures of the Reporting Period	19,756
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	19,756
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	50
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 (%)	0.13
研發投入資本化的比重(%)	Percentage of R&D expenditures capitalized (%)	0

7、現金流 Cash flow

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

(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增加72.65%，主要原因是本年度銷售商品、提供勞務收到的現金同比增加所致。

Net cash flow from operating activities increased by 72.65% from prior year, mainly due to the year-on-year increase in cash received from sales of goods and services.

(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減少37.89%，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增加所致。

Net cash flow from investing activities decreased by 37.89% from prior year, mainly due to the year-on-year increase in net financial investment by Finance Company, a wholly-owned subsidiary of the Company.

籌資活動產生的現金流量淨額同比減少20.17%，主要原因是本年度分配股利支付的現金同比增加所致。

Net cash flow from financing activities decreased by 20.17% from prior year, mainly due to the year-on-year increase in cash paid for dividend distribution during the 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		
貨幣資金	Cash at bank and on hand	12,535,737	36.79	9,805,485	31.66	27.84
交易性金融資產	Financial assets held for trading	1,202,544	3.53	—	—	—
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	(100.00)
預付款項	Advances to suppliers	173,565	0.51	116,394	0.38	49.12
其他流動資產	Other current assets	734,942	2.16	1,096,061	3.54	(32.95)
在建工程	Construction in progress	379,891	1.11	200,139	0.65	89.81
預收款項	Advances from customers	—	—	1,177,632	3.80	(100.00)
合同負債	Contract liabilities	5,237,539	15.37	—	—	—
應交稅費	Taxes payable	691,134	2.03	400,836	1.29	72.42
其他應付款	Other payables	2,113,507	6.20	5,184,870	16.74	(59.24)
長期借款	Long-term borrowings	630	0.002	1,048	0.003	(39.83)
長期應付款	Long-term payables	222,324	0.65	123,140	0.40	80.55



管理層討論與分析 Management Discussion and Analysis

(1) 貨幣資金

Cash at bank and on hand

貨幣資金本年度期末比期初增加27.84%，主要原因是本年度經營活動產生現金淨流入所致。

Cash at bank and on hand increased by 27.84% compared with the beginning of the year, mainly due to the net cash inflow from operating activities during the year.

(2) 交易性金融資產

Financial assets held for trading

交易性金融資產本年度期末比期初增加人民幣1,202,544千元，主要原因是執行新金融工具準則，本年度將持有的浮動收益理財產品由「其他流動資產」調整至「交易性金融資產」以及將持有的基金由「以公允價值計量且其變動計入當期損益的金融資產」調整至「交易性金融資產」所致。

Financial assets held for trading increased by RMB1,202,544,491 from the beginning of the year, mainly due to the implementation of the new financial instrument standard. During the year, wealth management products with floating income held were adjusted from “other current assets” to “financial assets held for trading”. The funds were adjusted from “financial assets measured at fair value of which changes are recorded in current profits and losses” to “financial assets held for trading”.

(3) 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減少100.00%，主要原因是執行新金融工具準則，本年度將持有的基金由「以公允價值計量且其變動計入當期損益的金融資產」調整至「交易性金融資產」所致。

Financial assets at fair value through profit or loss of the current period were reduced by 100.00% at the end of the year, mainly due to the implementation of the new financial instrument standard. During the year, funds held by the Company were adjusted from “Financial assets at fair value through profit or loss” to “financial assets held for trading”.

(4) 預付款項

Advances to suppliers

預付款項本年度期末比期初增加49.12%，主要原因是本年度採用預付貨款方式採購原材料增加所致。

Advances to suppliers at the end of the year increased by 49.12% from the beginning of the year, which was mainly due to that the prepayments for the purchase of raw materials increased in the year.

(5) 其他流動資產

Other current assets

其他流動資產本年度期末比期初減少32.95%，主要原因是執行新金融工具準則，本年度將持有的浮動收益理財產品由「其他流動資產」調整至「交易性金融資產」所致。

Other current assets decreased by 32.95% compared with the beginning of the year, mainly due to the implementation of the new financial instrument standard. During the year, wealth management products with floating income held were adjusted from “other current assets” to “financial assets held for trading”.

(6) 在建工程

Construction in progress

在建工程本年度期末比期初增加89.81%，主要原因是本年度部分子公司在建項目增加所致。

Construction in progress at the end of the year increased by 89.81% compared with the beginning of the period, mainly due to the increase in construction projects of some subsidiaries during the year.

管理層討論與分析 Management Discussion and Analysis

(7) 預收款項

Advances from customers

預收款項本年度期末比期初減少100.00%，主要原因是執行新收入準則，本年度將預收貨款由「預收款項」調整至「合同負債」所致。

Advances from customers decreased by 100.00% at the end of the year compared with the beginning of the year, mainly due to the implementation of the new revenue standard. The amount of advances on sales was adjusted from “advances from customers” to “contract liabilities”.

(8) 合同負債

Contract liabilities

合同負債報告期末比期初增加人民幣5,237,539千元，主要原因是執行新收入準則，本年度將預收貨款與待付市場助銷投入由「預收款項」與「其他應付款」調整至「合同負債」所致。

At the end of the reporting period, contract liabilities increased by RMB5,237,538,511 compared with the beginning of the period, mainly due to the implementation of the new revenue standard. During the year, advances on sales and accruals for promotion-related marketing expenses were adjusted from “advances from customers” and “other payables” to “contract liabilities”.

(9) 應交稅費

Taxes payable

應交稅費本年度期末比期初增加72.42%，主要原因是本年度應交增值稅、應交所得稅及應交消費稅增加所致。

Taxes payable at the end of the year increased by 72.42% compared with the beginning of the year, mainly due to the increase in value-added tax, income tax payable and consumption tax payable during the year.

(10) 其他應付款

Other payables

其他應付款本年度期末比期初減少59.24%，主要原因是執行新收入準則，本年度將待付市場助銷投入由「其他應付款」調整至「合同負債」所致。

Other payables decreased by 59.24% from the beginning of the year, mainly due to the implementation of the new revenue standard. During the year, accruals for promotion-related marketing expenses were adjusted from “other payables” to “contract liabilities”.

(11) 長期借款

Long-term borrowings

長期借款本年度期末比期初減少39.83%，主要原因是本年度個別子公司歸還借款所致。

Long-term borrowings decreased by 39.83% from the beginning of the year, mainly due to the return of borrowings by individual subsidiaries during the year.

(12) 長期應付款

Long-term payables

長期應付款本年度期末比期初增加80.55%，主要原因是本年度個別子公司收到政府搬遷補償款所致。

Long-term payables increased by 80.55% compared with the beginning of the year, mainly due to the receipt of relocation compensation from government by individual subsidiaries during the year.

管理層討論與分析 Management Discussion and Analysis

(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2018年12月31日的債務資本率為0.004% (2017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 2018, the Group's debt/capital ratio was 0.004% (31 December 2017: 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2018年12月31日，本公司無資產抵押。(2017年12月31日：無)

As at 31 December 2018, the Group did not have any mortgages (31 December 2017: 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

2018全年本公司資本性新建、搬遷及改擴建項目共投入約人民幣7.62億元。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 2018, the Company invested in approximately RMB762 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1,408萬千升，實際產能987萬千升。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 140.8 million hl, of which the actual production capacity is 98.7 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)
345	485

3. 產品情況

Product information

單位：千元 幣種：人民幣
Unit: RMB'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	393	5.45	391	3.97	99.6	16,118,686	2.67	青島 Tsingtao
其他品牌 Other brands	374	(2.36)	412	(2.12)	110.1	10,115,462	(1.66)	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臺，將自採物料納入網上平臺採購，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	3,860,324	3,830,455	31.60
包裝材料	Packaging materials	8,237,073	7,338,500	67.44
能源	Energy	117,692	128,781	0.96

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 region	16,926,134	15,666,549	64.52	510	482	63.56
華北地區	North China	5,926,554	5,572,463	22.59	180	174	22.42
華南地區	South China	3,164,343	3,667,809	12.06	95	101	11.88
華東地區	East China	2,910,638	2,865,973	11.09	107	108	13.33
東南地區	South-east China	776,078	934,367	2.96	23	26	2.88
港澳及其他海外 地區	Hong Kong, Macau and other overseas regions	661,138	687,472	2.52	12	10	1.43
分部間抵銷	Elimination between regions	(4,130,737)	(3,409,558)		(124)	(104)	
合併	Total	26,234,148	25,985,075	100.00	803	797	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	15,550	3,794	3,873

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經銷商管理情況：

Information on the management of distributors

本著「共創、共享、共贏」原則，公司向價值鏈上的所有合作夥伴傳遞青島啤酒戰略方針與經營理念，調動價值鏈上所有的合作夥伴與資源，與經銷商夥伴共同發展。

Based on the principle of “creating, sharing and win-win”, the Company delivers the strategic principles and business philosophy of Tsingtao Brewery to all partners in the value chain, mobilizes all partners and resources in the value chain, and develops with its dealer partners.

結合行業形勢、消費升級與業態變化，公司持續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廠商協同項目，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。

By taking the industrial circumstances, consumption upgrade and business changes into account, the Company continued to strengthen the cultivation and development of dealer networks, develop and introduce quality distributors, actively cultivate strategic dealers, and improve the dealer communication mechanism and promotion through the dealer management training mechanism. The vendor collaboration project has effectively improved the dealer’s internal operation management capabilities and market expansion capabilities, as well as promoted the quality of the regional sales network.



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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	16,118,686	2.67	8,705,847	7.60	45.99	減少 2.47 個百分點 Decreased by 2.47 percentage points
其他品牌	Other brands	10,115,462	(1.66)	7,637,575	4.13	24.50	減少 4.19 個百分點 Decreased by 4.19 percentage points
小計	Total	26,234,148	—	16,343,422	—	—	—
按地區分部	By regions						
山東地區	Shandong region	16,926,134	8.04	11,070,563	13.83	34.59	減少 3.33 個百分點 Decreased by 3.33 percentage points
華北地區	North China	5,926,554	6.35	3,913,018	7.18	33.97	減少 0.51 個百分點 Decreased by 0.51 percentage points
華南地區	South China	3,164,343	(13.73)	2,171,657	(4.85)	31.37	減少 6.40 個百分點 Decreased by 6.40 percentage points
華東地區	East China	2,910,638	1.56	2,250,173	5.44	22.69	減少 2.85 個百分點 Decreased by 2.85 percentage points
東南地區	South-east China	776,078	(16.94)	654,652	(4.99)	15.65	減少 10.60 個百分點 Decreased by 10.60 percentage points
港澳及其他海外 地區	Hong Kong, Macau and other overseas regions	661,138	(3.83)	414,913	1.94	37.24	減少 3.56 個百分點 Decreased by 3.56 percentage points
分部間抵銷	Elimination between regions	(4,130,737)		(4,131,554)			
合併	Total	26,234,148	—	16,343,422	—	—	—

管理層討論與分析 Management Discussion and Analysis

情況說明：

Explanation:

毛利率下降主要是由於本年度執行新準則，將原計入銷售費用的市場助銷投入調整沖減營業收入所致。按可比口徑，合並毛利率同比減少0.53個百分點。其中：山東地區同比減少0.44個百分點；華南地區同比增加0.44個百分點；華北地區同比增加0.39個百分點；華東地區同比減少0.53個百分點；東南地區同比減少5.23個百分點(主要因產品結構調整所致)；港澳及其他海外地區同比增加0.05個百分點。

The decrease in gross profit margin was mainly attributable to the implementation of the new standard in the current year, which resulted in the adjustment of the promotion-related marketing expenses originally included in the sales expenses to offset revenue. According to comparable standards, the combined gross profit margin decreased by 0.53 percentage points year-on-year. Among them, Shandong region decreased by 0.44 percentage points; South China region increased by 0.44 percentage points; North China region increased by 0.39 percentage points; East China region decreased by 0.53 percentage points; Southeast region decreased by 5.23 percentage points (mainly due to product structure adjustment); Hong Kong, Macao and other overseas regions increased by 0.05 percentage points.

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	1,988,570	1,864,924	7.48	6.63
市場助銷投入	Promotion related marketing expenses		1,233,298		(100.00)
裝卸運輸費	Handling and transportation expenses	1,429,193	1,335,482	5.38	7.02
廣告宣傳費	Adverting related expenses	864,376	727,749	3.25	18.77
行政費用	Administrative expenses	159,048	155,368	0.60	2.37
折舊及攤銷費用	Depreciation and amortization charges	118,927	120,411	0.45	(1.23)
租賃費	Operation lease payments	99,984	109,560	0.38	(8.74)
物料消耗	Material consumptions	69,333	96,820	0.26	(28.39)
其他	Other expenses	139,404	125,332	0.52	11.23
合計	Total	4,868,835	5,768,944	18.32	—

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

中國啤酒行業經過幾十年的快速發展，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，市場競爭逐步加劇、生產經營成本上升，均對啤酒銷售產生了不利的影響。

Chinese beer industry has experienced rapid development over several decades, and market sales have been ranked first in the world, with per capita consumption as high as that of the world's average. At present, the top 5 beer enterprises in China occupies nearly 80% of market shares. The vigorous promotion of various foreign-invested beers and imported beers in China have led to fiercer market competition; and operation costs are increasing, all such factors have adversely impacted the sales of beer.

同時，消費升級以及消費者需求多元化正使整個啤酒行業的結構發生轉變，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，消費結構升級趨勢明顯，以聽裝啤酒、進口啤酒、精釀啤酒為代表的高端產品市場快速增長，行業增速出現分化。

The upgrading of consumption and diversification of consumer demands are changing the structure of the entire beer industry. Market competition is shifting from the expansion of capacity and scale towards quality and differentiation-based competition. There are increasingly marked upgrades in consumption structures. The high-end product market represented by canned beer, imported beer and craft beer is experiencing rapid growth and the growth rate of the entire industry can be differentiated.

目前國內啤酒市場仍以餐飲等即飲市場為主導，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 instant beverages market continues to occupy a dominant position in the domestic beer market. At the same time, some medium-and high-end products represented by canned beers and bottled beers which targeted at families have maintained a positive development trend, while the mature e-commerce model has brought convenient and speedy choice to families beer consumption.

目前，中國啤酒市場仍是全球最大和最具發展潛力的市場，通過進一步的產能優化、產品結構調整以及價格調整，未來中國啤酒行業在整體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。

Currently, the Chinese beer market is still the largest market in the world with the most potential. There is a certain potential in increasing the profit and sales of the Chinese beer industry through the further optimization of capacities as well as adjustments in product structure and pricing. Therefore, we are very confident in the beer industry and the Company's future development.

(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，建設和鞏固戰略帶市場和核心基地市場圈，突破新興市場，不斷提升在國內外市場的份額。同時，堅定實施創新驅動發展戰略，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產品差異化競爭優勢，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.



管理層討論與分析 Management Discussion and Analysis

(三) 經營計劃

Operating plan

隨著中國經濟的不斷發展，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，通過轉型升級、提升產品結構和降本增效，實現高質量發展，力爭使本公司的銷量實現高於國內啤酒行業平均增長率的目標。

Along with the continuous development of China's economy, the recovery of the beer industry and the upgrading of consumption shall lead to greater opportunities for various domestic beer enterprises with corresponding brand and scale advantages. The Company shall seize the opportunity, harness the brand and quality advantages of Tsingtao Beer, achieve high-quality development through transformation, upgrading, enhancement of product structure, cost reduction and increase in efficiency, and strive to achieve sales volumes that are higher than the average growth rate of the domestic beer industry.

公司將繼續積極開拓國內外市場，不斷提升現有產能的利用效率，推進產品和結構優化升級，建立常態化的價格調整機制，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，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 shall take further steps to expand its domestic and foreign markets, continue to improve the utilization ratio of its existing capacity, enhance product and structural optimization and upgrading, establish a normalized price adjustment mechanism, and maintain its leading position in the domestic medium- and high-end markets. Furthermore, the Company shall proactively explore the application of Internet of Things, Big Data, Mobile Applications and other new information technologies, drive the transition from traditional production model to the “Internet + Industry” model, and satisfy various market needs in terms of a wider variety, higher efficiency, higher quality and lower costs.

公司將繼續聚焦市場資源，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。堅持實施產品差異化戰略，通過持續優化品牌、品種結構，加快向高附加值產品的轉型升級；推進現代渠道發展及鞏固電商渠道優勢，實現線上、線下資源共享和優勢互補，著力提升營銷效率和協同性，帶動銷量和收入的持續增長。

The Company shall continue to focus on market resources, improve marketing channels and networks and create new marketing modes. It shall accelerate the integration process of the sales network, and set up the most competitive channel network and sales operation model. In addition, the Company shall persist in the implementation of its product differentiation strategy and speed up the transformation and upgrading into high value-added products by continuously optimizing the brand and category structure; the Company shall also promote the development of modern channels, reinforce the strength of e-commerce channels, achieve online and offline sharing of resources and mutual complementation of advantages, strive to enhance marketing efficiency and synergy, and drive the sustained growth of sales volume and revenue.

公司將繼續實施「青島啤酒主品牌+嶗山啤酒全國性第二品牌」的1+1品牌戰略，以品牌帶動品類發展，打造「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，通過研發消費者喜好的差異化產品，加快主品牌核心產品發展，全面提升品牌的國際化、年輕化和時尚化形象。

The Company shall continue to implement its 1+1 brand strategy of “Core Brand Tsingtao Beer + Secondary Brand Laoshan Beer”, use the brand to drive the development of categories, and establish the “Four in One” marketing model. With a focus on in-depth sports marketing and music marketing, the Company shall optimize resource allocation, expedite the development of core products of the core brand by developing popular differentiated products, and thoroughly improve the brand's international, young and fashionable image.

管理層討論與分析 Management Discussion and Analysis

2019年，公司董事會和管理層將率領廣大員工，積極推進深化企業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，不斷提高本公司的核心競爭力和可持續發展能力，為廣大股東創造更高的價值。

In 2019, 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 the Company's core competitiveness and sustainable and sound development ability for more creating higher values for its shareholders.

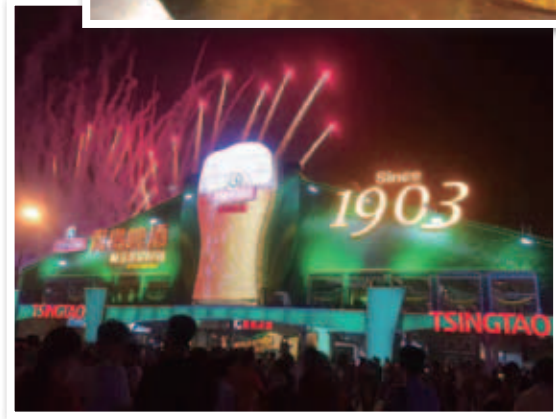
(四) 可能面對的風險

Potential risks

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

As a competitive traditional industry, the Company (against the backdrop of industrial overproduction and heavy pressure on rising costs) may face the following major business risks:

- 1、 隨著外資啤酒和進口啤酒在國內市場加大促銷，將進一步加劇國內中高端產品市場的競爭態勢，由於本公司產品面向中高端產品市場比重較大，可能影響公司短期的銷量和收入增長。
The promotion of foreign beer and imported beer in the domestic market shall further intensify the competitive situation in the domestic market for high-end products. As the Company's products are oriented towards the mid-to high-end products market, it may affect the Company's short-term sales and revenue growth.
- 2、 由於啤酒原料及包裝材料價格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 Company's profitability may be influenced by sharp increases in raw material prices, packaging material prices and labor costs.



- 3、 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.
- 4、 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

公司第九屆董事會成員簡介 Members of the Ninth Session of the Board:



黃克興先生，現年56歲，北京大學光華管理學院高級管理人員工商管理碩士畢業，經濟管理研究生學歷，高級工程師。現任本公司董事長、青啤集團董事長。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、總裁兼營銷總裁、青啤集團副總裁。具有豐富的啤酒行業戰略規劃、投資管理、經營管理及市場營銷經驗，青島市拔尖人才，青島市及山東省優秀企業家，全國輕工行業「勞動模範」，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 56, graduated from the Guanghua School of Management of Peking University with a Master's degree in business administration. He is a senior engineer with a postgraduate degree in economic management. Huang currently serves as Chairman of the Board of the Company and Chairman of Tsingtao Brewery Group. His former responsibilities include being the General Manager of Tsingtao Brewery Engineering Company Limited, Assistant to the President of the Company and Head of Strategic Investment Management Department, Vice President, President and Marketing President of the Company, and Vice President of Tsingtao Brewery Group. Huang has rich experience in strategic planning, investment management, operation management and marketing of the beer industry. He has been recognized as one of the top talents in Qingdao, an outstanding entrepreneur in Qingdao and Shandong Province, as well as a "model worker" in the national light industry. Huang also serves as a member of the 11th CPPCC in Shandong Province and a representative of the 13th People's Congress of Shandong Province.



樊偉先生，現年59歲，江南大學碩士研究生畢業，工程系列應用研究員，首屆中國釀酒大師。現任本公司執行董事、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，本公司副總裁，總釀酒師。具有豐富的質量管理、生產運營及產品研發經驗，青島市專業技術拔尖人才，國務院特殊津貼專家。

Mr. FAN Wei, aged 59, graduated from Jiangnan University with a Master's degree, is an applied research fellow in engineering, and among the first batch of Chinese winemakers. He currently serves as Executive Director, President, Manufacturing President and Chief Brewer of the Company and Director of Tsingtao Brewery Group. His former responsibilities include being the Deputy Director and Chief Engineer of Tsingtao Brewery No. 2 Factory, Vice President of the Company and Chief Winemaker. Fan has rich experience in quality management, production operations and product development. He has talent in professional technologies in Qingdao and is a State Council Special Allowance Expert.



于竹明先生，現年57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。曾任本公司財務管理總部部長、總裁助理、總會計師。具有豐富的會計信息化、稅收籌劃、財務管理、金融管理、內控審計、風險管理和資本運作經驗。

Mr. YU Zhu Ming, aged 57, graduated from Dongbei University of Finance and Economics with an EMBA. He is a senior accountant with a Master's degree. Yu is currently serving as the Executive Director and Chief Financial Officer of the Company. His former responsibilities include being the Head of the Company's Financial Management Department, Assistant to the President, and Chief Accountant. He has extensive experience in accounting informationization, tax planning, financial management, internal control auditing, risk management and capital operation.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers



王瑞永先生，現年53歲，北京大學工商管理碩士研究生學歷，高級工程師，現任本公司執行董事、副總裁。曾任公司總裁助理，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 53, graduated from Peking University with a Master's degree in business administration, and is a senior engineer. He is currently serving as the Executive Director and Vice President of the Company. His former responsibilities include being the Assistant to the President of the Company, General Manager of Shanghai Tsingtao Brewery Huadong Marketing Company, General Manager of Shandong Beer Marketing Center Shandong Province, and Marketing President of the Company. He brings along extensive marketing and corporate management experience.



唐斌先生，現年47歲，中歐國際工商學院工商管理碩士學位，現任本公司非執行董事，復星集團高級副總裁、復星全球合夥人，上海復星創富投資管理股份有限公司董事長，復星美元產業基金董事長，復星能源環境及智能裝備集團董事長，復星化妝品集團董事長，復星科技與金融集團聯席董事長，復星影視集團聯席董事長，南京南鋼鋼鐵聯合有限公司、南京鋼鐵聯合有限公司、南京鋼鐵股份有限公司董事。海南礦業股份有限公司董事，上海廣電電氣(集團)股份有限公司董事，上海鋼鐵電子商務股份有限公司董事。曾任江西省經貿委主任科員、九江縣副縣長。

Mr. TANG Bin, aged 47, holds a Master's degree in business administration from China Europe International Business School. He is currently serving as a non-executive Director of the Company, Senior Vice President of Fosun Group, global partner of Fosun, and Chairman of Shanghai Fosun Chuangfu Investment Management Co., Ltd., Chairman of Fosun Dollar Industry Fund, Chairman of Fosun Energy Environment and Intelligent Equipment Group, Chairman of Fosun Cosmetics Group, Co-Chairman of Fosun Technology and Financial Group, Co-Chairman of Fosun Film and Television Group, Nanjing Nangang Iron and Steel Co., Ltd. Director of the company, Nanjing Iron and Steel Co., Ltd., Nanjing Iron and Steel Co., Ltd. Director of Hainan Mining Co., Ltd., Director of Shanghai Guangdian Electric (Group) Co., Ltd., Director of Shanghai Iron and Steel E-Commerce Co., Ltd. He was the former chief of the Jiangxi Provincial Economic and Trade Commission and the deputy magistrate of Jiujiang County.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers



于增彪先生，現年63歲，廈門大學經濟(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、蘇州綠的諧波傳動科技股份有限公司獨立董事。

Mr. YU Zeng Biao, aged 63, Doctor of Economics (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, HONY Yuanfang Fund Management Co., Ltd. and Suzhou Leaderdrive Harmonious Drive System Co.,Ltd.



賁聖林先生，現年52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，浙江大學教授，博士生導師，互聯網金融研究院院長和國際聯合商學院院長，兼任中國人民大學國際貨幣研究所聯席所長，全國工商聯國際委員會委員，中央統戰部黨外知識分子建言獻策專家組成員，浙江省政協常委、經濟委員會副主任，浙江省人民政府參事，浙江互聯網金融聯合會聯合主席，廣東金融專家顧問委員會顧問委員和《中國金融學》執行主編；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 52, holds a Bachelor's degree in engineering from Tsinghua University, a Master's degree in business administration from Renmin University of China, and a Doctorate degree in economics from Purdue University. He is currently serving as an independent non-executive Director of the Company, as well as a professor, doctoral tutor, dean of the Internet Finance Institute and dean of the International Business School at Zhejiang University. He is also the co-director of the International Monetary Research Institute of Renmin University of China and a member of the International Committee of the National Federation of Industry and Commerce. His other responsibilities include being a member of the Expert Committee of the Party's Extra-Party Intellectuals of the United Front Work Department, member of the Standing Committee of the Zhejiang Political Consultative Conference, Deputy Director of the Economic Committee, Counselor of the Zhejiang Provincial People's Government, Co-Chairman of the Zhejiang Internet Finance Association, Advisory Committee Member of the Guangdong Financial Expert Advisory Committee and Executive Editor of *China Finance*. In addition, Ben also serves as the independent director of Ningbo Bank Co., Ltd. and Zhongda Group Co., Ltd., an independent non-executive director of China International Capital Corporation, and an external supervisor of Industrial Bank Co., Ltd. He was the former President of JP Morgan Chase Bank (China) Co., Ltd. and member of Global Corporate Bank Global Leadership Team and etc..

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers



蔣敏先生，現年53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、科大智能科技股份有限公司獨立董事。

Mr. JIANG Min, aged 53, Master of Laws. He is currently Independent Non-executive Director of the Company, Founding Partner of Anhui Tianhe Law Firm, 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., Sungrow Power Co., Ltd. and CSG Smart Science & Technology Co., Ltd.



姜省路先生，現年47歲，山東大學法學院學士。現任本公司獨立非執行董事，山東藍色經濟產業基金管理有限公司總經理、青島藍色滌金投資管理企業(有限合夥)執行事務合夥人、藍色經濟區(青島)產業投資基金管理有限公司董事長兼總經理。現兼任青島東軟載波科技股份有限公司、海利爾藥業集團股份有限公司、青島康普頓科技股份有限公司獨立董事。曾任深圳市盛弘電氣股份有限公司獨立董事。姜先生自1994年起歷任山東琴島律師事務所副主任、高級合夥人，國浩律師事務所合夥人，北京市金杜律師事務所合夥人，2017年被評為「山東省金融高端人才」。

Mr. JIANG Xing Lu, aged 47, holds a bachelor's degree from Shandong University Law School. He is currently serving as an independent non-executive Director of the Company, General Manager of Shandong Blue Economy Industry Fund Management Co., Ltd., Executive Partner of Qingdao Blue Sheet Metal Investment Management Enterprise (Limited Partnership), and Chairman and General Manager of the Blue Economic Zone (Qingdao) Industrial Investment Fund Management Co., Ltd. He is also an independent director of Qingdao Neusoft Carrier Technology Co., Ltd., Heilier Pharmaceutical Group Co., Ltd. and Qingdao Compton Technology Co., Ltd. He was a former independent director of Shenzhen Shenghong Electric Co., Ltd. Jiang has served as Deputy Director and senior partner of Shandong Qingdao Law Firm since 1994. He is a partner of Guohao Law Firm and a partner of Beijing Jindu Law Firm. In 2017, he was named as a "Shandong Provincial Financial High-end Talent".

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers

公司第九屆監事會成員簡介 Members of the Ninth Session of Board of Supervisors



李綱先生，現年58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 58, 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.



姚宇先生，現年38歲，先後獲得工學本科學歷和經濟學碩士學歷，現任本公司股東監事，上海復星創富投資管理股份有限公司執行總經理，曾任北京清科投資管理有限公司投資經理。

Mr. YAO Yu, aged 38, holds a Bachelor's degree in engineering and a Master's degree in economics. He is currently serving as a Supervisor as Shareholders' Representative of the Company and Executive General Manager of Shanghai Fosun Chuangfu Investment Management Co., Ltd. He was a former investment manager of Beijing Qingke Investment Management Co., Ltd.



李燕女士，現年61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、中郵創業基金管理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 61, graduated from Central Finance and Economics Institute. She is currently serving as an 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-practising 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., China Post & Capital Fund Management Co., Ltd. and Jiangxi Fushine Pharmaceutical Co., Ltd.



王亞平先生，現年54歲，華東政法學院(現為華東政法大學)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和青島天能重工股份有限公司獨立董事以及瑞港建設控股有限公司獨立非執行董事。

Mr. WANG Ya Ping, aged 54, holds a Bachelor of Law from the East China University of Political Science and Law (now East China University of Political Science and Law) and is a Senior State Attorney. He is currently serving as an Independent Supervisor of the Company, and Executive Director and senior partner of Shandong Qingdao Law Firm. Wang is also the President of Qingdao Lawyers Association, arbitrator of Qingdao Arbitration Commission, as well as an independent director of Qingdao Port International Co., Ltd. and Qingdao Tianneng Heavy Industry Co., Ltd., and an independent non-executive director of Ruigang Construction Holdings Co., Ltd.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers



于嘉平先生，現年56歲，中歐國際工商學院工商管理專業畢業，碩士研究生學歷。現任本公司職工監事，本公司及青島啤酒集團有限公司黨委副書記、工會主席，並兼任青島啤酒集團有限公司職工董事。曾任青島啤酒二廠廠長、青島啤酒廠廠長、製造副總裁兼採購管理總部部長。具有豐富的生產運營及商務管理經驗。

Mr. YU Jia Ping, aged 56, graduated from the China Europe International Business School with a Master's degree in business administration. He is currently serving as the Supervisor as Employees' Representative of the Company, Deputy Secretary of the Party Committee and the labor union of the Company and Tsingtao Brewery Group Co., Ltd., and is concurrently the Employee Director of Tsingtao Brewery Group Co., Ltd. His former responsibilities include being the Head of Tsingtao Brewery No. 2 Factory, Head of Tsingtao Brewery Factory, Vice President of manufacturing department and Head of procurement management department. He brings along extensive experience in production operations and business management.



孫麗紅女士，現年43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 43, 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45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 45, 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



蔡志偉先生，現年51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 51, MBA at Xiamen University, Senior Engineer. He is currently President of Marketing Center of the Company. 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54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 54, 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 listed 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

有關年度關連人士交易之詳情載於綜合財務報表附註八。若干年度之關連人士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2018年1月24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2018年1月1日起至2018年12月31日止。煙臺朝日為本公司主要股東朝日集團的間接附屬公司，因此為朝日集團之聯繫人及本公司的關連人士。有關該持續關連交易事項的詳情請見公司於2018年1月24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2018年度的上限金額為人民幣9億元，於2018年1月1日至3月19日期間的實際採購金額為人民幣145,257,997元，未超逾年度上限(附註)。

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 24 January 2018, whereby Yantai Asahi agreed to grant the Company the exclusive distribution right for the distribution of all products of Yantai Asahi for the period from 1 January 2018 to 31 December 2018. As an indirect subsidiary of Asahi Group which was a substantial shareholder of the Company, Yantai Asahi was 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 24 January 2018. The annual cap amount of the Company's purchasing beer products from Yantai Asahi for the year 2018 was RMB0.9 billion, of which the actual purchasing amount from 1 January 2018 to 19 March 2018 was RMB145,257,997, not exceeding the annual cap amount (Note).

重要事項 Significant Events

- (2) 經本公司董事會審議批准，於2017年3月3日，青啤深圳與朝日啤酒及朝日投資公司分別簽訂了《新朝日委托生產協議》(「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。新協議一經生效，2015年2月3日簽訂的兩份有關買賣朝日啤酒產品的合同即終止。朝日集團於2018年3月19日前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聯繫人。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2017年3月3日在聯交所和上交所網站分別刊登的公告。

青啤深圳與朝日啤酒的交易於2018年度的上限金額為人民幣80,000,000元，於2018年1月1日至3月19日期間的實際交易金額為人民幣6,337,902元，未超逾年度上限(附註)。

青啤深圳與朝日投資公司的交易於2018年度的上限金額為人民幣40,000,000元，於2018年1月1日至3月19日期間的實際交易金額為人民幣1,428,027元，未超逾年度上限(附註)。

- (2) As considered and approved by the Board, Tsingtao Brewery Shenzhen entered into the *Entrusted Production Agreement* (“the New Agreements”) with Asahi Beer and Asahi Investment Co., Ltd. respectively on 3 March 2017, stipulating that Asahi Beer and Asahi Investment entrust Tsingtao Brewery Shenzhen to produce beer products. The contract period will be from 3 March 2017 to 31 December 2019. The two product distribution contracts entered on 3 February 2015 in relation to the sale of Asahi beer products shall be terminated upon the effectiveness of the New Agreements. Asahi Group was a substantial shareholder of the Company before 19 March 2018 and its subsidiaries, Asahi Beer and Asahi Investment Corporation, were the associates of the Asahi Group. As such, Asahi Beer and Asahi Investment Company were connected persons of the Company. For details of these continuing connected transactions, please refer to the announcements published by the Company on the websites of the Stock Exchange and the Shanghai Stock Exchange on 3 March 2017, respectively.

The annual cap amount for the transaction between Tsingtao Brewery Shenzhen and Asahi Beer for the year 2018 was RMB80 million, of which the actual transaction amount from 1 January 2018 to 19 March 2018 was RMB6,337,902, not exceeding the annual cap amount (Note).

The annual cap amount for the transaction between Tsingtao Brewery Shenzhen and Asahi Investment Ltd. for the year 2018 was RMB40 million, of which the actual transaction amount from 1 January 2018 to 19 March 2018 was RMB1,428,027, not exceeding the annual cap amount (Note).

重要事項 Significant Events

- (3) 經本公司董事會審議批准，2018年1月24日，本公司全資附屬公司青啤財務公司與煙臺朝日簽訂結算賬戶管理協議，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2018年1月1日起 至2018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。2018年1月1日至3月19日期間，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163,638,739元(附註)，未超逾年度上限人民幣9億元。有關該持續關連交易事項的詳情請見本公司於2018年1月24日在聯交所和上交所網站分別刊登的相關公告。
- (3) As considered and approved by the Board, Tsingtao Finance Co., Ltd., a wholly-owned subsidiary of the company, signed a settlement account management agreement with Yantai Asahi on 24 January 2018, stipulating that Yantai Asahi shall deposit its sales proceeds in the account of Tsingtao Finance Company. The related deposit and settlement service transactions shall be for the contract period from 1 January 2018 to 31 December 2018. The amount of deposit transactions (including interest and settlement fees) for the Tsingtao Finance Company to absorb Yantai Asahi's sales funds shall not exceed the annual cap amounts approved by the Board of Directors for the continuing connected transactions between the Company and Yantai Asahi, the accumulated principal and corresponding interest and handling fees of Yantai Asahi deposited in Tsingtao Finance Company from 1 January 2018 to 19 March 2018 amounted to RMB163,638,739, which did not exceed the annual cap of RMB0.9 billion (Note). For details of the continuing connected transactions, please refer to the relevant announcements published by the Company on the websites of the Stock Exchange and the Shanghai Stock Exchange on 24 January 2018 respectively.

重要事項 Significant Events

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。

附註：2017年12月20日，朝日集團與復星集團簽署股權轉讓協議，將其所持本公司243,108,236股H股(約佔本公司總股本17.99%)轉讓予復星集團。同日，朝日集團與青啤集團及其子公司鑫海盛簽署股權轉讓協議，將其所持本公司27,019,600股H股(約佔本公司總股本1.99%)轉讓予鑫海盛。上述股權轉讓交易於2018年3月19日完成後，由於朝日集團不再持有本公司股份，朝日集團及其聯繫人不再為本公司的關連人士。因此，上述列示的交易額系2018年1月1日至2018年3月19日期間的發生額。

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.

Note: On 20 December 2017, Asahi Group and Fosun Group signed an equity transfer agreement to transfer 243,108,236 of the Company's H shares (representing approximately 17.99% of the company's total share capital) to Fosun Group. On the same day, Asahi Group and Tsingtao Brewery Group and its subsidiary Xinhaisheng signed an equity transfer agreement to transfer 27,019,600 of the Company's H shares (representing approximately 1.99% of the total share capital) to Xin Haisheng. After the above equity transfer transaction was completed on 19 March 2018, Asahi Group and its associates ceased to be connected persons of the Company as Asahi Group ceased to hold shares in the Company. Therefore, the transaction amount listed above is the amount for the period from 1 January 2018 to 19 March 2018.

重要事項 Significant Events

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《上市規則》第14A.56條，審計師已就本年報第79-81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。

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 on terms not better than those the Company provides to the independent third party or no less favourable 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 auditor has issued a letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on page 79 to 81 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.

重要事項 Significant Events

本公司確認上述2018年進行的持續關連交易之披露，符合《上市規則》第14A章的披露規定。

The Company confirms that the disclosure of the aforesaid continuing connected transactions carried out in 2018 were in compliance with the disclosure requirements in Chapter 14A of *Listing Rules*.

二、報告期內子公司產能整合情況

為積極推進新舊動能轉換，化解過剩產能，公司於2018年4月26日和2018年8月28日召開第八屆董事會第二十二次會議和第九屆董事會第二次會議，同意對青島啤酒上海楊浦有限公司及青島啤酒(蕪湖)有限公司進行關閉清算，報告期內已完成職工安置工作，債務、資產尚未處置完畢。

II. Capacity Integration of Subsidiaries during the Reporting Period

To proactively promote the conversion of new growth drivers and dissolve overcapacity, the Company held the 22nd meeting of the eighth session of the Board and the 2nd meeting of the ninth session of the Board on 26 April 2018 and on 28 August 2018. During the meetings, the closure and liquidation of Tsingtao Brewery Shanghai Yangpu Co., Ltd. and of Tsingtao Brewery (Wuhu) Co., Ltd. was approved. Re-employment of staff had been completed during the Reporting Period, while the disposal of debts and assets was still in-progress.

三、報告期內公司為子公司提供擔保情況

經本公司第八屆董事會第二十一次會議審議批准，通過中國銀行青島市分行內保外貸形式，由本公司向中國銀行青島市分行申請開立融資性借款保函，為青啤香港在中國銀行首爾分行的港幣貸款3.38億元，提供金額為港幣3.5億元的融資性擔保。

III. Information of Guarantees provided by the Company to the subsidiaries during the reporting period

Upon review and approval at the 21st meeting of the eighth session of the Board, by way of onshore guarantees for offshore loans through Bank of China (Qingdao Branch), the Company has applied for a letter of guarantee for financing borrowings with Bank of China (Qingdao Branch) to borrow HKD338 million from the Seoul Branch of Bank of China for Tsingtao HK and provide a financing guarantee of HKD350 million.

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對本公司作出之重大法律訴訟或仲裁。

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.

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 2018;
- 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 2018, 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

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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
- (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 (Refer to Note 4(13) 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 2018.</p> <p>Due to the intensified beer market competition in the region where Immense Brewery Company operates and also the fluctuation in its sales volume and profits in recent years, the risk of impairment on the related goodwill 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. 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 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 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; • Evaluated the competency, professionalism and objectivity of the independent valuer; • Engaged our internal valuation experts 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 experts 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 of Immense Brewery Company are to be consistent with the audit evidence which we have obtained.</p>

Key Audit Matter	How our audit addressed the Key Audit Matter
<p data-bbox="164 405 782 465">(2) Impairment test on fixed assets (Refer to Note 4(10) to the financial statements)</p> <p data-bbox="164 502 782 720">As at 31 December 2018, the carrying amounts of fixed assets as recognised in the consolidated financial statements of Tsingtao Brewery amounted to approximately RMB10.30 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 data-bbox="164 756 782 914">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.</p> <p data-bbox="164 950 782 1108">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 data-bbox="164 1144 782 1328">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 data-bbox="810 405 1431 465">In connection with the impairment test on fixed assets, we have performed the following procedures:</p> <ul style="list-style-type: none"> <li data-bbox="810 502 1431 595">• Understood and validated the Tsingtao Brewery’s internal controls over the test of impairment of fixed assets; <li data-bbox="810 631 1431 692">• Validated the management’s processes in identifying the indications of impairment; <li data-bbox="810 728 1431 810">• For those fixed assets with indication of impairment, examined the management’s impairment test model as follows: <ul style="list-style-type: none"> <li data-bbox="869 847 1431 978">— Engaged our internal valuation experts to evaluate the reasonableness of the basis of value, methodology and parameters (e.g. discount rate) as adopted; <li data-bbox="869 1015 1431 1425">— 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 experts 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. <li data-bbox="869 1461 1431 1683">— 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 data-bbox="810 1720 1431 1841">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>

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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 2018 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 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
28 March 2019

Signing CPA
Zhang Dong

Consolidated Balance Sheet

As at 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note 4	As at		
		31 December 2018	31 December 2017	1 January 2017
Current assets				
Cash at bank and on hand	(1)	12,535,737,018	9,805,485,121	8,572,685,245
Financial assets held for trading	(2)	1,202,544,491	—	—
Financial assets at fair value through profit or loss		—	130,115,254	—
Notes receivable and accounts receivable	(3)	164,507,334	183,617,244	151,047,040
Advances to suppliers	(4)	173,564,933	116,394,430	51,806,259
Other receivables	(5)	297,784,761	348,400,531	305,401,176
Inventories	(6)	2,651,224,726	2,392,910,141	2,412,442,780
Other current assets	(7)	734,941,934	1,096,060,646	1,116,181,886
Total current assets		17,760,305,197	14,072,983,367	12,609,564,386
Non-current assets				
Available-for-sale financial assets		—	600,000	608,642
Long-term equity investments	(8)	370,486,200	375,899,439	379,530,915
Other non-current financial assets		600,000	—	—
Investment properties	(9)	27,932,768	27,261,927	24,946,020
Fixed assets	(10)	10,326,694,147	10,993,772,759	11,448,770,476
Construction in progress	(11)	379,891,294	200,139,178	193,446,726
Intangible assets	(12)	2,599,685,515	2,776,216,295	2,974,746,773
Goodwill	(13)	1,307,103,982	1,307,103,982	1,307,103,982
Long-term prepaid expenses	(14)	33,107,419	36,042,642	39,921,000
Deferred tax assets	(15)	1,207,020,387	1,135,894,135	1,042,209,554
Other non-current assets	(17)	62,438,096	48,798,055	56,310,013
Total non-current assets		16,314,959,808	16,901,728,412	17,467,594,101
TOTAL ASSETS		34,075,265,005	30,974,711,779	30,077,158,487

Consolidated Balance Sheet (Continued)

As at 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND EQUITY	Note 4	As at		
		31 December 2018	31 December 2017	1 January 2017
Current liabilities				
Short-term borrowings	(18)	296,155,600	282,534,200	302,341,000
Notes payable and accounts payable	(19)	2,572,424,544	2,373,206,083	2,356,746,279
Advances from customers		—	1,177,632,347	1,320,882,187
Contract liabilities	(20)	5,237,538,511	—	—
Employee benefits payable	(21)	1,175,461,292	1,032,628,088	988,416,962
Taxes payable	(22)	691,133,999	400,835,890	396,466,643
Other payables	(23)	2,113,507,358	5,184,870,253	4,919,556,596
Current portion of non-current liabilities	(24)	420,320	419,160	376,372
Other current liabilities		228,510	107,284	—
Total current liabilities		12,086,870,134	10,452,233,305	10,284,786,039
Non-current liabilities				
Long-term borrowings	(24)	630,480	1,047,900	1,376,480
Long-term payables	(25)	222,324,164	123,140,327	175,014,368
Deferred income	(26)	2,343,747,145	1,904,109,828	1,948,814,560
Long-term employee benefits payable	(27)	526,560,514	499,008,449	538,957,516
Deferred tax liabilities	(15)	205,181,181	220,667,269	249,069,955
Total non-current liabilities		3,298,443,484	2,747,973,773	2,913,232,879
Total liabilities		15,385,313,618	13,200,207,078	13,198,018,918
Equity				
Share capital	(28)	1,350,982,795	1,350,982,795	1,350,982,795
Capital surplus	(29)	3,444,186,312	3,444,181,512	3,444,189,700
Other comprehensive income	(30)	(44,696,804)	(9,038,750)	(50,149,422)
Surplus reserve	(31)	1,400,704,380	1,400,704,380	1,400,704,380
General reserve	(32)	199,512,331	155,497,737	142,496,409
Undistributed profits	(33)	11,619,782,072	10,802,900,749	10,025,728,867
Total equity attributable to shareholders of the Company		17,970,471,086	17,145,228,423	16,313,952,729
Non-controlling interests		719,480,301	629,276,278	565,186,840
Total equity		18,689,951,387	17,774,504,701	16,879,139,569
TOTAL LIABILITIES AND EQUITY		34,075,265,005	30,974,711,779	30,077,158,487

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

Legal representative:
HUANG KexingPrincipal in charge of accounting:
YU ZhumingHead of accounting department:
HOU Qiuyan

Company Balance Sheet

As at 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note 15	As at		
		31 December 2018	31 December 2017	1 January 2017
Current assets				
Cash at bank and on hand		5,114,874,023	3,652,150,167	3,412,002,240
Notes receivable and accounts receivable	(1)	1,164,987,669	962,331,180	831,709,033
Advances to suppliers		141,333,150	74,498,675	24,993,651
Other receivables	(2)	568,746,003	433,294,786	1,516,085,922
Inventories	(3)	1,047,023,276	796,207,042	823,095,523
Other current assets		411,447,441	308,955,082	277,939,238
Total current assets		8,448,411,562	6,227,436,932	6,885,825,607
Non-current assets				
Debt investment	(4)	103,300,000	—	—
Available-for-sale financial assets		—	300,000	300,000
Long-term receivables		—	25,000,000	6,000,000
Long-term equity investments	(5)	10,098,869,195	10,034,228,614	9,943,282,037
Other non-current financial assets		300,000	—	—
Investment properties		29,398,611	30,722,528	31,577,276
Fixed assets	(6)	2,082,331,715	2,195,702,933	2,298,426,534
Construction in progress		33,024,290	37,865,820	45,141,139
Intangible assets	(7)	528,583,144	581,663,443	630,198,434
Long-term prepaid expenses		1,096,220	2,390,151	6,221,005
Deferred tax assets		825,985,377	715,995,858	671,265,463
Other non-current assets		14,738,527	2,858,948	2,639,524
Total non-current assets		13,717,627,079	13,626,728,295	13,635,051,412
TOTAL ASSETS		22,166,038,641	19,854,165,227	20,520,877,019

Company Balance Sheet (Continued)

As at 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND EQUITY	Note 15	As at		
		31 December 2018	31 December 2017	1 January 2017
Current liabilities				
Notes payable and accounts payable		1,946,709,628	1,503,075,685	2,577,683,597
Advances from customers		—	926,380,162	1,027,556,435
Contract liabilities		3,735,161,617	—	—
Employee benefits payable		485,320,980	379,436,264	373,400,438
Taxes payable		132,203,110	44,536,778	86,703,934
Other payables		777,996,862	2,479,260,972	2,353,717,365
Total current liabilities		7,077,392,197	5,332,689,861	6,419,061,769
Non-current liabilities				
Long-term payables		—	15,440,660	15,440,660
Deferred income		442,625,999	50,542,428	61,307,433
Long-term employee benefits payable		315,818,409	274,230,780	288,026,884
Total non-current liabilities		758,444,408	340,213,868	364,774,977
Total liabilities		7,835,836,605	5,672,903,729	6,783,836,746
Equity				
Share capital		1,350,982,795	1,350,982,795	1,350,982,795
Capital surplus	(9)	4,306,625,628	4,306,620,828	4,306,629,016
Other comprehensive income	(10)	(48,482,000)	(26,869,000)	(49,477,000)
Surplus reserve		1,400,704,380	1,400,704,380	1,400,704,380
Undistributed profits	(11)	7,320,371,233	7,149,822,495	6,728,201,082
Total equity		14,330,202,036	14,181,261,498	13,737,040,273
TOTAL LIABILITIES AND EQUITY		22,166,038,641	19,854,165,227	20,520,877,019

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

Legal representative:
HUANG Kexing

Principal in charge of accounting:
YU Zhuming

Head of accounting department:
HOU Qiuyan

Consolidated Income Statement

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Year ended 31 December	
		2018	2017
Revenue	(34)	26,575,255,205	26,277,051,684
<i>Less:</i> Cost of sales	(34),(39)	(16,555,774,979)	(15,622,130,867)
Taxes and surcharges	(35)	(2,326,543,366)	(2,325,028,134)
Selling and distribution expenses	(36),(39)	(4,868,834,502)	(5,768,943,601)
General and administrative expenses	(37),(39)	(1,386,380,042)	(1,225,567,639)
Research and development expenses	(38),(39)	(19,755,502)	(18,688,799)
Finance expenses	(40)	497,115,822	370,017,175
Including: Interest expenses		(13,707,476)	(10,542,443)
Interest income		536,675,628	415,164,265
Asset impairment losses	(41)	(147,032,754)	(10,716,839)
Credit impairment losses	(42)	1,311,608	—
<i>Add:</i> Other income	(43)	523,174,569	427,152,035
Investment income	(44)	20,518,603	57,988,170
Including: Share of profit of associates and a joint venture		16,615,487	20,461,767
Profits arising from changes in fair value	(45)	54,170,936	115,254
Gains on disposals of assets	(46)	10,339,068	(46,283,580)
Operating profit		2,377,564,666	2,114,964,859
<i>Add:</i> Non-operating income	(47)	15,921,391	22,883,938
<i>Less:</i> Non-operating expenses	(48)	(13,719,191)	(33,030,158)
Total profit		2,379,766,866	2,104,818,639
<i>Less:</i> Income tax expense	(49)	(818,755,412)	(722,562,998)
Net profit		1,561,011,454	1,382,255,641
Classified by continuity of operations			
Net profit from continuing operations		1,561,011,454	1,382,255,641
Net profit from discontinued operations		—	—
Classified by ownership of the equity			
Attributable to non-controlling interests		138,811,749	119,238,453
Attributable to shareholders of the Company		1,422,199,705	1,263,017,188

Consolidated Income Statement (Continued)

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Year ended 31 December	
		2018	2017
Other comprehensive income, net of tax	(30)	(29,549,068)	41,110,672
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 remeasurement of defined benefit plan		(22,516,000)	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		(12,848)	135,737
Changes in fair value of available-for-sale financial assets		—	6,108,986
Currency translation differences		(7,020,220)	11,195,949
Total comprehensive income		1,531,462,386	1,423,366,313
Attributable to shareholders of the Company		1,392,650,637	1,304,127,860
Attributable to non-controlling interests		138,811,749	119,238,453
Earnings per share			
Basic earnings per share (RMB Yuan)	(50)	1.053	0.935
Diluted earnings per share (RMB Yuan)	(50)	1.053	0.935

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

Legal representative:

HUANG Kexing

Principal in charge of accounting:

YU Zhuming

Head of accounting department:

HOU Qiuyan

Company Income Statement

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 15	Year ended 31 December	
		2018	2017
Revenue	(12)	18,685,157,144	17,533,712,051
<i>Less:</i> Cost of sales	(12),(13)	(14,948,724,970)	(13,285,777,622)
Taxes and surcharges		(529,204,067)	(534,784,608)
Selling and distribution expenses	(13)	(3,064,674,675)	(3,316,674,111)
General and administrative expenses	(13)	(421,980,054)	(359,345,280)
Research and development expenses	(13)	(19,755,502)	(18,688,799)
Finance expenses	(14)	57,208,893	39,632,968
Including: Interest expenses		—	—
Interest income		75,798,516	58,688,712
Asset impairment losses	(15)	(275,159,527)	(150,428,618)
Credit impairment losses	(16)	32,321,925	—
<i>Add:</i> Other income		63,915,723	58,884,573
Investment income	(17)	1,160,686,985	1,008,035,659
Including: Share of profit of associates and a joint venture		16,323,543	20,280,331
Gains on disposals of assets		(14,415,726)	(3,768,044)
Operating profit		725,376,149	970,798,169
<i>Add:</i> Non-operating income		436,795	8,142,172
<i>Less:</i> Non-operating expenses		(6,998,583)	(9,683,341)
Total profit		718,814,361	969,257,000
<i>Less:</i> Income tax expense	(18)	19,147,151	(74,791,609)
Net profit		737,961,512	894,465,391
Classified by continuity of operations			
Net profit from continuing operations		737,961,512	894,465,391
Net profit from discontinued operations		—	—
Other comprehensive income, net of tax	(10)	(21,613,000)	22,608,000
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 remeasurement of defined benefit plan		(21,613,000)	22,608,000
Total comprehensive income		716,348,512	917,073,391

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

Legal representative:
HUANG Kexing

Principal in charge of accounting:
YU Zhuming

Head of accounting department:
HOU Qiuyan

Consolidated Cash Flow Statement

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Year ended 31 December	
		2018	2017
Cash flows from operating activities			
Cash received from sales of goods or rendering of services		31,880,597,870	29,619,137,633
Refund of taxes and surcharges		29,757,183	28,168,984
Cash received relating to other operating activities	(51)(a)	1,665,022,035	885,962,212
Sub-total of cash inflows		33,575,377,088	30,533,268,829
Cash paid for goods and services		(15,769,795,593)	(14,533,056,958)
Cash paid to and on behalf of employees		(4,616,507,830)	(4,326,577,423)
Payments of taxes and surcharges		(5,016,131,660)	(5,283,400,828)
Cash paid relating to other operating activities	(51)(b)	(4,180,933,604)	(4,078,042,406)
Sub-total of cash outflows		(29,583,368,687)	(28,221,077,615)
Net cash flows from operating activities	(52)(a)	3,992,008,401	2,312,191,214
Cash flows from investing activities			
Cash received from disposal of investments		1,549,800,000	1,940,908,642
Cash received from returns on investments		54,813,885	61,725,468
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		58,558,466	8,522,201
Cash received relating to other investing activities	(51)(c)	444,912,006	411,270,000
Sub-total of cash inflows		2,108,084,357	2,422,426,311
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(761,796,099)	(888,193,622)
Cash paid to acquire investments		(1,974,800,000)	(2,010,900,000)
Net cash paid to acquire subsidiaries		—	(31,185,226)
Cash paid relating to other investing activities	(51)(d)	(188,232,081)	(84,472,730)
Sub-total of cash outflows		(2,924,828,180)	(3,014,751,578)
Net cash flows from investing activities		(816,743,823)	(592,325,267)

Consolidated Cash Flow Statement (Continued)

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Year ended 31 December	
		2018	2017
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		<u>274,591,200</u>	<u>329,285,200</u>
Sub-total of cash inflows		<u>274,591,200</u>	<u>331,685,200</u>
Cash repayments of borrowings		(275,011,200)	(329,675,200)
Cash payments for distribution of dividends, profits or interests expenses		(639,178,482)	(534,730,832)
Including: Cash payments for dividends, profit to minority shareholders of subsidiaries		(48,607,726)	(57,129,015)
Cash payments relating to other financing activities		<u>(1,134,743)</u>	<u>(452,564)</u>
Sub-total of cash outflows		<u>(915,324,425)</u>	<u>(864,858,596)</u>
Net cash flows from financing activities		<u>(640,733,225)</u>	<u>(533,173,396)</u>
Exchange effect on cash and cash equivalents		<u>16,848,088</u>	<u>(14,256,695)</u>
Net increase in cash and cash equivalents	(52)(a)	<u>2,551,379,441</u>	1,172,435,856
Add: Cash and cash equivalents at beginning of year		<u>9,101,908,887</u>	<u>7,929,473,031</u>
Cash and cash equivalents at end of year	(52)(b)	<u>11,653,288,328</u>	<u>9,101,908,887</u>

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

Legal representative:
HUANG Kexing

Principal in charge of accounting:
YU Zhuming

Head of accounting department:
HOU Qiuyan

Company Cash Flow Statement

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Year ended 31 December	
	2018	2017
Cash flows from operating activities		
Cash received from sales of goods or rendering of services	22,475,719,264	19,689,886,525
Refund of taxes and surcharges	23,222,894	21,512,958
Cash received relating to other operating activities	668,646,918	298,955,762
Sub-total of cash inflows	23,167,589,076	20,010,355,245
Cash paid for goods and services	(16,220,902,085)	(15,573,457,422)
Cash paid to and on behalf of employees	(1,631,966,357)	(1,513,672,381)
Payments of taxes and surcharges	(1,201,671,019)	(1,357,127,331)
Cash paid relating to other operating activities	(2,554,544,547)	(2,464,537,363)
Sub-total of cash outflows	(21,609,084,008)	(20,908,794,497)
Net cash flows from operating activities	1,558,505,068	(898,439,252)
Cash flows from investing activities		
Cash received from disposal of investments	664,360,000	216,100,000
Cash received from returns on investments	1,033,252,865	2,090,694,072
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	614,134	1,705,591
Cash received relating to other investing activities	1,758,500	1,106,000
Sub-total of cash inflows	1,699,985,499	2,309,605,663
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(171,317,572)	(179,449,818)
Cash paid to acquire investments	(1,047,160,000)	(516,285,226)
Cash paid relating to other investing activities	(1,388,754)	(696,362)
Sub-total of cash outflows	(1,219,866,326)	(696,431,406)
Net cash flows from investing activities	480,119,173	1,613,174,257

Company Cash Flow Statement *(Continued)*

For the year ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Year ended 31 December	
	2018	2017
Cash flows from financing activities		
Cash payments for distribution of dividends, profits or interests expenses	(581,095,288)	(470,595,190)
Cash payments relating to other financing activities	(1,134,743)	—
Sub-total of cash outflows	(582,230,031)	(470,595,190)
Net cash flows from financing activities	(582,230,031)	(470,595,190)
Exchange effect on cash and cash equivalents	7,579,618	(4,119,825)
Net increase in cash and cash equivalents	1,463,973,828	240,019,990
<i>Add: Cash and cash equivalents at beginning of year</i>	3,622,747,912	3,382,727,922
Cash and cash equivalents at end of year	5,086,721,740	3,622,747,912

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

Legal representative:

HUANG Kexing

Principal in charge of accounting:

YU Zhuming

Head of accounting department:

HOU Qiuyan

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2018

(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 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									
Total comprehensive income									
Net profit		—	—	—	—	—	1,263,017,188	119,238,453	1,382,255,641
Other comprehensive income	(30)	—	—	41,110,672	—	—	—	—	41,110,672
Total comprehensive income for the year		—	—	41,110,672	—	—	1,263,017,188	119,238,453	1,423,366,313
Profit distribution	(33)								
Appropriation to general reserve		—	—	—	—	13,001,328	(13,001,328)	—	—
Profit distribution to shareholders		—	—	—	—	—	(472,843,978)	(57,129,015)	(529,972,993)
Others	(29)	—	(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
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
Changes in accounting policies		—	—	(6,108,986)	—	—	6,108,986	—	—
Balance at 1 January 2018		1,350,982,795	3,444,181,512	(15,147,736)	1,400,704,380	155,497,737	10,809,009,735	629,276,278	17,774,504,701
Movements for the year ended 31 December 2018									
Total comprehensive income									
Net profit		—	—	—	—	—	1,422,199,705	138,811,749	1,561,011,454
Other comprehensive income	(30)	—	—	(29,549,068)	—	—	—	—	(29,549,068)
Total comprehensive income for the year		—	—	(29,549,068)	—	—	1,422,199,705	138,811,749	1,531,462,386
Profit distribution	(33)								
Appropriation to general reserve		—	—	—	—	44,014,594	(44,014,594)	—	—
Profit distribution to shareholders		—	—	—	—	—	(567,412,774)	(48,607,726)	(616,020,500)
Others	(29)	—	4,800	—	—	—	—	—	4,800
Balance at 31 December 2018		1,350,982,795	3,444,186,312	(44,696,804)	1,400,704,380	199,512,331	11,619,782,072	719,480,301	18,689,951,387

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

Legal representative:
HUANG Kexing

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 2018

(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 2017		1,350,982,795	4,306,629,016	(49,477,000)	1,400,704,380	6,728,201,082	13,737,040,273
Movements for the year ended 31 December 2017							
Total comprehensive income							
Net profit		—	—	—	—	894,465,391	894,465,391
Other comprehensive income	(10)	—	—	22,608,000	—	—	22,608,000
Total comprehensive income for the year		—	—	22,608,000	—	894,465,391	917,073,391
Profit distribution							
Profit distribution to shareholders	(11)	—	—	—	—	(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>
Balance at 1 January 2018		<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>
Movements for the year ended 31 December 2018							
Total comprehensive income							
Net profit		—	—	—	—	737,961,512	737,961,512
Other comprehensive income	(10)	—	—	(21,613,000)	—	—	(21,613,000)
Total comprehensive income for the year		—	—	(21,613,000)	—	737,961,512	716,348,512
Profit distribution							
Profit distribution to shareholders	(11)	—	—	—	—	(567,412,774)	(567,412,774)
Others		—	4,800	—	—	—	4,800
Balance at 31 December 2018		<u>1,350,982,795</u>	<u>4,306,625,628</u>	<u>(48,482,000)</u>	<u>1,400,704,380</u>	<u>7,320,371,233</u>	<u>14,330,202,036</u>

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

Legal representative:
HUANG Kexing

Principal in charge of accounting:
YU Zhuming

Head of accounting department:
HOU Qiuyan

Notes to Financial Statements

For the Year Ended 31 December 2018

(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.

These financial statements have been approved for issue by the Company’s Board of Directors on 28 March 2019.

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 expected credit loss of receivables (Note 2(9)), cost formulas (Note 2(10)), depreciation of fixed assets and amortization of intangible assets (Note 2(13) and (16)), revenue recognition (Note 2(21)),etc.

The areas including significant judgments to determine the critical accounting policies of the Group are disclosed in Note 2(27).

(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 3 March 2014. According to the requirement of Hong Kong Companies Ordinance, there are changes to presentation and disclosures of certain information in the financial statements.

Notes to Financial Statements

For the Year Ended 31 December 2018

(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 2018 are in compliance with CAS, and truly and completely present the Consolidated and the Company's financial position as at 31 December 2018 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.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(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.

(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.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(8) Foreign currency translation (continued)

(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 instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. When the Group becomes a party of the contract, relative financial assets or liabilities are recognised.

(a) Financial assets

(i) Classification and measurement

Based on the business mode for management of the Group and cash flow characteristics of contracts, the financial assets are classified into the following categories: (1) financial assets measured at amortized cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

Financial assets are fairly valued at initial recognition. For financial assets at fair value through profit or loss, related transaction costs are recognised in profit or loss for the current period; for other financial assets, related transaction costs are recognised in the amount of initial recognition. Accounts receivable or notes receivable arising from sales of products or rendering of services (excluding or without regard to significant financing components) are initially recognised at the consideration that is entitled to be charged by the Group as expected.

Debt instruments

Debt instruments held by the Group are instruments that meets the definition of financial liabilities from the perspective of the issuer, and are measured by the following three ways:

Measured at amortized cost:

The Group's business mode of managing this type of financial assets is to collect contractual cash flows. The contractual cash flow characteristics of such financial assets are consistent with basic loan arrangement, which means the cash flow generated at certain date is only the payment for the principal and the corresponding interest based on unpaid principal. The interest income from such financial assets is recognised by effective interest method. These financial assets include cash at bank and on hand, notes receivable and accounts receivable, other receivables and debt investments. Debt investments due within 1 year (inclusive) at the balance sheet date are listed as the current portion of non-current assets; at acquiring date, debt investments with maturities within one year (inclusive) are listed as other current assets.

Notes to Financial Statements

For the Year Ended 31 December 2018

(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 and measurement *(continued)*

Measured at fair value through other comprehensive income (“FVOCI”):

The Group’s business mode of managing this type of financial assets is to collect contractual cash flows as well as capture profit by selling. The character of contractual cash flows is consist with the normal borrowing arrangement. These financial assets are measured at fair value and movements in the carrying amount are taken through other comprehensive income but the impairment loss or gain, exchange gain or loss and interest income using the effective interest rate method are recognised into current profit or loss. These financial assets are listed as other debt investment. The Group lists other debt investment due within one year (including one year) from the balance sheet date as non-current assets due within one year; as at acquiring date, other debt investments, that the due dates are within one year (including one year), are listed as other current assets.

Measured at fair value through profit or loss (“FVTPL”):

The Group lists those debt instruments that do not meet the criteria for amortised cost or FVOCI as financial assets held for trading that are measured at FVTPL. At the initial recognition, for eliminating or dramatically reducing accounting mismatch, the Group specifies parts of financial assets as those measured at fair value through current profit or loss. The Group lists those expired for more than one year from the balance sheet date and expected to be held for more than one year as other non-current financial assets.

Equity instruments

The Group recognises its equity instruments that have no control, joint control and significant influence on the fair value through profit or loss and list them as financial assets held for trading; the equity instruments that are expected to be held for more than a year from the balance sheet date are listed as other non-current financial assets.

Besides, the Group specifies certain non-tradable equity instrument investments as financial assets that are measured at fair value through other comprehensive income and presented as other equity instrument investments. The relevant dividend income of such financial assets is included in the current profit and loss.

(ii) Impairment

In terms of financial assets measured at amortised cost and investments in debt instruments at fair value through other comprehensive income, the Group recognises their loss provision on the basis of expected credit losses (“ECL”).

Considering the reasonable and supportable information that is related to past events, current situation and forecasting on future economic conditions, the Group, based on the default risk weight, calculates the probability-weighted amount of the present value of the difference between contractual cash flows receivable and cash flows expected to be received, so as to recognise the ECL.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(9) Financial instruments (continued)

(a) Financial assets (continued)

(ii) Impairment (continued)

At each balance sheet date, the Group separately calculates the ECL of financial instruments at different stage. Financial instruments whose credit risk did not increase significantly after the initial recognition belong to stage 1 and the Group calculates their loss provision based on the ECL in the next 12 months. Financial instruments whose credit risk increased significantly after the initial recognition without credit impairment yet belong to stage 2 and the Group calculates their loss provision based on the lifetime ECL. Financial instruments suffering from credit impairment since initial recognition belong to stage 3 and the Group calculates their loss provision based on the lifetime ECL.

For the financial instruments with low credit risk at the balance sheet date, the Group assumes their credit risk did not increase significantly after the initial recognition and calculates their loss provision based on the ECL in the next 12 months.

For the financial instruments at stage 1 and stage 2, and those with low credit risk, the Group calculates their interest income based on their book value before deducting provision for impairment and their effective interest rate. For the financial instruments at stage 3, the Group calculates their interest income based on their amortised cost, which is book value less the provision for impairment, and their effective interest rate.

For notes receivable and accounts receivable, no matter containing significant financing components, the Group calculates their loss provision based on the lifetime ECL.

When a single financial asset is unable to assess ECL at a reasonable cost, the Group classified receivables into certain groupings based on their credit risk characteristics and calculated ECL based on the grouping basis. Basis for grouping is as follows:

Bank acceptance notes	Banks with low credit risk
Accounts receivable	Dealers
Accounts receivable	Subsidiaries
Other receivables	Dividends receivable
Other receivables	Interests receivable
Other receivables	Receivables from subsidiaries
Other receivables	Payment on behalf for recycling bottles
Other receivables	VAT refund
Other receivables	Receivables from other entities

For notes receivable on the grouping basis, the Group calculates the ECL by referring to historical credit loss experience, considering current situation and future economic conditions, and based on the exposure at default (“EAD”) and lifetime ECL ratio.

For accounts receivable on the grouping basis, the Group calculates the ECL by referring to historical credit loss experience, considering current situation and future economic conditions by formulating a reconciliation table between overdue days and lifetime ECL ratio.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(9) Financial instruments *(continued)*

(a) Financial assets *(continued)*

(ii) Impairment *(continued)*

For other receivables on the grouping basis, the Group calculates the ECL by referring to historical credit loss experience, considering current situation and future economic conditions, and based on the EAD and the ECL ratio within 12 months or for the lifetime.

The Group recognises provision or reversal of losses in profit or loss for the current period. For debt instruments at fair value through other comprehensive income, the Group recognises impairment losses or gains into profit or loss for the current period and adjusts other comprehensive income in the meanwhile.

(iii) 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 terminate; (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.

When the investment of other equity instruments is de-recognised, the difference between carrying amount and the sum of the consideration received and the change of fair value accumulated in the original direct accounting of other comprehensive income shall be recorded into the retained earnings; when the recognition of other financial assets is de-recognised, the difference between carrying amount and the sum of the consideration received and the change of fair value accumulated in the original direct accounting of other comprehensive income shall be recorded into the current profit and loss.

(b) Financial liabilities

Financial liabilities are classified into financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

Financial liabilities of the Group are mainly financial liabilities at amortised cost, including notes payable and accounts payable, other payables, borrowings and etc. These financial liabilities are recognised initially at fair value minus transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Those with maturities no more than one year are classified as current liabilities; those with maturities over one year but 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 derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(9) Financial instruments *(continued)*

(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) 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 fractional method respectively.

(11) 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 associates is the investee over which the Group has significant influence by participating in the financial and operating policy decisions.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

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

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements. Investments in joint ventures and associates are accounted for using the equity method.

(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.

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 recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards 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 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(11) 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(18)).

(12) 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(18)).

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(13) 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(18)).

(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 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(14) 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(18)).

(15) 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.

(16) Intangible assets

Intangible assets comprise land use rights, trademarks, marketing networks, computer software, technology known-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.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(16) Intangible assets *(continued)*

(b) Trademarks

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

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

(c) Marketing networks

Marketing networks 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.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(16) Intangible assets (continued)

(g) Research and development (continued)

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

(h) Impairment of intangible assets

The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(18)).

(17) 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.

(18) 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.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(19) 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.

(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 recognise 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 independently 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.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(19) Employee benefits *(continued)*

(c) Termination benefits

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

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.

(20) Dividends distribution

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

(21) Revenue recognition

Revenue is recognized by the Group based on the amount of consideration that is expected to be charged when clients obtain the control of relative goods and services.

(a) Sale of goods

The Group manufactures and sells beer products to the regional dealers. Based on contracts, the Group delivers beer products to dealers. After the acceptance of the goods and signing of the goods delivery lists by the dealers, the Group recognises the net amount after deducting consideration payable to the customer as revenue.

(b) Rendering of services

The Group provides construction service to clients; based upon the progresses of completed services, the Group recognises revenue over a period of time. The progresses of completed services are confirmed with the stage of completion being determined based on proportion of costs incurred to date to the estimated total costs. On the balance sheet date, the Group re-estimate the progresses of completed services so that it can reflect the changes of the compliance with the contract.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(22) 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.

The Group recognises government grants related to assets as deferred income and apportions to profit or loss in a systemic manner over the useful lives of the relevant 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 presents similar types of government grants consistently in the financial statements.

Government grants that are related to daily 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. The fiscal interest discounts directly received by the Group offset the relevant borrowing expenses.

Some items of the comparative financial statements have been presented in the manner in which the financial statements were disclosed in the current year.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(23) 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.

(24) 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.

(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.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(25) 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.

(26) 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 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(27) 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(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 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(18), the Group tests whether fixed assets 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 2018, the Group recognised impairment losses of 143,968,023 (2017: 8,429,040) for fixed assets based on such evaluation. As at 31 December 2018, the Group recognised the cumulative provision for fixed assets impairment amounting to 434,501,719 (31 December 2017: 359,461,764) (Note 4(10)).

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 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(27) 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 2018, deferred tax assets of 1,207,020,387 have been recognised in the Group's balance sheet. As stated in Note 4(15), the Group has unrecognised deferred tax assets aggregated to approximately 926,308,000 as at 31 December 2018, which mainly attributable to accumulated tax losses and impairment losses of certain subsidiaries. The Group 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(19)(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 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(28) Significant changes in accounting policies

In 2017, the Ministry of Finance issued the revised CAS 14 “Revenue” (hereinafter referred to as “the new revenue standard”), CAS 22 “Recognition and measurement of financial instruments”, CAS 23 “Transfer of financial assets” and CAS 37 “Presentation of financial instruments” (hereinafter referred to as “the new financial instruments standard”). In 2018, the Ministry of Finance issued “Circular of the Ministry of Finance on revising and issuing the formats of corporate financial statements for 2018” (Cai Kuai [2018] No.15) and its interpretation. The financial statements for the year ended 31 December 2018 are prepared in accordance with the above standards and circular, and impacts are as follows:

(a) Modification on the format of general corporate financial statements

(i) The impacts on consolidated and company balance sheets and income statements are listed as follows:

Contents and reasons of the modification of accounting policies	The line items affected	The amounts affected			
		31 December 2017	1 January 2017	31 December 2017	1 January 2017
		Consolidated	Consolidated	Company	Company
The Group and the Company incorporate ‘notes receivable’ and ‘accounts receivable’ into ‘notes receivable and accounts receivable’.	Accounts receivable	(141,397,244)	(124,647,040)	(922,481,180)	(812,009,033)
	Notes receivable	(42,220,000)	(26,400,000)	(39,850,000)	(19,700,000)
	Notes receivable and accounts receivable	183,617,244	151,047,040	962,331,180	831,709,033
The Group and the Company incorporate ‘interests receivable’, ‘dividends receivable’ and ‘other receivables’ into ‘other receivables’.	Interests receivable	(86,573,933)	(71,557,290)	(21,499,661)	(14,898,299)
	Dividends receivable	—	—	(271,593,000)	(1,354,063,724)
	Other receivables	86,573,933	71,557,290	293,092,661	1,368,962,023

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(28) Significant changes in accounting policies (continued)

(a) Modification on the format of general corporate financial statements (continued)

(i) The impacts on consolidated and company balance sheets and income statements are listed as follows (continued):

Contents and reasons of the modification of accounting policies	The line items affected	The amounts affected			
		31 December 2017 Consolidated	1 January 2017 Consolidated	31 December 2017 Company	1 January 2017 Company
The Group and the Company incorporate 'fixed assets' and 'fixed assets pending for disposal' into 'fixed assets'.	Fixed assets pending for disposal	(2,310,587)	(1,158,936)	(1,686,474)	(761,719)
	Fixed assets	2,310,587	1,158,936	1,686,474	761,719
The Group and the Company incorporate 'notes payable' and 'accounts payable' into 'notes payable and accounts payable'.	Accounts payable	(2,083,733,787)	(2,049,229,359)	(1,426,450,891)	(2,501,183,597)
	Notes payable	(289,472,296)	(307,516,920)	(76,624,794)	(76,500,000)
	Notes payable and accounts payable	2,373,206,083	2,356,746,279	1,503,075,685	2,577,683,597
The Group and the Company incorporate 'interests payable', 'dividends payable' and 'other payables' into 'other payables'.	Interests payable	(815,222)	(737,291)	—	—
	Other Payables	815,222	737,291	—	—
The Group and the Company incorporate 'long-term payable' and 'payables for special projects' into 'long-term payables'.	Payables for special projects	(123,140,327)	(175,014,368)	(15,440,660)	(15,440,660)
	Long-term payable	123,140,327	175,014,368	15,440,660	15,440,660

Contents and reasons of the modification of accounting policies	The line items affected	The amounts affected	
		2017 Consolidated	2017 Company
The Group and the Company solely list 'research and development expenses' that were recognised in 'general and administrative expenses'.	General and administrative expenses Research and development expenses	(18,688,799)	(18,688,799)
		18,688,799	18,688,799

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(28) Significant changes in accounting policies (continued)

(a) Modification on the format of general corporate financial statements (continued)

(ii) The impacts on consolidated and company cash flow statements are listed as follows:

Contents and reasons of the modification of accounting policies	The line items affected	The amounts affected	
		2017 Consolidated	2017 Company
The Group and the Company reclassify 'government grants received relating to assets' from 'cash received relating to other investing activities' to 'cash received relating to other operating activities'	Cash received relating to other investing activities	(88,655,339)	(1,080,000)
	Cash received relating to other operating activities	88,655,339	1,080,000

(b) Revenue

According to relevant regulations of the new revenue standard, the Group and the Company recognise the accumulated significant effects of initial adoption of the standard as adjustment to the amount of relevant items at the beginning of 2018. The comparative financial statements of 2017 are not restated.

Contents and reasons in the changes of accounting policies	The line items affected	The amounts affected	
		1 January 2018 Consolidated	1 January 2018 Company
As adoption of the new revenue standard, the Group and the Company reclassify advances from customers relevant to beer sales and promotion-related marketing expenses payables to contract liabilities.	Advances from customers	(1,177,632,347)	(926,380,162)
	Other payables	(3,144,406,819)	(1,815,368,985)
	Contract liabilities	4,322,039,166	2,741,749,147

Comparing with the original revenue standard, the Group and the Company reclassify advances from customers relevant to beer sales and promotion-related marketing expenses payables into contract liabilities due to the adoption of the new revenue standard and adjusts promotion-related marketing expenses, previously recorded in selling and distribution expenses, to offset revenue. The impact on the financial statements for the year ended 31 December 2018 is listed as below:

Balance sheet items affected	The amounts affected	
	31 December 2018 Consolidated	31 December 2018 Company
Advances from customers	(1,938,089,853)	(1,647,004,752)
Other payables	(3,299,448,658)	(2,088,156,865)
Contract liabilities	5,237,538,511	3,735,161,617

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(28) Significant changes in accounting policies (continued)

(b) Revenue (continued)

Income statement items affected	The amounts affected	
	2018 Consolidated	2018 Company
Revenue	(1,055,911,916)	(706,073,726)
Selling and distribution expenses	(1,055,911,916)	(706,073,726)

(c) Financial instruments

According to relevant regulations of the new financial instruments standard, the Group and the Company adjust retained earnings at the beginning of 2018 and other amounts of related items for the cumulative impact of the initial adoption of the standard. The comparative financial statements of 2017 are not restated.

- (i) As at 1 January 2018, the Group and the Company's financial assets in financial statements classified and measured under the original and the new financial instruments standard are compared as below:

The original financial instruments standard				The new financial instruments standard			
Items	Measurement categories	Carrying amount – consolidated	Carrying amount – company	Items	Measurement categories	Carrying amount – consolidated	Carrying amount – company
Cash at bank and on hand	Amortised cost	9,805,485,121	3,652,150,167	Cash at bank and on hand	Amortised cost	9,805,485,121	3,652,150,167
Financial assets measured at fair value through profit or loss	Measured at fair value through profit or loss	130,115,254	—	Financial assets held for trading	Measured at fair value through profit or loss	130,115,254	—
Notes receivable and accounts receivable	Amortised cost	183,617,244	962,331,180	Notes receivable and accounts receivable	Amortised cost	183,617,244	962,331,180
Other receivables	Amortised cost	348,400,531	433,294,786	Other current assets	Amortised cost	127,919,000	—
Other current assets	Measured at fair value through other comprehensive income (Wealth management products)	628,145,315	—	Other receivables	Amortised cost	220,481,531	433,294,786
Financial assets held for trading	Measured at cost (equity instruments)	600,000	300,000	Financial assets held for trading	Measured at fair value through profit or loss	628,145,315	—
Long-term receivables	Amortised cost	—	25,000,000	Other non-current financial assets	Measured at fair value through profit or loss	600,000	300,000
				Debt investments	Amortised cost	—	25,000,000

- (ii) As at 1 January 2018, based on the measurement categories under the new financial instruments standard, the carrying amount of financial assets under the original financial instruments standard are reconciled as follows:

The categories of measurement under the new financial instruments standard	Notes
— Financial assets measured at amortised cost	Table 1
— Financial assets measured at fair value through profit or loss	Table 2
— Financial assets measured at fair value through other comprehensive income	Table 3

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(28) Significant changes in accounting policies (continued)

(c) Financial instruments (continued)

- (ii) As at 1 January 2018, based on the measurement categories under the new financial instruments standard, the carrying amount of financial assets under the original financial instruments standard are reconciled as follows (continued):

Table 1: Financial assets measured at amortised cost under the new financial instruments standard

	Notes	Carrying amount	
		Consolidated	Company
Cash at bank and on hand			
31 December 2017		9,805,485,121	3,652,150,167
1 January 2018		9,805,485,121	3,652,150,167
Receivables (Note 1)			
31 December 2017		532,017,775	1,420,625,966
Less: Transfer to financial assets measured at amortised cost (the new financial instruments standard)	i)	(127,919,000)	(25,000,000)
1 January 2018		404,098,775	1,395,625,966
Debt investment (including other current assets)			
31 December 2017		—	—
Add: Transfer in from other receivables (the original financial instruments standard)	i)	127,919,000	—
Add: Transfer in from long-term receivables (the original financial instruments standard)	i)	—	25,000,000
1 January 2018		127,919,000	25,000,000
Total financial assets measured at amortised cost (the new financial instruments standard)		10,337,502,896	5,072,776,133

Note 1: As at 31 December 2017 and 1 January 2018, the ending balance of receivables includes notes receivable and accounts receivable, other receivables and long-term receivables, etc.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(28) Significant changes in accounting policies (continued)

(c) Financial instruments (continued)

- (ii) As at 1 January 2018, based on the measurement categories under the new financial instruments standard, the carrying amount of financial assets under the original financial instruments standard are reconciled as follows (continued):

Table 2: Financial assets measured at fair value through profit or loss under the new financial instruments standard

	Notes	Carrying amount	
		Consolidated	Company
Financial assets held for trading (including other non-current financial assets)			
31 December 2017		130,115,254	—
Add: Transfer in from available-for-sale financial assets (the original financial instruments standard)	ii, iii)	628,745,315	300,000
1 January 2018		758,860,569	300,000
Total financial assets measured at fair value through profit or loss (the new financial instruments standard)		758,860,569	300,000

Table 3: Financial assets measured at fair value through other comprehensive income under the new financial instruments standard

	Notes	Carrying amount	
		Consolidated	Company
Available-for-sale financial assets (including other current assets)			
31 December 2017		628,745,315	300,000
Less: Transfer to financial assets measured at fair value through profit or loss (the new financial instruments standard)	ii, iii)	(628,745,315)	(300,000)
1 January 2018		—	—
Total financial assets measured at fair value through other comprehensive income (the new financial instruments standard)		—	—

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(28) Significant changes in accounting policies (continued)

(c) Financial instruments (continued)

- (ii) As at 1 January 2018, based on the measurement categories under the new financial instruments standard, the carrying amount of financial assets under the original financial instruments standard are reconciled as follows (continued):

i) Debt investments

As at 31 December 2017, the carrying amounts of Group's government bonds reverse repo investments and loans to dealer were RMB 119,900,000 and RMB 8,019,000 (carrying amount: RMB 8,100,000; cumulative provision for impairment: RMB 81,000) respectively. Upon the adoption of the new financial instruments standard, as the above investments were held for collecting contractual cash flows with characteristics in compliance with basic loan arrangements, the Group reclassified the investments from receivables to financial assets measured at amortised cost as at 1 January 2018 and listed them in other current assets as such assets were due within one year.

As at 31 December 2017, the carrying amount of entrusted loans to subsidiaries granted by the Company via banks or Tsingtao Brewery Financial LLC. ("Finance Company"), a subsidiary of the Company, was RMB 25,000,000. Upon the adoption of the new financial instruments standard, as the above investment was held for collecting contractual cash flows with characteristics in compliance with basic loan arrangements, the Group reclassified the entrusted loans from long-term receivables to financial assets measured at amortised cost as at 1 January 2018 and listed them in debt investments.

ii) Wealth management products

As at 31 December 2017, the carrying amount of the Group's wealth management products with non-guaranteed floating income due within one year was RMB 628,145,315. Upon the adoption of the new financial instruments standard, as the contractual cash flow characteristics of the above wealth management products did not comply with basic loan arrangements, the Group reclassified the wealth management products from available-for-sale financial assets to financial assets at fair value through profit or loss as at 1 January 2018 and listed them in financial assets held for trading held. Accordingly, the Group transferred the accumulated after-tax amount of RMB 6,108,986 recognised in other comprehensive income to retained earnings at beginning of period.

iii) Investments in equity instruments

As at 31 December 2017, the carrying amounts of the investments in equity instruments that were not contrtransfer, jointly contrtransfer, or significantly influenced by the Group and the Company were RMB 600,000 (carrying amount: RMB 9,253,179; cumulative provision for impairment: RMB 8,653,179) and RMB 300,000 (carrying amount: RMB 4,685,261; cumulative provision for impairment: RMB 4,385,261) respectively. As at 1 January 2018, the Group and the Company reclassified these investments in equity instruments from available-for-sale financial assets to financial assets at fair value through profit or loss and listed them in other non-current financial assets.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(28) Significant changes in accounting policies (continued)

(c) Financial instruments (continued)

- (iii) As at 1 January 2018, the Group and the Company adjusted the original provision for impairment of financial assets as provision for losses under the new financial instruments standard:

Categories of measurement	Provision for losses under the original financial instruments standard	Reclassification	Provision for losses under the new financial instruments standard
Consolidated			
Financial assets measured at amortised cost —			
Provision for impairment of notes receivable and accounts receivable	193,033,704	—	193,033,704
Provision for impairment of other receivables	76,650,477	(81,000)	76,569,477
Provision for impairment of other current assets	—	81,000	81,000
Financial assets measured at cost —			
Provision for impairment of available-for-sale financial assets	8,653,179	(8,653,179)	—
Total	278,337,360	(8,653,179)	269,684,181
The Company			
Financial assets measured at amortised cost —			
Provision for impairment of notes receivable and accounts receivable	63,420,030	—	63,420,030
Provision for impairment of other receivables	41,975,857	—	41,975,857
Provision for impairment of debt investment	—	85,500,000	85,500,000
Provision for impairment of long-term receivables	85,500,000	(85,500,000)	—
Financial assets measured at cost —			
Provision for impairment of available-for-sale financial assets	4,385,261	(4,385,261)	—
Total	195,281,148	(4,385,261)	190,895,887

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

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% - 12%, 16.5% and 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%, 16%, 11%, 10% and 6%
Consumption tax (c)	Sales Price of Beer More than or equal to RMB3,000 per ton Less than RMB3,000 per ton	Consumption Tax per Unit RMB250 per ton RMB220 per ton
City maintenance and construction tax	Amount of VAT and consumption tax paid	5% and 7%
Education surcharge	Amount of VAT and consumption tax paid	5%

(a) **Enterprise income tax**

(i) *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%.

(ii) Pursuant to the Circular on the Deduction Policies of Relevant Enterprise Income Tax for Equipment and Apparatus (Cai Shui [2018] No. 54) and related regulations issued by the State Administration of Taxation, during the period from 1 January 2018 to 31 December 2020, the newly purchased equipment under 5 million can be recognised in cost and expense of the current period in the month after the assets are put into use, and can be deducted when calculating the taxable income.

(b) **VAT**

Before 1 May 2018, the Group calculated VAT at the VAT rate of 17% on the sales revenue of beer and other products. The tax refund rate of export products with the method of “exemption, offset and refund” is 15%. Revenue from financial service of Finance 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. Input VAT from purchasing goods, machinery and equipment for production or taxable services can be used to deduct output VAT. VAT payable is the balance of output VAT after deducting the deductible part of input VAT.

According to the Circular on the adjustment of the VAT rate (Cai Shui [2018] No.32) issued by the Ministry of Finance and the State Administration of Taxation, the tax rates of the Group’s business which originally applied 17% and 11% were adjusted to 16% and 10% respectively from 1 May 2018. Since 1 November 2018, the tax refund rate of the export products of the Group has been changed to 16%.

Notes to Financial Statements

For the Year Ended 31 December 2018

(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):

(c) Consumption tax

Beer production 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.

(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 2018	31 December 2017
Cash on hand	238,749	367,745
Bank deposits	618,149,108	780,564,084
Interbank deposits (i)	11,034,213,907	8,322,055,551
Deposit in central bank (ii)	834,000,000	660,800,000
Other cash balances (iii)	49,135,254	41,697,741
	<u>12,535,737,018</u>	<u>9,805,485,121</u>
Including: cash at bank and on hand overseas (iv)	<u>111,474,640</u>	<u>96,521,253</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 2018, the statutory deposit reserves ratio of Finance Company is 7% (31 December 2017: 7%).

(iii) As at 31 December 2018, other cash balances of 31,763,816 (31 December 2017: 31,718,697) represent housing maintenance fund in the bank; 15,032,000 (31 December 2017: 5,506,000) are pledged as collateral for issuance of bank acceptance (Note 4(19)); the remaining balances are other deposits of 2,339,438 (31 December 2017: 4,473,044).

(iv) As at 31 December 2018, 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 2018

(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 statements:

	31 December 2018	31 December 2017
Cash at bank and on hand	12,535,737,018	9,805,485,121
Other receivables – deposit in non-financial institutions	686,564	281,507
Less: Restricted bank deposit	—	(1,360,000)
Restricted deposit in central bank	(834,000,000)	(660,800,000)
Other restricted cash balances	(49,135,254)	(41,697,741)
	<u>11,653,288,328</u>	<u>9,101,908,887</u>

(2) Financial assets held for trading

	31 December 2018	31 December 2017
Wealth management products (i)	1,046,306,137	—
Money market fund (ii)	156,238,354	—
	<u>1,202,544,491</u>	<u>—</u>

(i) It represents the wealth management products purchased by Finance Company (a subsidiary of the Company). As at 31 December 2018, the fair value is measured based on the estimation of the future cash flow. The impacts of the new financial instruments standard on presentation are disclosed in Note 2(28)(c)(i).

(ii) It represents the money market fund purchased by Finance Company (a subsidiary of the Company). As at 31 December 2018, the fair value is measured according to the earning announcement issued by Fund Management Company on the last trading day of December 2018. The impacts of the new financial instruments standard on presentation are disclosed in Note 2(28)(c)(i).

(3) Notes receivable and accounts receivable

	31 December 2018	31 December 2017
Notes receivable (a)	53,801,550	42,220,000
Accounts receivable (b)	110,705,784	141,397,244
	<u>164,507,334</u>	<u>183,617,244</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(3) Notes receivable and accounts receivable (continued)

(a) Notes receivable

	31 December 2018	31 December 2017
Bank acceptance notes	<u>53,801,550</u>	<u>42,220,000</u>

As at 31 December 2018, the Group's notes receivable which have been endorsed but not yet matured are derecognized amounting to 211,648,915 (31 December 2017: 173,368,716), and there are no discounted bank acceptance notes that are not yet matured (31 December 2017: nil).

As at 31 December 2018, the Group has no pledged notes receivable (31 December 2017: nil).

(b) Accounts receivable

	31 December 2018	31 December 2017
Accounts receivable	301,766,973	334,430,948
Less: Provision for bad debts	<u>(191,061,189)</u>	<u>(193,033,704)</u>
	<u>110,705,784</u>	<u>141,397,244</u>

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

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

	31 December 2018	31 December 2017
Within 1 year	110,831,624	141,357,213
1 to 2 years	255,791	244,294
2 to 3 years	41,542	—
3 to 4 years	—	655,737
4 to 5 years	655,737	9,205
Over 5 years	<u>189,982,279</u>	<u>192,164,499</u>
	<u>301,766,973</u>	<u>334,430,948</u>

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

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(3) Notes receivable and accounts receivable (continued)

(b) Accounts receivable (continued)

(ii) As at 31 December 2018, 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	67,998,959	(26,242,020)	23%

(iii) As at 31 December 2018, there are no accounts receivable derecognized due to the transfer of financial assets.

(c) Provision for bad debts

	31 December 2018	31 December 2017
Provision for bad debts of accounts receivable	(191,061,189)	(193,033,704)

For notes receivable and accounts receivable, irrespective of whether there is significant financing component, the Group measures loss provision according to the expected credit loss of the lifetime.

(i) As at 31 December 2018, accounts receivable with amounts that are individually subject to separate assessment for provision are analysed as follows:

	Ending balance	Lifetime ECL ratio	Provision for bad debts
Gansu Nongken Brewery Co., Ltd.	14,996,236	100%	(14,996,236)
Beijing Tsingtao Brewery Sales Co., Ltd. ("Beijing Sales Company")	11,245,784	100%	(11,245,784)
Tsingtao Brewery (Guangzhou) General Agency Co., Ltd. ("Guangzhou GeneralAgency")	509,690	100%	(509,690)
	<u>26,751,710</u>		<u>(26,751,710)</u>

As the Group has ceased all business transactions with the above companies, the Group is of the view that it is difficult to collect the receivable amount. Therefore full bad debt provision has been made accordingly. As at 31 December 2018, the carrying amount is the remaining unrecovered portion.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(3) Notes receivable and accounts receivable (continued)

(c) Provision for bad debts (continued)

(ii) As at 31 December 2018, notes receivable and accounts receivable that are subject to provision for bad debts on the grouping basis are analysed as follows:

Group — Bank acceptance notes

As at 31 December 2018, the Group recognizes their loss provision on the basis of ECL in their lifetime. The Group considers the bank acceptance notes held have no significant credit risk and will not cause major losses due to the bank default, thus no provision for bad debts is recognised.

Group — Dealers

	31 December 2018		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL ratio	Amount
Not overdue	109,639,392	—	—
Overdue within 1 year	1,053,300	5%	(52,665)
Overdue within 1-2 years	131,514	50%	(65,757)
Overdue 2 years or more	164,191,057	100%	(164,191,057)
	<u>275,015,263</u>		<u>(164,309,479)</u>

(iii) The provisions for bad debts increased in this year are 186,412, the collecting or reversal of provisions for bad debts as well as corresponding carrying amount are 2,296,104, the amount of bad debts due to currency translation differences increases by 203,200, and the provisions for bad debts written off due to uncollectable beer sales are 66,023. Among them the significant collecting or 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>2,000,000</u>	By cash

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(4) Advances to suppliers

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

	31 December 2018		31 December 2017	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	163,426,092	94.2%	113,806,374	97.8%
1 to 2 years	9,558,373	5.5%	2,261,744	1.9%
2 to 3 years	264,156	0.1%	20,945	0.0%
Over 3 years	316,312	0.2%	305,367	0.3%
	173,564,933	100%	116,394,430	100%

As at 31 December, advances to suppliers over 1 year with carrying amount of 10,138,841 (31 December 2017: 2,588,056) are mainly advances paid for materials, which have not been required to deliver yet due to production plan.

(b) As at 31 December 2018, the total amount of top five advances to suppliers are analysed as follows:

	Amount	% of total balance
Total amount of the top five advances to suppliers	111,771,293	64%

(5) Other receivables

	31 December 2018	31 December 2017
Interests receivable (i)	183,887,992	86,573,933
Payment on behalf for recycling bottles	39,305,857	39,637,419
Guarantee deposits	26,370,094	30,271,550
Receivables on materials and waste materials	17,455,477	16,924,916
Receivables of refundable cost of land and buildings	17,441,647	17,441,647
Reservation fund	14,280,248	20,101,591
VAT refund	5,936,000	5,092,773
Receivables on construction and equipment (ii)	3,036,687	4,902,774
Treasury bonds reverse repo investment (iii)	—	119,900,000
Dealer credit (iii)	—	8,100,000
Others	67,213,211	76,104,405
	374,927,213	425,051,008
Less: Provision for bad debts	(77,142,452)	(76,650,477)
	297,784,761	348,400,531

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(5) Other receivables (continued)

- (i) It mainly represents the inter-bank deposits interests due from external financial institutions, which has not yet been received by Finance Company, a subsidiary of the Company.
- (ii) 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 Company").
- (iii) The impacts of the new financial instruments standard on the presentation of these items are disclosed in Note 2(28)(c)(ii).

(a) Provision for losses and movement in carrying amount

	Stage one		Stage three		Total
	Next 12 months ECL (Group)		Lifetime ECL (Credit impairment losses already occurred)		
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts	
31 December 2017	15,174,173	(2,079,367)	74,571,110	(74,571,110)	(76,650,477)
Changes in accounting policies	(8,100,000)	81,000	—	—	81,000
1 January 2018	7,074,173	(1,998,367)	74,571,110	(74,571,110)	(76,569,477)
Increase in the current year	15,193,667	(780,228)	—	(1,231,303)	(2,011,531)
Reversals in the current year	(16,525,199)	1,038,745	(249,200)	249,200	1,287,945
Written off in the current year	—	—	(150,611)	150,611	150,611
Including: cancelled in the current year	—	—	(150,611)	150,611	150,611
Transfer to stage three	(2,462,606)	1,231,303	2,462,606	(1,231,303)	—
31 December 2018	3,280,035	(508,547)	76,633,905	(76,633,905)	(77,142,452)

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(5) Other receivables (continued)

(a) Provision for losses and movement in carrying amount (continued)

(i) As at 31 Dec 2018, provisions for bad debts of other receivables in stage one are analysed as follows:

	Ending balance	ECL ratio for the next 12 months	Provision for bad debts
Interests receivable	183,887,992	—	—
Payment on behalf for recycling bottles	39,305,857	0% - 0.5%	—
VAT refund	5,936,000	—	—
Receivables from other entities	<u>69,163,459</u>	0% - 1%	<u>(508,547)</u>
	<u>298,293,308</u>		<u>(508,547)</u>

The Group recognises provision for bad debts by referring to the experience of historical credit losses, combined with current situation and the forecast of future economic conditions. The Group expects the credit loss rates of interests receivable and VAT refund to be extremely low and there is no need to recognise provision for bad debts.

(ii) As at 31 December 2018, the Group has no other receivables in stage two

(iii) As at 31 December 2018, provisions for bad debts of other receivables in stage three are analysed as follows:

	Ending balance	Lifetime ECL ratio	Provision for bad debts	Reason
Subject to separate assessment for provision:				
Receivables of refundable cost of land and buildings	17,441,647	100%	(17,441,647)	<i>i)</i>
Subject to provision on the grouping basis:				
Receivables from other entities	<u>59,192,258</u>	100%	<u>(59,192,258)</u>	<i>ii)</i>
	<u>76,633,905</u>		<u>(76,633,905)</u>	

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(5) Other receivables (continued)

(a) Provision for losses and movement in carrying amount (continued)

(iii) As at 31 December 2018, provisions for bad debts of other receivables in stage three are analysed as follows (continued):

- i) A land use right of the Company was expropriated by the government years ago. The government committed rendering another new land use right instead. The management 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.
- ii) As these other receivables are overdue 2 years or more, the Group judged that credit impairment losses had already occurred and full amount provision for bad debts had been recognised.

(b) The provisions for bad debts in the current year are 2,011,531, and the collecting or reversals of provision for bad debts and corresponding carrying amount are 1,287,945.

(c) In the current year, other receivables of 150,611 were written off.

(d) As at 31 December 2018, the top five other receivables are analysed as follows:

Nature	Amount	Ageing	% of total balance	Provision for bad debts
No.1 Interests receivable	80,960,589	Within 6 months	22%	—
No.2 Interests receivable	68,709,047	Within 6 months	18%	—
No.3 Payment on behalf for recycling bottles	39,305,857	Within 6 months	11%	—
No.4 Interests receivable	10,135,000	Within 6 months	3%	—
No.5 Interests receivable	9,266,389	Within 6 months	2%	—
	<u>208,376,882</u>		<u>56%</u>	<u>—</u>

(e) As at 31 December 2018, the Group does not have government grants recognised as receivable amount.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(6) Inventories

(a) Classification of inventories is as follows:

	31 December 2018			31 December 2017		
	Ending balance	Provision	Carrying amount	Ending balance	Provision	Carrying amount
Raw materials	464,687,748	(2,503,854)	462,183,894	453,076,729	(1,605,275)	451,471,454
Packaging materials	806,153,659	(4,800,201)	801,353,458	786,537,984	(3,656,133)	782,881,851
Low-value consumables	62,685,451	—	62,685,451	48,978,297	—	48,978,297
Materials on consignment for further processing	—	—	—	7,845,750	—	7,845,750
Work in progress	396,253,676	—	396,253,676	390,788,388	—	390,788,388
Finished goods	928,748,247	—	928,748,247	710,944,401	—	710,944,401
	<u>2,658,528,781</u>	<u>(7,304,055)</u>	<u>2,651,224,726</u>	<u>2,398,171,549</u>	<u>(5,261,408)</u>	<u>2,392,910,141</u>

(b) The movements of inventories is as follows:

	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
Raw materials	453,076,729	3,978,016,301	(3,966,405,282)	464,687,748
Packaging materials	786,537,984	8,237,072,595	(8,217,456,920)	806,153,659
Low-value consumables	48,978,297	400,392,670	(386,685,516)	62,685,451
Material on consignment for further processing	7,845,750	87,383,173	(95,228,923)	—
Work in progress	390,788,388	4,824,806,024	(4,819,340,736)	396,253,676
Finished goods	710,944,401	16,794,520,719	(16,576,716,873)	928,748,247
	<u>2,398,171,549</u>			<u>2,658,528,781</u>

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

	31 December 2017	Increase in the current year	Decrease in the current year		31 December 2018
			Reversal	Write-off	
Raw materials	(1,605,275)	(976,264)	—	77,685	(2,503,854)
Packaging materials	(3,656,133)	(2,088,467)	—	944,399	(4,800,201)
	<u>(5,261,408)</u>	<u>(3,064,731)</u>	<u>—</u>	<u>1,022,084</u>	<u>(7,304,055)</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(6) Inventories (continued)

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

	Basis for net realisable value	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 or disposed in the current year

(7) Other current assets

	31 December 2018	31 December 2017
Prepaid Enterprise Income tax	348,612,732	247,520,745
VAT input to be deducted	186,252,522	156,864,912
Treasury bonds reverse repo investment (i)	124,900,000	—
VAT input to be verified	64,528,920	63,024,221
Dealer credit (i)	8,900,000	—
Wealth management products (i)	—	628,145,315
Others	1,903,258	505,453
	735,097,432	1,096,060,646
Less: Provision for other current assets	(155,498)	—
	734,941,934	1,096,060,646

(i) The impacts of the new financial instruments standard on the presentation of these items are disclosed in Note 2(28)(c) (ii).

(8) Long-term equity investments

	31 December 2018	31 December 2017
Joint venture (a)	228,842,662	233,097,635
Associates (b)	142,863,538	144,021,804
	371,706,200	377,119,439
Less: Provision for impairment of long-term equity investments	(1,220,000)	(1,220,000)
	370,486,200	375,899,439

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(8) Long-term equity investments (continued)

(a) Joint Venture

	31 December 2017	Movements in the current year				31 December 2018	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		
Hebei Jiahe Beer Co., Ltd. ("Hebei Jiahe Company")	233,097,635	3,015,027	—	—	(7,270,000)	228,842,662	—

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).

(b) Associates

	31 December 2017	Movements in the current year				31 December 2018	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")	128,899,610	10,192,647	—	—	(10,533,170)	128,559,087	—
Qingdao Zhaoshang Logistics Company Limited. ("Zhaoshang Logistics")	10,773,958	3,883,549	—	4,800	(2,989,364)	11,672,943	—
Tsingtao Brewery Import & Export S.A.R.L ("European Company")	2,270,441	291,944	(12,848)	—	(1,228,144)	1,321,393	—
Liaoning Shenqing Tsingtao Brewery Company Limited ("Liaoning Shenqing")	857,795	(767,680)	—	—	—	90,115	—
Others	1,220,000	—	—	—	—	1,220,000	(1,220,000)
	144,021,804	13,600,460	(12,848)	4,800	(14,750,678)	142,863,538	(1,220,000)

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

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(9) Investment properties

	Buildings
Original cost	
31 December 2017	68,353,205
Increase in the current year — transfer from fixed assets (i)	7,547,916
Decrease in the current year — transfer to fixed assets	(218,165)
31 December 2018	75,682,956
Accumulated depreciation	
31 December 2017	(40,442,610)
Increase in the current year	(5,831,125)
Accrual	(1,866,570)
Transfer from fixed assets (i)	(3,964,555)
Decrease in the current year — transfer to fixed assets	102,083
31 December 2018	(46,171,652)
Provision for impairment	
31 December 2017	(648,668)
Increase in the current year — transfer from fixed assets (i)	(929,868)
31 December 2018	(1,578,536)
Carrying amount	
31 December 2018	27,932,768
31 December 2017	27,261,927

(i) For the year ended 31 December 2018, the fixed assets with the carrying amount of 2,653,493 (cost: 7,547,916) are reclassified to investment properties as they are used for leasing instead of self-use.

As at 31 December 2018, there is no investment property without ownership certificates (31 December 2017: nil).

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(10) Fixed assets

	31 December 2018	31 December 2017
Fixed assets (a)	10,296,332,066	10,991,462,172
Fixed assets pending for disposal (b)	30,362,081	2,310,587
	10,326,694,147	10,993,772,759

(a) Fixed assets

	Buildings	Machinery and equipment	Vehicles	Other equipments	Total
Original cost					
As at 31 December 2017	7,112,409,232	10,917,325,757	345,784,265	855,452,388	19,230,971,642
Increase in the current year	155,688,534	310,535,321	11,779,381	53,216,493	531,219,729
Purchase	—	48,724,565	11,779,381	53,216,493	113,720,439
Transfer from construction in progress	155,470,369	261,810,756	—	—	417,281,125
Transfer from investment properties	218,165	—	—	—	218,165
Decrease in the current year	(180,866,598)	(420,198,075)	(28,727,695)	(23,608,012)	(653,400,380)
Disposal	(104,213,487)	(258,697,748)	(28,727,695)	(23,442,791)	(415,081,721)
Transfer to construction in progress	(69,105,195)	(161,500,327)	—	(165,221)	(230,770,743)
Transfer to investment properties	(7,547,916)	—	—	—	(7,547,916)
As at 31 December 2018	7,087,231,168	10,807,663,003	328,835,951	885,060,869	19,108,790,991
Accumulated depreciation					
As at 31 December 2017	(1,631,766,590)	(5,455,371,000)	(207,648,975)	(585,261,141)	(7,880,047,706)
Increase in the current year	(190,301,042)	(603,400,622)	(24,187,212)	(86,969,116)	(904,857,992)
Accrual	(190,198,959)	(603,400,622)	(24,187,212)	(86,969,116)	(904,755,909)
Transfer from investment properties	(102,083)	—	—	—	(102,083)
Decrease in the current year	76,877,215	282,108,766	25,299,484	22,663,027	406,948,492
Disposal	52,088,204	172,727,611	25,299,484	22,506,068	272,621,367
Transfer to construction in progress	20,824,456	109,381,155	—	156,959	130,362,570
Transfer to investment properties	3,964,555	—	—	—	3,964,555
As at 31 December 2018	(1,745,190,417)	(5,776,662,856)	(206,536,703)	(649,567,230)	(8,377,957,206)
Provision for impairment					
As at 31 December 2017	(61,370,214)	(296,814,480)	(1,160,702)	(116,368)	(359,461,764)
Increase in the current year	—	—	—	—	—
— Accrual	(66,681,678)	(73,493,844)	(1,194,290)	(2,598,211)	(143,968,023)
Decrease in the current year	10,857,216	57,352,720	548,860	169,272	68,928,068
Disposal	9,927,348	57,352,720	548,860	169,272	67,998,200
Transfer to investment properties	929,868	—	—	—	929,868
As at 31 December 2018	(117,194,676)	(312,955,604)	(1,806,132)	(2,545,307)	(434,501,719)
Carrying amount					
As at 31 December 2018	5,224,846,075	4,718,044,543	120,493,116	232,948,332	10,296,332,066
As at 31 December 2017	5,419,272,428	5,165,140,277	136,974,588	270,074,879	10,991,462,172

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(10) Fixed assets (Continued)

(a) Fixed assets (Continued)

For the year ended 31 December 2018, fixed assets of the Group with the carrying amount of 100,408,173 (cost: 230,770,743; accumulated depreciation 130,362,570) are transferred to construction in progress to be upgraded due to technology renewal and the likes.

As at 31 December 2018, there are no fixed assets pledged as collateral for borrowings (31 December 2017: nil).

For the year ended 31 December 2018, fixed assets accumulated depreciation are 904,755,909 (For the year ended 31 December 2017: 927,462,499), of which 817,418,848, 7,804,461, 76,885,417 and 2,647,183 (For the year ended 31 December 2017: 828,291,374, 9,289,228, 86,922,901 and 2,958,996) have been charged to operating cost, selling and distribution expenses, general and administrative expenses and research and development expenses respectively.

The cost of fixed assets transferred from construction in progress amounts to 417,281,125 (For the year ended 31 December 2017: 628,299,907).

(i) Temporarily idle fixed assets

As at 31 December 2018, the buildings and the machinery and equipment with carrying amount of 80,048,500 (cost 192,641,414) are temporarily idle for the reason of products update (31 December 2017: carrying amount of 106,345,998 (cost: 223,872,739)). The management planned to reallocate these assets among the Group or upgrade. The detailed analysis of these assets is as follows:

	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery and equipment	183,515,686	(101,095,877)	(5,785,808)	76,634,001
Buildings	9,125,728	(5,694,143)	(17,086)	3,414,499
	<u>192,641,414</u>	<u>(106,790,020)</u>	<u>(5,802,894)</u>	<u>80,048,500</u>

(ii) Fixed assets held under finance leases

As at 31 December 2018, there are no fixed assets held under finance leases (31 December 2017: nil).

(iii) Provision for impairment

According to the accounting policies stated in Note 2(18), the Group performs impairment testing on buildings, machinery and equipment with impairment indicator at the balance sheet date, and impairment of 143,968,023 has been recognised.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(10) Fixed assets (Continued)

(a) Fixed assets (Continued)

(iv) Fixed assets without ownership certificates

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

Reason	31 December 2018	31 December 2017
	Carrying amount	Carrying amount
In the application process	394,309,000	405,086,000
Unable to obtain	42,618,000	41,963,000
	436,927,000	447,049,000

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, there are no significant adverse impact on the operations of the Group, therefore, no provision for fixed assets impairment is provided. In addition, certain buildings of the Group are still located on parcels of allocated land owned by certain local municipal governments (Note 4(12)).

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

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(10) Fixed assets (Continued)

(b) Fixed assets pending for disposal

	31 December 2018	31 December 2017
Machinery, equipment and buildings	<u>30,362,081</u>	<u>2,310,587</u>

(11) Construction in progress

	31 December 2018			31 December 2017		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
New factory project of Zhangjiakou Company	151,363,810	—	151,363,810	48,536,978	—	48,536,978
Relocation project of Langfang Company	137,069,038	—	137,069,038	41,722,196	—	41,722,196
Office building project of Xi'an Company	30,706,808	—	30,706,808	28,192,183	—	28,192,183
Production line improvement of No. 1 Factory	17,771,040	—	17,771,040	12,119,930	—	12,119,930
Production line improvement of No. 5 Factory	5,610,537	—	5,610,537	7,076,524	—	7,076,524
Production line improvement of No. 2 Factory	4,479,371	—	4,479,371	10,703,954	—	10,703,954
Production line improvement of Xuecheng Company	3,036,608	—	3,036,608	2,742,187	—	2,742,187
Relocation project of Weinan Company	2,728,453	—	2,728,453	4,400,975	—	4,400,975
Production line improvement of Wuwei Company	2,350,068	—	2,350,068	942,632	—	942,632
Production line improvement of Shenzhen Asahi	2,118,275	—	2,118,275	1,174,814	—	1,174,814
Relocation project of Dezhou Company	2,062,286	—	2,062,286	—	—	—
Production line improvement of No. 3 Factory	1,749,999	—	1,749,999	4,740,337	—	4,740,337
Production line improvement of Shijiazhuang Company	1,460,676	—	1,460,676	—	—	—
Production line improvement of No. 4 Factory	1,230,087	—	1,230,087	240,470	—	240,470
Production line improvement of Luoyang Company	1,212,603	—	1,212,603	—	—	—
Other projects	14,941,635	—	14,941,635	37,545,998	—	37,545,998
	<u>379,891,294</u>	<u>—</u>	<u>379,891,294</u>	<u>200,139,178</u>	<u>—</u>	<u>200,139,178</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(11) Construction in progress (Continued)

(a) Movement in significant construction in progress

Name	Budget	31 December 2017	Increase in the current year — Purchase	Increase in the current year — Transfer from fixed assets	Transfer to fixed assets	31 December 2018	Expenditures percentage of budget	Completion percentage	Source of funds
New factory project of Zhangjiakou Company	283,625,400	48,536,978	102,826,832	—	—	151,363,810	57%	53%	Self-funding
Relocation project of Langfang Company	250,850,000	41,722,196	98,509,206	—	(3,162,364)	137,069,038	63%	59%	Self-funding
Office building project of Xi'an Company	33,000,000	28,192,183	2,994,462	—	(479,837)	30,706,808	95%	95%	Self-funding
Production line improvement of No. 1 Factory	107,048,362	12,119,930	26,135,480	19,235,485	(39,719,855)	17,771,040	58%	58%	Self-funding
Production line improvement of No. 5 Factory	30,279,377	7,076,524	10,436,453	—	(11,902,440)	5,610,537	58%	58%	Self-funding
Production line improvement of No. 2 Factory	133,260,201	10,703,954	9,058,452	12,861,280	(28,144,315)	4,479,371	83%	83%	Self-funding
Production line improvement of Xuecheng Company	12,820,000	2,742,187	6,713,655	87,661	(6,506,895)	3,036,608	74%	74%	Self-funding
Relocation project of Weinan Company	282,430,000	4,400,975	2,216,516	—	(3,889,038)	2,728,453	86%	83%	Self-funding
Production line improvement of Wuwei Company	28,940,000	942,632	5,158,924	220,334	(3,971,822)	2,350,068	27%	22%	Self-funding
Production line improvement of Shenzhen Asahi	17,449,636	1,174,814	10,240,091	2,065,477	(11,362,107)	2,118,275	77%	77%	Self-funding
Relocation project of Dezhou Company	212,110,000	—	2,062,286	—	—	2,062,286	1%	1%	Self-funding
Production line improvement of No. 3 Factory	6,633,119	4,740,337	1,389,671	212,190	(4,592,199)	1,749,999	96%	96%	Self-funding
Production line improvement of Shijiazhuang Company	8,695,389	—	3,134,419	4,587,187	(6,260,930)	1,460,676	89%	89%	Self-funding
Production line improvement of No. 4 Factory	9,129,373	240,470	8,775,710	52,912	(7,839,005)	1,230,087	99%	99%	Self-funding
Production line improvement of Luoyang Company	11,242,231	—	3,093,972	6,562,025	(8,443,394)	1,212,603	86%	86%	Self-funding
Other projects		37,545,998	203,878,939	54,523,622	(281,006,924)	14,941,635			
		200,139,178	496,625,068	100,408,173	(417,281,125)	379,891,294			

For the year ended 31 December 2018, there are no new increased borrowing costs capitalised (2017: nil). The management has assessed that there is no impairment risk on construction in progress and did not recognise provision for impairment of construction in progress (2017: nil).

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(12) Intangible assets

	Land use rights	Trademarks	Technology known-how	Marketing networks	Software and others	Total
Original Cost						
31 December 2017	2,515,008,135	449,743,612	18,629,100	974,935,670	402,040,205	4,360,356,722
Increase in the current year						
— Purchase	40,972,197	—	—	—	30,572,182	71,544,379
Decrease in the current year						
— Disposal	(27,460,597)	—	—	—	—	(27,460,597)
31 December 2018	2,528,519,735	449,743,612	18,629,100	974,935,670	432,612,387	4,404,440,504
Accumulated amortisation						
31 December 2017	(451,724,126)	(280,449,951)	(18,629,100)	(640,945,353)	(192,391,897)	(1,584,140,427)
Increase in the current year						
— Accrual	(59,511,951)	(37,481,878)	—	(98,144,804)	(36,658,186)	(231,796,819)
Decrease in the current year						
— Disposal	11,182,257	—	—	—	—	11,182,257
31 December 2018	(500,053,820)	(317,931,829)	(18,629,100)	(739,090,157)	(229,050,083)	(1,804,754,989)
Carrying amount						
31 December 2018	2,028,465,915	131,811,783	—	235,845,513	203,562,304	2,599,685,515
31 December 2017	2,063,284,009	169,293,661	—	333,990,317	209,648,308	2,776,216,295

For the year ended 31 December 2018, the amortisation amount of intangible assets is 231,796,819 (2017: 231,384,946).

As at 31 December 2018, there are no intangible assets pledged as collateral for borrowings (31 December 2017: nil).

As at 31 December 2018, the relevant legal procedures for certificates application of the Group's land use rights with carrying amount of approximately 10,043,000 (31 December 2017: 2,158,000) are still in process. In addition, as at 31 December 2018, buildings of certain subsidiaries of the Group were located on parcels of allocated land owned by certain local municipal governments. Most of the relevant local governments have undertaken to implement transfer procedures for these lands. Carrying amount of the buildings constructed thereon are approximately 31,202,000 as at 31 December 2018 (31 December 2017: 31,950,000). 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 2017	Increase in the current year	Charged to profit or loss	Decrease in the current year Recognised as intangible assets	31 December 2018
Beer technology improvement project	—	19,755,502	(19,755,502)	—	—

For the year ended 31 December 2018, research and development expenditures of 19,755,502 (2017: 18,688,799) are recognised in profit or loss.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(13) Goodwill

	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
Goodwill —				
Shandong Region — Immense Brewery Company	958,868,617	—	—	958,868,617
Shandong Region — 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 —				
Shandong Region — Immense Brewery Company	—	—	—	—
Shandong Region — 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>

All goodwill of the Group has been allocated to relevant assets and asset group combinations on purchase date. The goodwill allocation are summarised by operating segments as follows:

	31 December 2018	31 December 2017
Shandong Region	1,185,895,099	1,185,895,099
South China Region	130,895,740	130,895,740
Southeast China Region	114,031,330	114,031,330
North China Region	24,642,782	24,642,782
Other Regions	49,049,770	49,049,770
	<u>1,504,514,721</u>	<u>1,504,514,721</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(13) Goodwill (continued)

In the goodwill impairment test, the Group compares the carrying amount of relevant assets or asset group combinations (including goodwill) with the recoverable amount. If the recoverable amount is lower than the carrying amount, relevant difference will be recorded in profit or loss in the current period. The allocation of goodwill of the Group has not changed in 2018.

The recoverable amounts of asset groups and asset group combinations 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 estimated by using a fixed growth rate stated below.

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

	<u>Shandong Region</u>			
	Immense Brewery Company	Lulansa Brewery	Southeast China Region	Other Regions
Growth rate in stable period	2.7%	2.7%	2.7%	2.7%
Gross profit margin	32%	32%	22%	23%
Discount rate	14%	14%	14%	14%

The Group determines growth rate and 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 growth rate in forecast period is determined by the average growth rate of the five-year budget of the approved sales income of the relevant asset groups and asset group combinations of 2% - 4%. The growth rate in stable period is the weighted average growth rate used by the group to forecast the cash flow after the five-year budget, which is consistent with the forecast data contained in the industry report and does not exceed the long-term average growth rate of each product.

(14) Long-term prepaid expenses

	31 December 2017	Increase in the current year	Amortisation in the current year	31 December 2018
Decoration and renovation expenses	18,584,841	11,017,881	(7,731,323)	21,871,399
Factory hardening expenses	6,893,150	847,372	(3,018,645)	4,721,877
Site and vehicle leasing expenses	5,236,278	122,389	(1,695,533)	3,663,134
Gardening expenses	3,497,643	85,399	(2,087,010)	1,496,032
Others	1,830,730	—	(475,753)	1,354,977
	<u>36,042,642</u>	<u>12,073,041</u>	<u>(15,008,264)</u>	<u>33,107,419</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(15) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets without offsetting

	31 December 2018		31 December 2017	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Deductible losses	122,069,184	30,517,296	223,502,140	55,875,535
Provision for asset impairment	55,873,680	13,968,420	9,967,276	2,491,819
Deferred income	649,551,258	162,387,815	490,526,572	122,631,643
Elimination of intra-group unrealised profit	153,105,416	38,276,354	92,649,212	23,162,303
Accruals of expenses	4,008,410,594	1,002,102,648	3,770,120,916	942,530,229
	4,989,010,132	1,247,252,533	4,586,766,116	1,146,691,529
Including:				
Expected to reverse within one year (inclusive)		1,014,650,230		922,225,068
Expected to be reverse after one year		232,602,303		224,466,461
		1,247,252,533		1,146,691,529

(b) Deferred tax liabilities without offsetting

	31 December 2018		31 December 2017	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combinations not under common control	719,461,076	179,865,269	857,197,808	214,299,452
Depreciation of fixed assets	171,223,584	42,805,896	13,211,076	3,302,769
Changes in fair value of wealth management products	26,306,137	6,576,534	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	64,662,511	16,165,628	47,304,452	11,826,113
	981,653,308	245,413,327	925,858,651	231,464,663
Including:				
Expected to be reverse within one year (inclusive)		50,519,395		35,450,852
Expected to be reverse after one year		194,893,932		196,013,811
		245,413,327		231,464,663

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(15) 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 2018	31 December 2017
Deductible temporary differences	896,906,934	705,087,786
Deductible losses	2,808,322,326	2,445,519,712
	<u>3,705,229,260</u>	<u>3,150,607,498</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 702,081,000 (31 December 2017: 611,380,000) arising from the accumulated losses that can set off against taxable incomes under tax laws in the five-year period from 2019 to 2023. 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 224,227,000 (31 December 2017: 176,272,000) 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 2018	31 December 2017
2018	—	374,540,627
2019	315,641,910	353,848,078
2020	628,518,650	579,391,796
2021	615,459,818	594,764,850
2022	597,897,636	542,974,361
2023	650,804,312	—
	<u>2,808,322,326</u>	<u>2,445,519,712</u>

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

	31 December 2018		31 December 2017	
	Offsetting amount	Net amounts	Offsetting amount	Net amounts
Deferred tax assets	40,232,146	1,207,020,387	10,797,394	1,135,894,135
Deferred tax liabilities	40,232,146	205,181,181	10,797,394	220,667,269

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(16) Provision for asset impairment and loss

	31 December 2017	Changes in accounting policies	1 January 2018	Increase in the current year	Decrease in the current year		Others	31 December 2018
					Reversal	Written-off		
Provision for bad debt of notes receivable and accounts receivable	193,033,704	—	193,033,704	186,412	(2,296,104)	(66,023)	203,200	191,061,189
Including: Provision for bad debt recognized individually	28,751,710	—	28,751,710	—	(2,000,000)	—	—	26,751,710
Provision for bad debt recognized on grouping basis	164,281,994	—	164,281,994	186,412	(296,104)	(66,023)	203,200	164,309,479
Provision for bad debt of other receivables	76,650,477	(81,000)	76,569,477	2,011,531	(1,287,945)	(150,611)	—	77,142,452
Provision for bad debt of other current asset	—	81,000	81,000	195,498	(121,000)	—	—	155,498
Provision for bad debt of available-for-sale financial assets (Note 2(28)(c)(iii))	8,653,179	(8,653,179)	—	—	—	—	—	—
Subtotal	278,337,360	(8,653,179)	269,684,181	2,393,441	(3,705,049)	(216,634)	203,200	268,359,139
Provisions for impairment of inventory	5,261,408	—	5,261,408	3,064,731	—	(1,022,084)	—	7,304,055
Provisions for impairment of long-term investment	1,220,000	—	1,220,000	—	—	—	—	1,220,000
Provisions for impairment of investment properties	648,668	—	648,668	—	—	—	929,868	1,578,536
Provisions for impairment of fixed assets	359,461,764	—	359,461,764	143,968,023	—	(67,998,200)	(929,868)	434,501,719
Provisions for impairment of goodwill	197,410,739	—	197,410,739	—	—	—	—	197,410,739
Subtotal	564,002,579	—	564,002,579	147,032,754	—	(69,020,284)	—	642,015,049
	842,339,939	(8,653,179)	833,686,760	149,426,195	(3,705,049)	(69,236,918)	203,200	910,374,188

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(17) Other non-current assets

	31 December 2018	31 December 2017
Prepayments for construction and equipment	<u>62,438,096</u>	<u>48,798,055</u>

(18) Short-term borrowings

	Currency	31 December 2018	31 December 2017
Entrusted loan	HKD	<u>296,155,600</u>	<u>282,534,200</u>

As at 31 December 2018, short-term loan represents the borrowing from Bank of China, with RMB296,155,600 (Original foreign currency: HKD338,000,000) to Hong Kong company, a subsidiary of the Company (As at 31 December 2017: RMB282,534,200 (Original foreign currency: HKD338,000,000)). The Company provides a full guarantee for the principal and interest of this loan.

As at 31 December 2018, the interest rate of short-term borrowings is 3.00% (31 December 2017: 1.60%).

(19) Notes payable and accounts payable

	31 December 2018	31 December 2017
Notes payable (a)	326,075,937	289,472,296
Accounts payable (b)	<u>2,246,348,607</u>	<u>2,083,733,787</u>
	<u>2,572,424,544</u>	<u>2,373,206,083</u>

(a) Notes payable

	31 December 2018	31 December 2017
Trade acceptance notes	93,811,951	70,704,794
Bank acceptance notes	<u>232,263,986</u>	<u>218,767,502</u>
	<u>326,075,937</u>	<u>289,472,296</u>

Other cash balances of 15,032,000 (31 December 2017: 5,506,000) are pledged as collateral for the bank acceptance notes of the Group (Note 4(1)(iii)).

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(19) Notes payable and accounts payable (continued)

(b) Accounts payable

	31 December 2018	31 December 2017
Payable for materials purchase	2,118,754,944	1,986,212,114
Payable for beer purchase due to related parties (Note 8(5))	82,999,958	73,829,031
Payable for promotional goods	35,184,352	15,850,286
Others	9,409,353	7,842,356
	<u>2,246,348,607</u>	<u>2,083,733,787</u>

(i) As at 31 December 2018, accounts payable over 1 year with carrying amount of 28,513,063 (31 December 2017: 30,969,162) are mainly payables for materials purchase, for which final settlement has not yet been completed.

(ii) The ageing based on their recording dates is analysed as follows:

	31 December 2018	31 December 2017
Within 1 year	2,217,835,544	2,052,764,625
1 to 2 years	10,637,317	9,020,945
2 to 3 years	3,481,831	4,530,665
Over 3 years	14,393,915	17,417,552
	<u>2,246,348,607</u>	<u>2,083,733,787</u>

(20) Contract liabilities

	31 December 2018	31 December 2017
Dealer contract liabilities (Note 2(28)(b))	<u>5,237,538,511</u>	<u>—</u>

As at 1 January 2018, the balance of contract liabilities of the Group is 4,322,039,166, most of which has been transferred to operating income in 2018.

(21) Employee benefits payable

	31 December 2018	31 December 2017
Short-term employee benefits (a)	1,033,681,265	895,379,790
Defined contribution plans (b)	25,490,427	25,891,433
Termination benefits (c)	94,282,557	92,301,300
Defined benefit plans (d)	22,007,043	19,055,565
	<u>1,175,461,292</u>	<u>1,032,628,088</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(21) Employee benefits payable (continued)

(a) Short-term employee benefits

	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
Wages and salaries, bonus, allowances and subsidies	584,725,547	3,264,355,919	(3,145,082,109)	703,999,357
Staff welfare	1,138,013	253,445,446	(253,712,422)	871,037
Social security contributions	14,285,124	248,648,684	(250,208,447)	12,725,361
Including:				
Medical insurance	10,709,288	210,883,564	(212,432,767)	9,160,085
Work injury insurance	1,777,923	13,974,107	(13,986,147)	1,765,883
Maternity insurance	1,797,913	23,791,013	(23,789,533)	1,799,393
Housing funds	16,861,285	249,634,703	(249,547,502)	16,948,486
Labour union funds and employee education funds	278,369,821	115,498,248	(94,731,045)	299,137,024
	<u>895,379,790</u>	<u>4,131,583,000</u>	<u>(3,993,281,525)</u>	<u>1,033,681,265</u>

(b) Defined contribution plans

	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
Basic pension	21,511,954	478,975,392	(479,466,350)	21,020,996
Unemployment insurance	4,379,479	16,375,147	(16,285,195)	4,469,431
	<u>25,891,433</u>	<u>495,350,539</u>	<u>(495,751,545)</u>	<u>25,490,427</u>

(c) Termination benefits

	31 December 2018	31 December 2017
Early retirement benefits (Note 4(27))	94,282,557	92,300,500
Other termination benefits (i)	—	800
	<u>94,282,557</u>	<u>92,301,300</u>

- (i) For the year ended 31 December 2018, the Group has paid other termination benefit of 54,874,155, mainly due to termination of labor relationship.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(21) Employee benefits payable (continued)

(d) Defined benefit plans

	31 December 2018	31 December 2017
Supplemental retirement benefits (Note 4(27))	<u>22,007,043</u>	<u>19,055,565</u>

(22) Taxes payable

	31 December 2018	31 December 2017
Enterprise income tax	263,094,463	168,534,126
Consumption tax	258,665,295	109,545,150
Unpaid VAT	104,309,735	51,053,836
City maintenance and construction tax	8,870,492	5,936,227
Education surcharge	7,647,840	5,871,932
Others	<u>48,546,174</u>	<u>59,894,619</u>
	<u>691,133,999</u>	<u>400,835,890</u>

(23) Other payables

	31 December 2018	31 December 2017
Guarantee deposits	710,726,775	709,796,967
Payables to vendors of construction, machinery and equipment	435,719,135	443,732,839
Accruals for transportation expenses	260,063,006	209,229,448
Accruals for advertising expenses	187,372,331	151,600,648
Accruals for labour expenses	74,872,344	56,467,337
Accruals for water, electricity and steam expenses	45,326,286	53,552,638
Accruals for general and administrative expenses	42,679,007	59,566,366
Absorbed deposits from related parties and interests payables (i)	18,625,074	9,305,035
Withholding social expenses for staff	10,921,473	12,601,607
Interests payable	1,728,562	815,222
Accruals for promotion-related marketing expenses (Note 2(28)(b))	—	3,144,406,819
Others	<u>325,473,365</u>	<u>333,795,327</u>
	<u>2,113,507,358</u>	<u>5,184,870,253</u>

- (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 2018, other payables over 1 year with carrying amount of 554,538,905 (31 December 2017: 575,475,196) 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 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(24) Long-term borrowings

	Currency	31 December 2018	31 December 2017
Guaranteed	DKK	<u>1,050,800</u>	<u>1,467,060</u>
Less: Current portion of guaranteed borrowing		<u>(420,320)</u>	<u>(419,160)</u>
		<u>630,480</u>	<u>1,047,900</u>

Bank guaranteed borrowing of RMB1,050,800 (Original foreign currency: DKK1,000,000) (31 December 2017: RMB1,467,060 (Original foreign currency: DKK1,400,000)), 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 420,320 (31 December 2017: 419,160).

As at 31 December 2018 and 2017, the long-term borrowings are interest-free borrowings.

(25) Long-term payables

	31 December 2018	31 December 2017
Payables for specific projects	<u>222,324,164</u>	<u>123,140,327</u>

Payables for specific projects mainly represent the relocation compensation received by subsidiaries from the government. As the relocation has not yet been completed, the amount was temporarily accounted for as “payables for specific projects” in accordance with the requirements under No. 3 Interpretation of Accounting Standards for Business Enterprises issued by the Ministry of Finance.

(26) Deferred income

	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018	Reason
Government grants	<u>1,904,109,828</u>	<u>708,288,659</u>	<u>(268,651,342)</u>	<u>2,343,747,145</u>	Grants for relocation and technology improvement projects

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(26) Deferred income (continued)

Government grants items	31 December 2017	Increase in the current year	Charged to other income	Charged to gains on disposals of assets	31 December 2018	Related to assets/income
Relocation projects						
Malt Factory relocation project	19,051,435	419,821,360	(24,630,667)	—	414,242,128	Assets/Income
Tengzhou Company relocation project	171,785,920	—	(10,663,196)	—	161,122,724	Assets
Suizhou Company relocation project	162,595,842	13,048,123	(24,819,124)	—	150,824,841	Assets/Income
Wuwei Company relocation project	156,767,283	—	(11,439,517)	—	145,327,766	Assets
Rizhao Company relocation project	147,988,358	—	(10,588,390)	—	137,399,968	Assets
Zhuhai Company relocation project	138,642,199	—	(12,148,140)	—	126,494,059	Assets
Suqian Company relocation project	135,934,998	—	(9,817,986)	—	126,117,012	Assets
Gansu nongken Company relocation project	135,438,058	—	(12,724,029)	(1,587,292)	121,126,737	Assets
Xingkaihu Company relocation project	114,967,628	—	(6,820,061)	—	108,147,567	Assets/Income
Yangzhou Company relocation project	118,391,341	—	(11,012,087)	—	107,379,254	Assets
Fuzhou Company relocation project	112,220,095	—	(11,786,835)	(619,077)	99,814,183	Assets
Heze Company relocation project	59,513,612	50,000,000	(13,095,460)	—	96,418,152	Assets/Income
Weinan Company relocation project	87,763,182	—	(6,919,710)	—	80,843,472	Assets
Hansi Baoji relocation project	14,732,065	45,900,000	(4,257,288)	—	56,374,777	Assets
Harbin Company relocation project	61,175,910	—	(7,086,500)	—	54,089,410	Assets
Langfang Company relocation project	43,644,804	17,975,368	(18,999,128)	—	42,621,044	Assets/Income
Dezhou Company relocation project	—	18,404,230	(795,076)	—	17,609,154	Assets/Income
No. 3 Factory relocation project	16,185,784	—	(3,437,958)	(1,375,714)	11,372,112	Assets
Pengcheng Company relocation project	13,728,065	—	(3,505,504)	(162,689)	10,059,872	Assets
Mishan Company relocation project	—	986,526	(986,526)	—	—	Income
Technology improvement projects						
Technology improvement projects of Immense Brewery Company	1,553,446	30,000,000	(250,079)	—	31,303,367	Assets
Technology improvement projects of Five Star Company	11,744,286	—	(1,024,286)	—	10,720,000	Assets
Technology improvement projects of Luzhou Company	9,593,056	—	(1,188,337)	—	8,404,719	Assets
Technology improvement projects of Shouguang Company	6,400,000	—	(228,571)	—	6,171,429	Assets
Technology improvement projects of Three Ring Company	6,720,000	—	(560,000)	—	6,160,000	Assets
Other projects	157,572,461	112,153,052	(56,024,093)	(98,022)	213,603,398	
	<u>1,904,109,828</u>	<u>708,288,659</u>	<u>(264,808,548)</u>	<u>(3,842,794)</u>	<u>2,343,747,145</u>	

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(27) Long-term employee benefits payable

	31 December 2018	31 December 2017
Early retirement benefits (a)	317,583,216	330,809,309
Supplemental retirement benefits (b)	325,266,898	279,555,205
	<u>642,850,114</u>	<u>610,364,514</u>
Less: Early retirement benefits within one year	(94,282,557)	(92,300,500)
Supplemental retirement benefits within one year	(22,007,043)	(19,055,565)
	<u>(116,289,600)</u>	<u>(111,356,065)</u>
	<u>526,560,514</u>	<u>499,008,449</u>

Early retirement benefits and supplemental retirement benefits which will be paid within a 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 2018	31 December 2017
Discount rate (yield-to-maturity of the government bond with the same term)	2.60% - 3.22%	3.78% - 3.90%

Early retirement benefits charged to profit or loss for the current period:

	2018	2017
General and administrative expenses	80,612,338	63,724,131
Finance expenses	11,107,931	12,073,287

(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 external independent actuary according to the projected unit credit method.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(27) Long-term employee benefits payable (continued)

(b) Supplemental retirement benefits (continued)

(i) Supplemental retirement benefits obligations of the Group:

	31 December 2018	31 December 2017
Defined benefit obligations	325,266,898	279,555,205
Less: Fair value of plan assets	—	—
Defined benefit liabilities	<u>325,266,898</u>	<u>279,555,205</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 2018	279,555,205
Amount charged to profit or loss in the current period	
— Service cost	30,840,000
— Interest expense on the net defined benefit obligations	10,826,000
Re-measurement amount	
— Actuarial loss (Note 4(30))	22,516,000
Payment	<u>(18,470,307)</u>
As at 31 December 2018	<u>325,266,898</u>
	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 gain (Note 4(30))	(23,670,000)
Payment	<u>(17,169,647)</u>
As at 31 December 2017	<u>279,555,205</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(27) 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 2018	31 December 2017
Discount rate	3.25%	4.00%

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 2.77%	Increase by 2.91%

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 2017: nil).
- (vi) The weighted average duration of the defined benefit obligations is 11.3 years (31 December 2017: 10.8 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) As at 31 December 2018, 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	22,007,043	74,914,957	396,564,000	493,486,000

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(28) Share capital

	31 December 2017	Movements in the current year	31 December 2018
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 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>

(29) Capital surplus

	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
Share premium	3,356,662,970	—	—	3,356,662,970
Other capital surplus —	87,518,542	4,800	—	87,523,342
Share of changes in equity other than comprehensive income and profit distribution of investees accounted for using the equity method	(10,209,446)	4,800	—	(10,204,646)
Transfer from capital surplus recognised under the previous accounting system	93,338,214	—	—	93,338,214
Others	4,389,774	—	—	4,389,774
	<u>3,444,181,512</u>	<u>4,800</u>	<u>—</u>	<u>3,444,186,312</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(29) Capital surplus (continued)

	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 of equity other than comprehensive income and profits 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>

(30) Other comprehensive income

	Other comprehensive income in the balance sheet				Other comprehensive income in the income statement of 2018					
	31 December 2017	Changes in accounting policies	1 January 2018	Attributable to shareholders of the Company, net of tax	31 December 2018	The pre-tax amount in the current year	Less: Transfer out from which were recognised in other comprehensive income in the previous period	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(27)(b)(ii))	(27,752,000)	—	(27,752,000)	(22,516,000)	(50,268,000)	(22,516,000)	—	—	(22,516,000)	—
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	(654,343)	—	(654,343)	(12,848)	(667,191)	(12,848)	—	—	(12,848)	—
Profit or loss from changes in fair value of wealth management products (Note 2(28)(c)(iii))	6,108,986	(6,108,986)	—	—	—	—	—	—	—	—
Currency translation differences	13,258,607	—	13,258,607	(7,020,220)	6,238,387	(7,020,220)	—	—	(7,020,220)	—
	<u>(9,038,750)</u>	<u>(6,108,986)</u>	<u>(15,147,736)</u>	<u>(29,549,068)</u>	<u>(44,696,804)</u>	<u>(29,549,068)</u>	<u>—</u>	<u>—</u>	<u>(29,549,068)</u>	<u>—</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(30) Other comprehensive income (continued)

	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(27)(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 2(28)(c)(ii))	—	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	—
	(50,149,422)	41,110,672	(9,038,750)	43,147,001	—	(2,036,329)	41,110,672	—

(31) Surplus reserve

	31 December 2017	Appropriation in the current year	Decrease in the current year	31 December 2018
Statutory surplus reserve	1,400,704,380	—	—	1,400,704,380
	31 December 2016	Appropriation in the current year	Decrease in the current year	31 December 2017
Statutory surplus reserve	1,400,704,380	—	—	1,400,704,380

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 2018 (2017: nil).

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(32) General reserve

	31 December 2017	Appropriation in the current year	Decrease in the current year	31 December 2018
General reserve	155,497,737	44,014,594	—	199,512,331
	31 December 2016	Appropriation in the current year	Decrease in the current year	31 December 2017
General reserve	142,496,409	13,001,328	—	155,497,737

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 44,014,594 according to 1.5% of the ending balance of the risk assets at 31 December 2018 based on its risk consideration (2017: 13,001,328).

(33) Undistributed profits

	2018	2017
Undistributed profits at the beginning of the year (before adjustment)	10,802,900,749	10,025,728,867
Adjustment (a)	6,108,986	—
Undistributed profits at the beginning of the year (after adjustment)	10,809,009,735	10,025,728,867
Add: Net profit attributable to shareholders of the Company for the current year	1,422,199,705	1,263,017,188
Less: appropriated general reserve	(44,014,594)	(13,001,328)
Ordinary shares dividend payable (b)	(567,412,774)	(472,843,978)
Undistributed profits at the end of the year	11,619,782,072	10,802,900,749

(a) As at 1 January 2018, undistributed profits of 6,108,986 were adjusted at the beginning of the current year due to initial adoption of the new financial instruments standard (Notes 2(28)(c)(ii)).

(b) Pursuant to the resolution at the Annual General Meeting dated 28 June 2018, the Company approved a cash dividend of RMB0.42 per share (tax included) to the shareholders of the Company with RMB567,412,774, based on a total number of 1,350,982,795 shares (2017: cash dividend of RMB0.35 per share (tax included) to the shareholders of the Company with RMB472,843,978, based on a total number of 1,350,982,795 share).

Pursuant to the decision of the Board of Directors on 28 March 2019, the Board of Directors proposed that the Company should approve a cash dividend RMB0.48 per share (tax included) to the shareholders of the Company with RMB648,471,742, based on a total number of 1,350,982,795 shares. The above proposal is subject to approval at the forthcoming Annual General Meeting (Note 10(1)).

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(34) Revenue and cost of sales

	2018	2017
Revenue from main operation (a)	26,234,148,017	25,985,075,078
Revenue from other operations (b)	341,107,188	291,976,606
	<u>26,575,255,205</u>	<u>26,277,051,684</u>
	2018	2017
Cost of main operation (a)	(16,343,422,417)	(15,425,885,974)
Cost of other operations (b)	(212,352,562)	(196,244,893)
	<u>(16,555,774,979)</u>	<u>(15,622,130,867)</u>

(a) Revenue and cost of main operation

	2018		2017	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sales of beer	<u>26,234,148,017</u>	<u>(16,343,422,417)</u>	<u>25,985,075,078</u>	<u>(15,425,885,974)</u>

The Group delivers beer products to dealers and revenue shall be recognised after the dealers' acceptance and signing delivery lists of goods.

(b) Revenue and cost of other operations

	2018		2017	
	Revenue from other operations	Cost of other operations	Revenue from other operations	Cost of other operations
Sale of packaging materials	88,695,499	(65,970,709)	44,979,956	(28,323,330)
Transportation services	43,594,999	(49,261,368)	55,978,555	(61,568,372)
Sale of raw materials	23,784,953	(21,204,724)	25,213,195	(26,885,475)
Construction and equipment installations	4,906,426	(3,966,129)	8,224,208	(5,749,493)
Others	<u>180,125,311</u>	<u>(71,949,632)</u>	<u>157,580,692</u>	<u>(73,718,223)</u>
	<u>341,107,188</u>	<u>(212,352,562)</u>	<u>291,976,606</u>	<u>(196,244,893)</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(35) Taxes and surcharges

	2018	2017	Tax base
Consumption tax	1,734,393,300	1,707,188,709	Note 3
City maintenance and construction tax	245,735,035	247,254,559	Note 3
Education surcharges	185,736,833	189,337,531	Note 3
Real estate tax	60,517,007	60,950,528	
Land use tax	58,971,088	68,893,464	
Stamp duty	25,606,915	29,190,160	
Others	15,583,188	22,213,183	
	<u>2,326,543,366</u>	<u>2,325,028,134</u>	

(36) Selling and distribution expenses

	2018	2017
Employee benefits expenses	1,988,569,927	1,864,923,548
Handling and transportation expenses	1,429,192,503	1,335,481,810
Advertising related expenses	864,375,674	727,749,387
Administrative expenses	159,048,494	155,367,722
Depreciation and amortisation charges	118,926,533	120,411,300
Operating lease payments	99,984,300	109,560,115
Material consumptions	69,333,272	96,819,845
Promotion related marketing expenses (Note 2(28)(b))	—	1,233,297,746
Other expenses	139,403,799	125,332,128
	<u>4,868,834,502</u>	<u>5,768,943,601</u>

(37) General and administrative expenses

	2018	2017
Employee benefits expenses	822,896,979	634,083,350
Depreciation and amortisation charges	197,894,926	206,584,447
Administrative expenses	105,729,400	110,695,789
Agency fees	59,342,434	49,649,448
Repair expenses	33,779,759	32,054,764
Fire control expenses to guards	33,081,699	31,970,231
Insurance expenses	21,403,352	21,827,588
Disabled security fund	14,221,911	12,027,189
Handling and transportation expenses	10,320,540	10,207,508
Operating lease payments	4,648,840	19,759,149
Other expenses	83,060,202	96,708,176
	<u>1,386,380,042</u>	<u>1,225,567,639</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(38) Research and development expenses

	2018	2017
Employee benefits expenses	12,224,544	11,218,380
Depreciation charges	2,647,183	2,958,996
Material consumptions	1,814,670	1,832,712
Administrative expenses	637,683	506,925
Other expenses	2,431,422	2,171,786
	<u>19,755,502</u>	<u>18,688,799</u>

(39) Expenses by nature

The cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses in the income statement classified by nature are as follows:

	2018	2017
Raw materials, packaging materials and consumables used	11,868,137,841	10,949,436,316
Employee benefits expenses	4,793,260,032	4,439,602,222
Handling and transportation expenses	1,609,949,334	1,523,072,986
Finished goods purchased from outside	1,196,435,415	1,091,200,358
Depreciation and amortisation charges	1,144,720,527	1,178,622,979
Advertising related expenses	864,375,674	727,749,387
Repair expenses	370,516,542	377,278,613
Administrative expenses	275,358,284	276,091,109
Amortisation expenses of packaging materials	191,998,379	182,975,564
Labour expenses	165,699,428	159,388,229
Operating lease payments	118,836,523	142,110,749
Auditors' remuneration — audit services	8,094,340	8,094,340
Promotion related marketing expenses (Note 2(28)(b))	—	1,233,297,746
Changes in inventories of finished goods and work in progress	(223,269,134)	(20,119,556)
Other expenses	446,631,840	366,529,864
	<u>22,830,745,025</u>	<u>22,635,330,906</u>

(40) Finance expenses

	2018	2017
Interest expense	13,707,476	10,542,443
Less: Interest income	(536,675,628)	(415,164,265)
Discounting impact of the long-term employee benefits payable	21,933,931	21,273,287
Exchange loss	122,609	9,552,255
Others	3,795,790	3,779,105
	<u>(497,115,822)</u>	<u>(370,017,175)</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(41) Asset impairment losses

	2018	2017
Losses of bad debts	—	2,287,799
Impairment loss of inventories	3,064,731	—
Impairment loss of fixed assets	143,968,023	8,429,040
	<u>147,032,754</u>	<u>10,716,839</u>

(42) Credit impairment losses

	2018	2017
Losses/(Reversals) of bad debts of notes receivable and accounts receivable	(2,109,692)	—
Losses of bad debts of other receivables	723,586	—
Losses of bad debts of other current assets	74,498	—
	<u>(1,311,608)</u>	<u>—</u>

(43) Other income

	2018	2017	Related to assets/ income
Grant for relocation projects	205,533,182	200,366,217	Assets/ Income
Grant for company development	196,025,474	101,313,702	Income
Grant for technology improvement projects	3,251,273	2,787,230	Assets
Grant for other production and operation	118,364,640	122,684,886	Assets/ Income
	<u>523,174,569</u>	<u>427,152,035</u>	

(44) Investment income

	2018	2017
Investment income from long-term equity investments accounted for using the equity method	16,615,487	20,461,767
Investment income from the disposal of wealth management products	2,517,091	36,786,841
Others	1,386,025	739,562
	<u>20,518,603</u>	<u>57,988,170</u>

There is no significant restriction on transferring funds in the form of investment income.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(45) Profits arising from changes in fair value

	2018	2017
Financial assets at fair value through profit or loss —		
Wealth management products	48,047,836	—
Money market fund	6,123,100	115,254
	<u>54,170,936</u>	<u>115,254</u>

(46) Gains on disposals of assets

	2018	2017
Gains/(Losses) on disposal of fixed assets	6,121,979	(45,418,792)
Gains/(Losses) on disposal of intangible assets	4,217,089	(864,788)
	<u>10,339,068</u>	<u>(46,283,580)</u>

For Year ended 31 December 2018, all gains on disposals of assets have been regarded as non-recurring profit or loss in the current year.

(47) Non-operating income

	2018	2017
Gains on unpaid debts	4,741,707	5,271,556
Penalty gains	3,783,073	1,318,320
Government grant — related to income	723,300	1,255,358
Others	6,673,311	15,038,704
	<u>15,921,391</u>	<u>22,883,938</u>

For the year ended 31 December 2018, all non-operating income has been regarded as non-recurring profit or loss in the current year.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(48) Non-operating expenses

	2018	2017
Donations	6,022,269	666,879
Compensations, defaults and overdue fines	5,810,898	21,559,749
Penalty losses	347,100	917,731
Others	1,538,924	9,885,799
	<u>13,719,191</u>	<u>33,030,158</u>

For the year ended 31 December 2018, all non-operating expenses have been regarded as non-recurring profit or loss in the current year.

(49) Income tax expense

	2018	2017
Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax	900,036,176	842,707,539
Current profits tax calculated according to tax law and related regulations in Hong Kong — Hong Kong profits tax	3,439,870	3,423,701
Current profits supplemental tax calculated according to tax law and related regulations in Macau — Macau profits supplemental tax	1,891,706	555,354
Deferred income tax	<u>(86,612,340)</u>	<u>(124,123,596)</u>
	<u>818,755,412</u>	<u>722,562,998</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(49) 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:

	2018	2017
Total profit	<u>2,379,766,866</u>	<u>2,104,818,639</u>
Income tax expense calculated at applicable tax rates	592,508,178	524,686,269
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	26,588,262	75,153,473
Impairment of deferred tax asset	62,331,772	24,047,146
Income not subject to tax	(18,913,592)	(18,570,926)
Impact of utilisation of deductible tax losses and temporary differences from previously unrecognised deferred tax assets	(71,390,743)	(78,788,735)
Deductible temporary differences of currently unrecognised deferred tax assets	64,930,457	60,292,181
Deductible tax losses of currently unrecognised deferred tax assets	<u>162,701,078</u>	<u>135,743,590</u>
Income tax expense	<u>818,755,412</u>	<u>722,562,998</u>

(50) Earnings per share

(a) Basic earnings per share

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

	2018	2017
Consolidated net profit attributable to ordinary shareholders of the Company	1,422,199,705	1,263,017,188
Weighted average numbers of ordinary shares outstanding	<u>1,350,982,795</u>	<u>1,350,982,795</u>
Basic earnings per share	<u>1.053</u>	<u>0.935</u>
Including:		
— Basic earnings per share from continuing operations	1.053	0.935

(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 2018 (2017: nil), diluted earnings per share equals to basic earnings per share.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(51) Notes to consolidated cash flow statement

(a) Cash received relating to other operating activities

	2018	2017
Government grants	1,065,306,516	328,265,725
Guarantee deposits	446,523,209	435,625,334
Others	153,192,310	122,071,153
	<u>1,665,022,035</u>	<u>885,962,212</u>

(b) Cash paid relating to other operating activities

	2018	2017
Handling and transportation expenses	1,702,923,618	1,654,775,619
Marketing and promotion expenses	888,294,414	855,417,210
Advertising related expenses	823,643,011	730,760,277
Administrative expenses	314,252,495	293,005,845
Guarantee deposits	210,858,711	178,698,686
Others	240,961,355	365,384,769
	<u>4,180,933,604</u>	<u>4,078,042,406</u>

(c) Cash received relating to other investing activities

	2018	2017
Interest income of Finance Company's deposits	432,569,354	395,760,324
Bidding deposits collected	12,342,652	15,509,676
	<u>444,912,006</u>	<u>411,270,000</u>

(d) Cash paid relating to other investing activities

	2018	2017
Deposit in central bank paid by Finance Company	173,200,000	59,790,000
Bidding deposits paid	15,032,081	24,682,730
	<u>188,232,081</u>	<u>84,472,730</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(52) 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:

	2018	2017
Net profit	1,561,011,454	1,382,255,641
Add: Provision for asset impairment	147,032,754	10,716,839
Provision/(Reversal) for credit impairment	(1,311,608)	—
Depreciation of fixed assets and investment properties	906,622,479	929,148,673
Amortisation of intangible assets	231,796,819	231,384,946
Amortisation of long-term prepaid expenses	15,008,264	18,089,360
(Gains)/Losses on disposal of fixed assets and intangible assets	(10,339,068)	46,283,580
Profits arising from changes in fair value	(54,170,936)	(115,254)
Finance expenses	(512,572,078)	(395,011,987)
Investment income	(20,518,603)	(57,988,170)
Increase in deferred tax assets	(71,126,252)	(93,684,581)
Amortisation of deferred income	(264,808,548)	(217,574,869)
Decrease in deferred tax liabilities	(15,486,088)	(30,439,015)
(Increase)/Decrease in inventories	(256,989,110)	15,154,446
Increase in operating receivables	(152,672,443)	(151,456,401)
Increase in operating payables	2,490,531,365	625,428,006
Net cash flows from operating activities	<u>3,992,008,401</u>	<u>2,312,191,214</u>

Net increase in cash and cash equivalents

	2018	2017
Cash and cash equivalents at end of year	11,653,288,328	9,101,908,887
Less: Cash and cash equivalents at beginning of year	<u>(9,101,908,887)</u>	<u>(7,929,473,031)</u>
Net increase in cash and cash equivalents	<u>2,551,379,441</u>	<u>1,172,435,856</u>

(b) Cash and cash equivalents

	31 December 2018	31 December 2017
Cash and cash equivalents (Note 4(1))	11,653,288,328	9,101,908,887
Including: Cash on hand	238,749	367,745
Cash at bank that can be readily drawn on demand	11,652,363,015	9,101,259,635
Cash at non-financial institutions that can be readily drawn on demand	686,564	281,507
Cash and cash equivalents at end of year	<u>11,653,288,328</u>	<u>9,101,908,887</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(53) Foreign currency items

	31 December 2018		
	Balance in foreign currency	Currency exchange rate	Balance in RMB
Cash at bank and cash on hand —			
USD	36,823,615	6.8632	252,727,834
HKD	87,417,652	0.8762	76,595,347
EUR	8,986,207	7.8473	70,517,462
MOP	39,376,018	0.8523	33,560,180
			433,400,823
Accounts receivable —			
HKD	40,450,653	0.8762	35,442,862
USD	5,030,097	6.8632	34,522,562
EUR	1,182,474	7.8473	9,279,228
MOP	4,667,995	0.8523	3,978,532
CAD	298,897	5.0381	1,505,873
			84,729,057
Other receivables —			
HKD	2,527,133	0.8762	2,214,274
MOP	416,352	0.8523	354,857
			2,569,131
Short-term borrowings —			
HKD	338,000,000	0.8762	296,155,600
Other payables —			
USD	741,406	6.8632	5,088,418
HKD	5,663,013	0.8762	4,961,932
MOP	732,657	0.8523	624,443
			10,674,793
Current portion of non-current liabilities —			
DKK	400,000	1.0508	420,320
Long-term borrowings —			
DKK	600,000	1.0508	630,480

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 2018

(All amounts in RMB Yuan unless otherwise stated)

5 Changes in consolidation scope

(1) Changes in consolidation scope for other reasons

On 28 May 2018, the Company has completed deregistration process of Hanzhong Hansheng Commerce and Trade Co., Ltd. (“Hansheng Commerce and Trade”), a subsidiary under indirect control. The net assets of Hansheng Commerce and Trade was RMB865,207 at the date of deregistration.

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.	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.	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
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

Notes to Financial Statements

For the Year Ended 31 December 2018

(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 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 (Dezhou) Co., Ltd. ("Dezhou Company")	Limited liability company	Dezhou, the PRC	Dezhou, 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.	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
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

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For the Year Ended 31 December 2018

(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 (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
Shanghai Tsingtao Brewery Sales Co., Ltd.	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
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

Notes to Financial Statements

For the Year Ended 31 December 2018

(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 (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
Tsingtao Brewery Cultural Communication Co., Ltd. ("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 Co., Ltd.	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	—	100%	Business combination not under common control
Shandong Lulansa Brewery Co., Ltd. (Lulansa Company)	Limited liability company	Zibo, the PRC	Zibo, the PRC	Manufacturing	55%	—	Business combination not under common control
Equipment Manufacture Company	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Manufacturing	—	100%	Business combination not under common control
Tsingtao Brewery (Shanghai) Investing Co., Ltd.	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Financing	100%	—	Business combination not under common control
Tsingtao Brewery Shanghai Songjiang Manufacturing Co., Ltd.	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Manufacturing	—	100%	Business combination not under common control
Tsingtao Brewery (Suqian) Co., Ltd. ("Suqian Company")	Limited liability company	Suqian, the PRC	Suqian, the PRC	Manufacturing	75%	25%	Business combination not under common control

Notes to Financial Statements

For the Year Ended 31 December 2018

(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	
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.	Limited liability company	Kunshan, the PRC	Kunshan, 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 (Minhang) Co., Ltd.	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Manufacturing	—	96.50%	Business combination not under common control

As at 31 December 2018, 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.

(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 2018	Total dividends distributed to the minority shareholders in 2018	Non-controlling interests as at 31 December 2018
Shenzhen Asahi	49%	37,230,316	(39,449,900)	219,795,920

Summarised financial information of significant non-wholly owned subsidiaries is as follows:

	As at 31 December 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Asahi	178,710,312	468,463,751	647,174,063	(193,868,094)	(4,527,121)	(198,395,215)

Notes to Financial Statements

For the Year Ended 31 December 2018

(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 (continued)

	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)
	Year ended 31 December 2018					
	Revenue	Net profit	Total other comprehensive income	Cash flows from operating activities		
Shenzhen Asahi	774,430,900	75,990,112	75,990,112	153,017,195		
	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		

Financial information above represents the amounts of subsidiaries excluding elimination in the Group.

(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 Ventures —						
Hebei Jiache 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.

Notes to Financial Statements

For the Year Ended 31 December 2018

(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

	Hebei Jiahe Company	
	31 December 2018	31 December 2017
Current assets	77,703,478	72,132,420
Including: cash and cash equivalents	33,568,846	32,235,030
Non-current assets	97,554,244	105,356,533
Total assets	175,257,722	177,488,953
Current liabilities	(34,005,614)	(36,907,063)
Total liabilities	(34,005,614)	(36,907,063)
Total equity attributable to shareholders of the Company	141,252,108	140,581,890
Adjusted fair value of the identifiable net assets when obtained	88,611,733	97,756,038
Adjusted total equity attributable to shareholders of the Company	229,863,841	238,337,928
The share of net assets calculated based on the shareholding proportion (i)	114,931,920	119,168,964
Adjusting item — goodwill	113,928,609	113,928,609
— unrealised profits of internal transaction	(17,867)	62
Book value of investment on the joint venture	228,842,662	233,097,635

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

	Hebei Jiahe Company	
	2018	2017
Revenue	325,048,321	300,242,985
Finance expenses	(520,346)	(380,283)
Income tax expense	(4,643,834)	(8,688,194)
Net profit	15,210,218	25,407,797
Total comprehensive income	15,210,218	25,407,797
Adjusted fair value of the identifiable net assets when obtained	(9,144,305)	(11,651,395)
Adjusted total comprehensive income attributable to shareholders of the Company	6,065,913	13,756,402
Dividends received from the joint venture in the current year	7,270,000	—

Notes to Financial Statements

For the Year Ended 31 December 2018

(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)

- (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.

(c) Summarised financial information of associates

	31 December 2018				31 December 2017			
	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company
Current assets	240,326,764	119,289,748	35,060,115	25,420,063	210,723,002	121,508,711	42,715,289	27,261,307
Including: cash and cash equivalents	43,913,837	1,051,871	212,085	3,496,239	34,439,331	1,258,210	15,859,855	8,088,863
Non-current assets	268,607,815	1,957,802	3,629,320	123,320	283,555,661	2,835,905	4,703,991	122,012
Total assets	508,934,579	121,247,550	38,689,435	25,543,383	494,278,663	124,344,616	47,419,280	27,383,319
Current liabilities	(220,329,830)	(82,337,741)	(38,389,052)	(22,239,900)	(205,698,892)	(88,431,424)	(44,559,964)	(21,707,215)
Non-current liabilities	(7,835,176)	—	—	—	(6,571,007)	—	—	—
Total liabilities	(228,165,006)	(82,337,741)	(38,389,052)	(22,239,900)	(212,269,899)	(88,431,424)	(44,559,964)	(21,707,215)
Total equity attributable to shareholders of the Company	280,769,573	38,909,809	300,383	3,303,483	282,008,764	35,913,192	2,859,316	5,676,104
Adjusted fair value of the identifiable net assets when obtained	30,028,505	—	—	—	33,888,498	—	—	—
Adjusted total equity attributable to shareholders of the Company	310,798,078	38,909,809	300,383	3,303,483	315,897,262	35,913,192	2,859,316	5,676,104
The share of net assets calculated based on the shareholding proportion (i)	121,211,250	11,672,943	90,115	1,321,393	123,199,932	10,773,958	857,795	2,270,441
Adjusting items								
— Goodwill	9,640,679	—	—	—	9,640,679	—	—	—
— Unrealised profits of internal transaction	(2,292,842)	—	—	—	(3,941,001)	—	—	—
Book value of investments on Associates	128,559,087	11,672,943	90,115	1,321,393	128,899,610	10,773,958	857,795	2,270,441

There is no quoted market price for the investments in associates of the Group.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

6 Interests in other entities (continued)

(2) Interests in the Joint Venture and Associates

(c) Summarised financial information of associates (continued)

	2018				2017			
	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company
Revenue	721,276,164	259,385,673	64,255,985	72,498,809	643,151,373	270,287,862	52,754,227	69,894,520
Net profits/(loss)	25,768,937	12,945,164	(2,558,933)	729,859	30,009,032	11,071,718	(3,040,988)	453,591
Other comprehensive income	—	—	—	(32,120)	—	—	—	339,343
Total comprehensive income	25,768,937	12,945,164	(2,558,933)	697,739	30,009,032	11,071,718	(3,040,988)	792,934
Total comprehensive income attributable to shareholders of the Company	25,768,937	12,945,164	(2,558,933)	697,739	30,009,032	11,071,718	(3,040,988)	792,934
Adjusted fair value of the identifiable net assets when obtained	(3,859,993)	—	—	—	(3,860,000)	—	—	—
Adjusted total comprehensive income attributable to shareholders	21,908,944	12,961,164	(2,558,933)	697,739	26,149,032	11,071,718	(3,040,988)	792,934
Dividends received from the associates in the current year	10,533,170	2,989,364	—	1,228,144	14,811,398	9,409,394	—	—

(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, which considers 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 2018, the Group's joint venture and associates have no excess losses.

Notes to Financial Statements

For the Year Ended 31 December 2018

(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, a subsidiary of the 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 segment, responsible for the production and distribution of beer in Shandong region and surrounding regions
- South China region segment, responsible for the production and distribution of beer in South China region
- North China region segment, responsible for the production and distribution of beer in North China region
- East China region segment, responsible for the production and distribution of beer in East China region
- Southeast China region segment, responsible for the production and distribution of beer in Southeast China region
- Hong Kong, Macau and other overseas region segment, responsible for the distribution of beer in Hong Kong , Macau and other overseas regions
- Finance Company segment, 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 2018

(All amounts in RMB Yuan unless otherwise stated)

7 Segment information (continued)

(a) Segment information as at and for the year ended 31 December 2018 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	15,392,675,579	2,336,052,494	4,543,411,184	2,855,585,969	777,568,838	662,385,219	5,222,751	2,353,171	—	26,575,255,205
Inter-segment revenue	2,592,813,166	868,176,052	1,403,271,206	131,367,782	6,521,749	140,923,147	35,662,834	600,767	(5,179,336,703)	—
Cost of sales	(12,010,293,924)	(2,196,695,789)	(3,929,801,262)	(2,315,079,748)	(656,984,581)	(552,247,921)	(47,178)	(884,204)	5,106,259,628	(16,555,774,979)
Selling and distribution expenses	(2,840,201,184)	(489,854,239)	(697,956,495)	(575,848,356)	(146,570,735)	(118,403,493)	—	—	—	(4,868,834,502)
Interest income	45,849,724	12,373,953	39,018,141	6,265,791	1,511,571	4,635,120	529,875,446	71,651,640	(174,505,758)	536,675,628
Interest expenses	(8,484,139)	(5,485,241)	(13,263,541)	(14,372,342)	—	(7,007,431)	(177,927,522)	—	212,832,740	(13,707,476)
Share of profit of associates and a joint venture	—	—	—	—	—	—	—	16,615,487	—	16,615,487
Credit impairment reversals/(losses)	599,920	(11,751)	83,992	(35,309)	41,689	(121,635)	(1,314,203)	31,329,200	(29,260,295)	1,311,608
Asset impairment losses	(20,037,878)	(36,624,812)	(17,235,063)	(71,720,811)	(1,414,190)	—	—	(265,895,228)	265,895,228	(147,032,754)
Depreciation and amortisation	(501,197,452)	(175,975,595)	(203,899,533)	(176,651,183)	(38,375,206)	(2,167,699)	(789,594)	(54,371,300)	—	(1,153,427,562)
Total profit/(losses)	1,710,475,167	107,792,928	704,434,989	(411,273,768)	(93,378,218)	137,468,140	436,289,364	(415,139,857)	203,098,121	2,379,766,866
Income tax expense	(401,796,078)	(31,774,318)	(179,442,288)	(7,206,103)	(65,280,582)	(33,887,537)	(108,722,066)	—	9,353,560	(818,755,412)
Net profit/(losses)	1,308,679,089	76,018,610	524,992,701	(418,479,871)	(158,658,800)	103,580,603	327,567,298	(415,139,857)	212,451,681	1,561,011,454
Total assets	13,138,710,670	3,861,847,288	6,419,278,995	3,135,373,614	823,900,170	664,201,416	14,250,644,362	7,184,406,255	(15,322,018,520)	34,075,265,005
Total liabilities	8,203,497,988	1,844,903,684	4,246,256,703	2,507,581,724	510,101,122	767,959,169	12,343,083,381	283,948,367	(15,322,018,520)	15,385,313,618
Non-cash expenses other than depreciation and amortisation	14,246,903	388,238	7,151,885	129,248	17,657	—	—	—	—	21,933,931
Long-term equity investments in associates and a joint venture	—	—	—	—	—	—	—	370,486,200	—	370,486,200
Additions of non-current assets (i)	200,000,596	70,198,196	294,318,614	68,736,251	24,466,859	2,041,653	1,963,349	49,521,471	(3,644,021)	707,602,968

(i) Non-current assets do not include financial assets, long-term equity investments and deferred tax assets.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

7 Segment information (continued)

(b) 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 losses 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.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

7 Segment information (continued)

(c) 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	2018	2017
Domestic	25,905,104,057	25,539,177,885
Hong Kong and Macau	217,980,681	261,987,116
Other overseas regions	452,170,467	475,886,683
	26,575,255,205	26,277,051,684
	31 December	31 December
Total non-current assets	2018	2017
Domestic	15,096,502,165	15,754,162,727
Hong Kong and Macau	10,837,256	11,071,550
	15,107,339,421	15,765,234,277

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

(3) Information of other related parties

	Relationship with the Group
Tsingtao Brewery Group Co., Ltd. ("Tsingtao Group")	Majority shareholder of the Company
Fosun Group (i)	Majority shareholder of the Company
Asahi Group Holdings Co., Ltd ("Asahi Group") (i)	Previous majority shareholder of the Company
Asahi Breweries, Ltd. ("Asahi Breweries") (i)	Subsidiary of Asahi Group
Asahi Beer (China) Investment Co., Ltd. ("Asahi Investment") (i)	Subsidiary of Asahi Group

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

8 Related parties and related party transactions (continued)

(3) Information of other related parties (continued)

- (i) As at 20 December 2017, Asahi group with 5 subsidiaries of Fosun International Co., Ltd. (“Fosun Group”) signed the share transfer agreement, and would 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 an equity transfer agreement with Tsingtao Group and its subsidiary Hong Kong Xinhaisheng Investment Development Co., Ltd. (“Xinhaisheng”), and would transfer 27,019,600 H shares of the Company (approximately 1.99% of the Company’s share capital) to Xinhaisheng. As at 19 March 2018, the share transfer agreement mentioned above has been completed. Fosun Group becomes major shareholder of the Company and Asahi Group holds no shares in the Company. The related transaction amount among Asahi Breweries, Asahi Investment and the Group for the Year ended 31 December 2018 stated in Note 8(4) is the amount incurred from 1 January 2018 to 19 March 2018. The transactions of Asahi Breweries, Asahi Investment, and Yantai Asahi with the Group during the period from 1 January 2018 to 19 March 2018 are continuing connected transactions disclosed in compliance with the requirements of Chapter 14A of Hong Kong Stock Exchange Securities Listing Rules.

(4) Related party transactions

(a) Purchases of goods and receiving services

Name of related party	Nature of transaction	Pricing policies	2018	2017
Yantai Asahi	Purchase of beer	Mutually-agreed prices and approval by Board of Directors	717,560,149	633,755,622
Hebei Jiahe Company	Purchase of beer	Mutually-agreed prices	324,637,095	299,803,086
Zhaoshang Logistics	Receiving logistics service (including payment on behalf)	Mutually-agreed prices	237,263,366	228,610,182
			<u>1,279,460,610</u>	<u>1,162,168,890</u>

(b) Sales of goods and providing services

Name of related party	Nature of transaction	Pricing policies	2018	2017
European Company	Sale of beer and materials	Mutually-agreed prices	59,150,974	55,437,312
Liaoning Shenqing	Sale of beer and materials	Mutually-agreed prices	48,931,229	43,945,714
Asahi Breweries	Sales and commissioned processing of beer	Mutually-agreed prices and approval by Board of Directors	6,337,902	46,783,227
Asahi Investment	Sales and commissioned processing of beer	Mutually-agreed prices and approval by Board of Directors	1,428,027	10,224,237
			<u>115,848,132</u>	<u>156,390,490</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

8 Related parties and related party transactions (continued)

(4) Related party transactions (continued)

(c) Absorbed deposits from related parties

	2018	2017
Yantai Asahi	<u>828,770,259</u>	<u>752,891,751</u>

(d) Interest expense paid to related parties

	2018	2017
Yantai Asahi	<u>47,171</u>	<u>31,475</u>

(e) Financial services fee received from related parties

	2018	2017
Yantai Asahi	<u>15,193</u>	<u>13,890</u>

(f) Key management compensation

	2018	2017
Key management compensation paid	<u>7,531,337</u>	<u>8,074,949</u>

(g) For the year ended 31 December 2018 and 2017, there is no loan provided to the key management from the Group.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

8 Related parties and related party transactions (continued)

(5) Receivable and payable balances with related parties

Receivables from related parties:

		31 December 2018		31 December 2017	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Notes receivable and accounts receivable	Beijing Sales Company	11,245,784	(11,245,784)	11,245,784	(11,245,784)
	European Company	9,201,895	—	14,129,340	—
	Guangzhou General Agency	509,690	(509,690)	2,509,690	(2,509,690)
	Asahi Breweries	—	—	3,430,707	—
	Asahi Investment	—	—	843,821	—
		<u>20,957,369</u>	<u>(11,755,474)</u>	<u>32,159,342</u>	<u>(13,755,474)</u>

Payables to related parties:

		31 December 2018	31 December 2017
Notes payable and accounts payable	Yantai Asahi	78,478,233	71,317,118
	Hebei Jiahe Company	4,521,725	2,511,913
		<u>82,999,958</u>	<u>73,829,031</u>
Other payables	Zhaoshang Logistics	47,400,051	37,767,220
	Yantai Asahi	18,625,074	9,305,035
	Liaoning Shenqing	—	3,885,852
		<u>66,025,125</u>	<u>50,958,107</u>
Advances from customers	Liaoning Shenqing	—	3,477,346
Contract liabilities	Liaoning Shenqing	28,071,401	—
	European Company	103,538	—
		<u>28,174,939</u>	<u>—</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(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 paid to every director, supervisor and CEO for the year ended 31 December 2018 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:						
Huang Kexing (i)	—	565,700	55,961	22,074	—	643,735
Fan Wei (ii)	—	509,057	55,961	22,074	—	587,092
Yu Zhuming	—	461,140	55,961	22,074	—	539,175
Wang Ruiyong (iii)	—	450,642	55,961	22,074	—	528,677
Sun Mingbo (iv)	—	403,435	27,981	10,608	—	442,024
Non-executive director:						
Yasutaka Sugiura (xi)	—	—	—	—	—	—
Tang Bin (v)	—	—	—	—	—	—
Independent directors:						
Yu Zengbiao	120,000	—	—	—	—	120,000
Ben Shenglin	120,000	—	—	—	—	120,000
Jiang Min	120,000	—	—	—	—	120,000
Wang Xuezheng (vi)	60,000	—	—	—	—	60,000
Jiang Xinglu (vii)	60,000	—	—	—	—	60,000
Supervisors:						
Li Gang	120,000	—	—	—	—	120,000
Wang Yaping	80,000	—	—	—	—	80,000
Li Yan	80,000	—	—	—	—	80,000
Yu Jiaping (viii)	—	450,642	55,961	22,074	—	528,677
Sun Lihong	—	393,839	55,961	22,074	—	471,874
Xing Jun	—	352,214	55,961	22,074	—	430,249
Xue Chaoshan (ix)	—	255,100	27,981	10,608	—	293,689
Yao Yu (x)	—	—	—	—	—	—
Ryoichi Kitagawa (xi)	—	—	—	—	—	—
	<u>760,000</u>	<u>3,841,769</u>	<u>447,689</u>	<u>175,734</u>	—	<u>5,225,192</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(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) Appointed as chairman and resigned from president of the Company on 17 May 2018.
- (ii) Appointed as president of the Company on 17 May 2018.
- (iii) Appointed as executive director on 28 June 2018.
- (iv) Resigned from chairman on 17 May 2018.
- (v) Appointed as non-executive director on 28 June 2018 and did not receive emoluments from the Company.
- (vi) Resigned from independent director on 28 June 2018.
- (vii) Appointed as independent director on 28 June 2018.
- (viii) Appointed as the supervisor of employees on 28 June 2018.
- (ix) Resigned from the supervisor of employees on 28 June 2018.
- (x) Appointed as the supervisor of shareholders on 28 June and did not receive emoluments from the Company.
- (xi) In 2018, the non-executive director, Yasutaka Sugiura, and the supervisor of shareholders, Ryoichi Kitagawa, did not receive emoluments from the Company. As it stated in Note 8(3)(i), 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.

In 2018, the executive directors (including Huang Kexing, Fan Wei, Yu Zhuming and Wang Ruiyong) and the supervisors (including Yu Jiaping, Sun Lihong, Xing Jun and Xue Chaoshan) 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 cannot 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 2018

(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)

The remuneration paid to 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>—</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 cannot 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 2018

(All amounts in RMB Yuan unless otherwise stated)

8 Related parties and related party transactions (continued)

(6) Benefits and interests of directors (continued)

- (b) For the year ended 31 December 2018, there are no termination benefits for the directors (2017: nil).
- (c) For the year ended 31 December 2018, there is no consideration provided to third parties for obtaining available directors' services (2017: nil).
- (d) For the year ended 31 December 2018, 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 (2017: 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 2018 (2017:nil).

(7) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 3 (2017: 3) directors whose emoluments are reflected in the analysis shown in the table above. The emoluments paid to the remaining 2 (2017: 2) individuals during the year are as follows:

	2018	2017
Salary, bonus and allowance	2,910,073	2,581,460
Social pension	111,923	103,222
Housing funds	44,148	40,548
	<u>3,066,144</u>	<u>2,725,230</u>
	Number of individuals	
	2018	2017

Emoluments bands:

HKD500,000 — 1,000,000 (equivalent to approximately RMB440,000 — 880,000)	1	1
HKD2,500,000 — 3,000,000 (equivalent to approximately RMB2,200,000 — 2,6400,000)	1	1

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

9 Commitments

(1) Capital commitments

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

	31 December 2018	31 December 2017
Buildings, machinery and equipment	<u>208,567,730</u>	<u>245,204,859</u>

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating lease contracts are summarised as follows:

	31 December 2018	31 December 2017
Within one year	32,506,214	25,082,760
1 to 2 years	7,335,839	7,376,875
2 to 3 years	3,773,671	4,501,889
More than 3 years	<u>3,276,893</u>	<u>7,123,808</u>
	<u>46,892,617</u>	<u>44,085,332</u>

10 Events after the balance sheet date

(1) Dividends distribution after the balance sheet date

	Amount
Dividends proposed	<u>648,471,742</u>

In accordance with the resolution at the Board of Directors' meeting dated on 28 March 2019, the Board of Directors proposed a dividend of 648,471,742 to the shareholders, which is not recorded as liability in the financial statements for the current year (Note 4(33)).

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

11 Lease

For the year ended 31 December 2018, there is no financing lease (2017: nil). Operating lease payments recognised in profit or loss for the current year amount to 118,836,523 (2017: 142,110,749).

12 Financial instrument and risk

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (primarily foreign exchange risk, interest rate risk and other price risk). The financial risk mentioned above and risk management policies adopted by the Group to reduce the risk are as follows:

The Board of Directors is responsible for planning and establishing risk management framework of the Group, formulating risk management policies and related guidelines of the Group and supervising the implementation of risk management measures. The Group has developed risk management policies to identify and analyse risks faced by the Group. These risk management policies explicitly stipulate specific risks, covering the management of market risks, credit risks, liquidity risk and many other aspects. The Group assesses the changes of market environment and the Group's operating activities regularly to determine whether the policies and systems of risk management should be updated. The Group's risk management is launched by relevant departments in accordance with the policies approved by the board of directors. These departments identifies, evaluates and avoids related risks through close cooperation with other business departments of the Group. Internal audit department of the Group conducts regular inspections on the control and procedures of risk management, and reports the result to the audit committee of the Group.

(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 2018 and 2017, the Group did not enter into any forward exchange contracts or currency swap contracts.

Notes to Financial Statements

For the Year Ended 31 December 2018

(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 2018 and 2017, the carrying amounts in RMB equivalent to the Group's assets and liabilities denominated in foreign currencies are summarised as below:

	31 December 2018		
	USD	Other foreign currencies	Total
Financial assets denominated in foreign currency —			
Cash at bank and on hand	251,420,625	72,732,157	324,152,782
Receivables	34,522,562	10,785,101	45,307,663
	<u>285,943,187</u>	<u>83,517,258</u>	<u>369,460,445</u>
Financial liabilities denominated in foreign currency —			
Other payables	5,088,418	—	5,088,418
Current portion of non-current liabilities	—	420,320	420,320
Long-term borrowings	—	630,480	630,480
	<u>5,088,418</u>	<u>1,050,800</u>	<u>6,139,218</u>
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
Receivables	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 —			
Short-term borrowings	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>

As at 31 December 2018, for various financial assets and liabilities denominated in USD with a recording currency of RMB, 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 8,426,000 (31 December 2017: 9,512,000) higher or lower.

Notes to Financial Statements

For the Year Ended 31 December 2018

(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 2018 and 2017, as the long-term bank borrowings are all interest-free and immaterial(Note 4(24)), 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 interest payments on the Group's outstanding interest-bearing debt at floating rate and therefore could have an adverse impact on the Group's financial performance. The management of the Group will make timely adjustments 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.

As at 31 December 2018, if the borrowing rate calculated at the floating rate rose or fell by 50 basis points and other factors remained unchanged, the Group's net profit would decrease or increase by approximately RMB927,000 (31 December 2017: approximately RMB885,000).

(c) Other price risk

Other price risk of the Group mainly arises from the investment of equity instruments, where risk of price changes exists. As at 31 December 2018 and 31 December 2017, the amount of equity instruments of the Group is insignificant, and the directors of the Company consider that there is no significant price risk.

(2) Credit risk

The Group's credit risk mainly arises from cash at bank and on hand, notes receivable and accounts receivable and other receivables etc. At the balance sheet date, the carrying amount of the Group's financial assets represented its maximum credit exposure.

The Group expects that there is no significant credit risk associated with cash at bank considering they are deposited at joint-stock commercial banks with high credit rating. Management does not expect that there will be any significant credit 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 dealers 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 dealers is regularly monitored by the Group. In respect of dealers 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.

As at 31 December 2018, the Group holds no significant collateral and other credit enhancements because of the debtor's mortgage.

Notes to Financial Statements

For the Year Ended 31 December 2018

(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 Group 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 2018			
	Within 1 year	1 to 2 years	2 to 5 years	Total
Short-term borrowings	298,371,360	—	—	298,371,360
Notes payable and accounts payable	2,572,424,544	—	—	2,572,424,544
Other payables	2,112,963,113	—	—	2,112,963,113
Current portion of non-current liabilities	420,320	—	—	420,320
Long-term borrowings	—	420,320	210,160	630,480
	<u>4,984,179,337</u>	<u>420,320</u>	<u>210,160</u>	<u>4,984,809,817</u>

	31 December 2017			
	Within 1 year	1 to 2 years	2 to 5 years	Total
Short-term borrowings	283,811,882	—	—	283,811,882
Notes payable and accounts payable	2,373,206,083	—	—	2,373,206,083
Other payables	5,184,870,253	—	—	5,184,870,253
Current portion of non-current liabilities	419,160	—	—	419,160
Long-term borrowings	—	419,160	628,740	1,047,900
	<u>7,842,307,378</u>	<u>419,160</u>	<u>628,740</u>	<u>7,843,355,278</u>

Bank borrowings are analysed by repayment terms as follows:

	31 December 2018	31 December 2017
Within 1 year	296,575,920	282,953,360
1 to 2 years	420,320	419,160
2 to 5 years	210,160	628,740
	<u>297,206,400</u>	<u>284,001,260</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(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 2018, 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	156,238,354	—	156,238,354
Financial assets at fair value through profit or loss			
— Wealth management products with floating income	—	1,046,306,137	1,046,306,137
Financial assets at fair value through profit or loss			
— Equity instrument investment	—	600,000	600,000
	<u>156,238,354</u>	<u>1,046,906,137</u>	<u>1,203,144,491</u>

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 with floating income	—	628,145,315	628,145,315
	<u>130,115,254</u>	<u>628,145,315</u>	<u>758,260,569</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 this year.

Notes to Financial Statements

For the Year Ended 31 December 2018

(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:

	31 December 2017	Changes in accounting policies	1 January 2018	Purchase	Disposal	Total current profits — Profits accrued to current profit or loss (a)	31 December 2018	Assets still held on 31 December 2018 are recognized as movement on unrealized gains of profit or loss for the Year ended 31 December 2018 — Profit or loss from changes in fair value
Financial assets								
Financial assets held for trading								
— Wealth management products	—	628,145,315	628,145,315	1,600,000,000	(1,208,145,315)	50,564,927	1,046,306,137	26,306,137
			1 January 2017	Purchase	Disposal	Total current profits — Profits accrued to current profit or loss	31 December 2017	
Financial assets								
Available-for-sale financial assets								
— Wealth management products			720,000,000	1,700,000,000	(1,800,000,000)	36,539,071	628,145,315	

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

13 Fair value estimation (continued)

(1) Assets measured at fair value on a recurring basis (continued)

- (a) Gains recognized in the current profit and loss is included in the income statement under the items of profit arising from changes in fair value and investment income respectively.

For the level 3 financial assets stated above, the management uses the income method to evaluate the future cash flow to determine its fair value.

(2) 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 notes receivable and accounts receivable, other receivables, debt investment, 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 at 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.

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 2018, 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 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Cash and cash equivalents	<u>11,653,288,328</u>	<u>9,101,908,887</u>
Less: Short-term borrowings	(296,155,600)	(282,534,200)
Current portion of non-current liabilities	(420,320)	(419,160)
Long-term borrowings	<u>(630,480)</u>	<u>(1,047,900)</u>
	<u>(297,206,400)</u>	<u>(284,001,260)</u>
Cash balance after deducting borrowings	<u>11,356,081,928</u>	<u>8,817,907,627</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements

(1) Notes receivable and accounts receivable

	31 December 2018	31 December 2017
Notes receivable (Note 4(3)(a))	53,801,550	39,850,000
Accounts receivable (a)	1,111,186,119	922,481,180
	<u>1,164,987,669</u>	<u>962,331,180</u>

(a) Accounts receivable

	31 December 2018	31 December 2017
Accounts receivable	1,172,669,870	985,901,210
Less: Provision for bad debts	<u>(61,483,751)</u>	<u>(63,420,030)</u>
	<u>1,111,186,119</u>	<u>922,481,180</u>

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

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

	31 December 2018	31 December 2017
Within 1 year	877,370,179	766,992,485
1 to 2 years	125,801,728	110,618,308
2 to 3 years	74,871,197	29,170,538
3 to 4 years	18,726,221	11,792,286
4 to 5 years	10,582,155	9,205
Over 5 years	<u>65,318,390</u>	<u>67,318,388</u>
	<u>1,172,669,870</u>	<u>985,901,210</u>

(ii) As at 31 December 2018, 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>465,385,945</u>	<u>—</u>	40%

(iii) As at 31 December 2018, there are no accounts receivable derecognized due to the transfer of financial assets (31 December 2017: nil).

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(1) Notes receivable and accounts receivable (continued)

(b) Provision for bad debts

	31 December 2018	31 December 2017
Provision for bad debts of accounts receivable	<u>(61,483,751)</u>	<u>(63,420,030)</u>

For notes receivable and accounts receivable, irrespective of whether there is significant financing component, the Company measures loss provision according to the expected credit loss of the lifetime.

- (i) As at 31 December 2018, accounts receivable with amounts that are individually subject to separate assessment for provision are analysed as follows:

	Ending balance	Lifetime ECL ratio	Provision for bad debts	Reason
Beijing Sales Company	11,245,784	100%	(11,245,784)	Notes 4(3)(c)
Guangzhou General Agency	<u>509,690</u>	100%	<u>(509,690)</u>	Notes 4(3)(c)
	<u>11,755,474</u>		<u>(11,755,474)</u>	

- (ii) As at 31 December 2018, accounts receivable on the grouping basis are analysed as follows:

Group — Bank acceptance notes

As at 31 December 2018, the Company recognises provision for bad debts on the basis of ECL in their lifetime. The Company considers the bank acceptance notes held have no significant credit risk and will not cause significant losses due to the bank default, thus no provision for bad debts is recognised.

Group — Subsidiaries

As at 31 December 2018, accounts receivable from subsidiaries of the Company is 1,065,820,373. The Company believes there is no significant credit risk, thus no provision for bad debts is recognised.

Group — Dealers

	31 December 2018		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL ratio	Amount
Not overdue	44,375,282	—	—
Overdue 1-30 days	1,042,594	5%	(52,130)
Overdue 2 years	<u>49,676,147</u>	100%	<u>(49,676,147)</u>
	<u>95,094,023</u>		<u>(49,728,277)</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(1) Notes receivable and accounts receivable (continued)

(b) Provision for bad debts (continued)

- (iii) The provisions for bad debts in the current year are 63,721. The reversal of provisions for bad debts as well as corresponding carrying amount are 2,000,000 (Note 4(3)(c)(iii)). In the current year, there is no accounts receivable written off.

(2) Other receivables

	31 December 2018	31 December 2017
Dividends receivable from subsidiaries	403,880,000	271,593,000
Receivables from subsidiaries	117,446,821	124,211,413
Interests receivable	31,132,653	21,499,661
Receivables of refundable cost of land and buildings	17,441,647	17,441,647
Reservation fund	11,643,526	11,817,087
Guarantee deposits	2,785,573	5,389,721
Others	26,505,994	23,318,114
	<u>610,836,214</u>	<u>475,270,643</u>
Less: Provision for bad debts	<u>(42,090,211)</u>	<u>(41,975,857)</u>
	<u>568,746,003</u>	<u>433,294,786</u>

(a) Movement in provision for bad debts and carrying amount

	Stage one		Stage three		Total
	Next 12 months ECL (Groups)		Lifetime ECL (Credit impairment losses already occurred)		
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts	Provision for bad debts
31 December 2017	2,367,500	(1,149,549)	40,826,308	(40,826,308)	(41,975,857)
Increase in the current year	6,555,957	(354,612)	—	(733,648)	(1,088,260)
Reversals in the current year	(7,076,311)	724,706	(249,200)	249,200	973,906
Transfer to stage three	(1,467,296)	733,648	1,467,296	(733,648)	—
31 December 2018	<u>379,850</u>	<u>(45,807)</u>	<u>42,044,404</u>	<u>(42,044,404)</u>	<u>(42,090,211)</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(2) Other receivables (continued)

(a) Movement in provision for bad debts and carrying amount (continued)

(i) As at 31 December 2018, provisions for bad debts of other receivables in stage one are analysed as follows:

	Ending balance	ECL ratio for the next 12 months	Provision for bad debts
Dividends from subsidiaries	403,880,000	—	—
Receivables from subsidiaries	117,446,821	0% - 0.5%	—
Interests receivable	31,132,653	—	—
Receivables from other entities	<u>16,332,336</u>	<u>0% - 1%</u>	<u>(45,807)</u>
	<u>568,791,810</u>		<u>(45,807)</u>

(ii) As at 31 December 2018, the Company has no other receivables in stage two.

(iii) As at 31 December 2018, provisions for bad debts of other receivables in stage three are analysed as follows:

	Ending balance	Lifetime ECL ratio	Provision for bad debts	Reason
Subject to separate assessment for provision:				
Receivables of refundable cost of land use rights and building	17,441,647	100%	(17,441,647)	Notes 4(5)(a)(iii)
Subject to provision on the grouping basis:				
Receivables from other entities	<u>24,602,757</u>	100%	<u>(24,602,757)</u>	Notes 4(5)(a)(iii)
	<u>42,044,404</u>		<u>(42,044,404)</u>	

(b) The provisions for bad debts in the current year are 1,088,260. The reversals of provision for bad debts and their carrying amount are 973,906, no other receivables and provisions for bad debts are written off.

(c) As at 31 December 2018, the top five other receivables are analysed as follows:

	Nature	Amount	Ageing	% of total balance	Provision for bad debts
No.1	Dividends receivable	300,000,000	Within 6 months	49%	—
No.2	Dividends receivable	50,000,000	Within 6 months	9%	—
No.3	Payment on behalf for recycling bottles	49,440,774	Within 5 years	8%	—
No.4	Interests receivable	30,940,753	Within 6 months	5%	—
No.5	Dividends receivable	<u>25,000,000</u>	Within 6 months	<u>4%</u>	<u>—</u>
		<u>455,381,527</u>		<u>75%</u>	<u>—</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(3) Inventories

	31 December 2018			31 December 2017		
	Ending balance	Provision	Carrying amount	Ending balance	Provision	Carrying amount
Raw materials	229,241,812	—	229,241,812	240,011,066	—	240,011,066
Packaging materials	46,757,337	(662,025)	46,095,312	59,355,283	(662,025)	58,693,258
Low-value consumables	32,890,074	—	32,890,074	26,613,973	—	26,613,973
Materials on consignment for further processing	—	—	—	7,843,381	—	7,843,381
Work in progress	77,389,896	—	77,389,896	79,729,823	—	79,729,823
Finished goods	661,406,182	—	661,406,182	383,315,541	—	383,315,541
	<u>1,047,685,301</u>	<u>(662,025)</u>	<u>1,047,023,276</u>	<u>796,869,067</u>	<u>(662,025)</u>	<u>796,207,042</u>

(4) Debt investment

	31 December 2018	31 December 2017
Entrusted loans to subsidiaries	<u>158,300,000</u>	<u>—</u>
Less: Debt investment impairment provisions	<u>(55,000,000)</u>	<u>—</u>
	<u>103,300,000</u>	<u>—</u>

The entrusted loans to subsidiaries are unsecured RMB loans provided by the Company through banks or Finance Company, with annual interest of 3.9% and quarterly payment. The impacts of the new financial instruments standard to presentation are disclosed in Note 2(28)(c)(ii).

(5) Long-term equity investments

	31 December 2018	31 December 2017
Subsidiaries (a)	<u>10,988,857,675</u>	<u>10,653,857,675</u>
Joint venture (b)	<u>228,842,662</u>	<u>233,097,635</u>
Associates (c)	<u>141,542,145</u>	<u>141,751,363</u>
	<u>11,359,242,482</u>	<u>11,028,706,673</u>
Less: Provision for impairment of long-term equity investments (d)	<u>(1,260,373,287)</u>	<u>(994,478,059)</u>
	<u>10,098,869,195</u>	<u>10,034,228,614</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(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 2017	Movements in the current year — Increased investment	31 December 2018	Provision for impairment recognised in the current year	Balance of provision for impairment at end of year	Cash dividends declared in the current year (ii)
Shenzhen Asahi	126,746,680	—	126,746,680	—	—	(80,510,000)
Chenzhou Company	62,601,208	—	62,601,208	—	—	(10,000,000)
Huanan Sales Company	45,070,000	—	45,070,000	—	—	—
Huanan Holding Company	208,790,000	—	208,790,000	—	—	(50,000,000)
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	—	—	(400,000,000)
Weinan Company	14,000,000	—	14,000,000	—	—	(14,000,000)
Anshan Company	30,000,000	—	30,000,000	—	—	—
Xingkaihu Company	199,430,000	—	199,430,000	—	(129,430,000)	—
Mishan Company	118,520,000	—	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	—	—	—
Qingdao Xianghong Shangwu Co., Ltd.	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	—	—	(49,930,000)
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	—	—	(20,000,000)
Rizhao Company	339,239,300	—	339,239,300	—	—	(25,800,000)
Weifang Company	73,620,001	—	73,620,001	—	—	(16,320,000)
Dezhou Company	21,730,001	—	21,730,001	—	—	—
Construction Company	2,490,000	—	2,490,000	—	—	(20,000,000)

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For the Year Ended 31 December 2018

(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 (continued)

	31 December 2017	Movements in the current year — Increased investment	31 December 2018	Provision for impairment recognised in the current year	Balance of provision for impairment at end of year	Cash dividends declared in the current year (ii)
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	—	—	(33,000,000)
Tsingtao Brewery (Shanghai) Co., Ltd.	1,570,000	—	1,570,000	—	—	—
Wuhu Company (i)	144,290,000	75,000,000	219,290,000	(75,000,000)	(219,290,000)	—
Shanghai Sales Company	97,300,000	—	97,300,000	—	(47,300,000)	—
Chengyang Sales Company	8,000,000	—	8,000,000	—	—	(53,940,000)
Shijiazhuang Company	321,010,000	—	321,010,000	—	—	(65,690,000)
Taiyuan Company	200,000,000	—	200,000,000	—	—	(69,320,000)
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 Beverage Company	150,000,000	—	150,000,000	—	—	(14,300,000)
Shaoquan Company	30,044,252	—	30,044,252	—	—	—
Electronic Commerce Company	200,000,000	—	200,000,000	—	—	—
Jiujiang Company	8,000,000	—	8,000,000	—	—	—
Xuzhou Enterprise Management	180,000,000	—	180,000,000	—	—	—
Pingdu Sales Company	10,000,000	—	10,000,000	—	(10,000,000)	(20,690,000)
Luoyang Company	5,000,000	—	5,000,000	—	—	(163,050,000)
Shanghai Industrial Company	200,000,000	—	200,000,000	—	—	(50,000,000)
Luzhou Company	200,895,228	—	200,895,228	(190,895,228)	(200,895,228)	—
Tsingtao Brewery Harbin Sales Company	118,460,956	—	118,460,956	—	—	—
Zhangjiakou Company (i)	1,100,000	—	1,100,000	—	(1,100,000)	—
Lulansa Company	91,600,000	60,000,000	151,600,000	—	—	—
Huangshi Company	317,374,000	—	317,374,000	—	—	—
Yingcheng Company	163,630,000	—	163,630,000	—	—	(23,000,000)
Hanzhong Company	42,070,000	—	42,070,000	—	—	—
Shanghai Investing Company	26,297,900	—	26,297,900	—	—	—
Yangzhou Company	1,920,654,039	—	1,920,654,039	—	—	—
Suqian Company	100,000,000	—	100,000,000	—	—	—
Yangpu Company (i)	75,000,000	—	75,000,000	—	—	—
	—	200,000,000	200,000,000	—	—	—
	10,653,857,675	335,000,000	10,988,857,675	(265,895,228)	(1,259,153,287)	(1,189,550,000)

Notes to Financial Statements

For the Year Ended 31 December 2018

(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 (continued)

- (i) According to the decision of the board of directors of the Company, the Company increased investment of 75,000,000 in cash in Wuhu Company; investment of 60,000,000 in cash in Zhangjiakou Company and investment of 200,000,000 in cash in Yangpu Company. As at 31 December 2018, the changes of industrial and commercial registration of the subsidiaries mentioned above has been completed.
- (ii) The cash dividends declared this year are distributed to all shareholders of the Company.

(b) Joint venture

	Movements in the current year				31 December 2018	Balance of provision for impairment at end of year
	31 December 2017	Share of net profit or loss using the equity method	Other equity changes	Cash dividends declared		
Hebei Jiahe Company	233,097,635	3,015,027	—	(7,270,000)	228,842,662	—

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

(c) Associates

	Movements in the current year				31 December 2018	Balance of provision for impairment at end of year
	31 December 2017	Share of net profit or loss using the equity method	Other equity changes	Cash dividends declared		
Yantai Asahi	128,899,610	10,192,647	—	(10,533,170)	128,559,087	—
Zhaoshang Logistics	10,773,958	3,883,549	4,800	(2,989,364)	11,672,943	—
Liaoning Shenqing	857,795	(767,680)	—	—	90,115	—
Others	1,220,000	—	—	—	1,220,000	(1,220,000)
	141,751,363	13,308,516	4,800	(13,522,534)	141,542,145	(1,220,000)

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

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(5) Long-term equity investments (continued)

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

	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
Subsidiaries (i)	(993,258,059)	(265,895,228)	—	(1,259,153,287)
Associates	<u>(1,220,000)</u>	<u>—</u>	<u>—</u>	<u>(1,220,000)</u>
	<u>(994,478,059)</u>	<u>(265,895,228)</u>	<u>—</u>	<u>(1,260,373,287)</u>

(i) In 2018, long-term equity investments of the Company in Shanghai Industrial Company and Wuhu Company are recognised impairment provision of 190,895,228 and 75,000,000 respectively.

(6) Fixed assets

	31 December 2018	31 December 2017
Fixed assets (a)	2,082,283,504	2,194,016,459
Fixed assets pending for disposal (b)	<u>48,211</u>	<u>1,686,474</u>
	<u>2,082,331,715</u>	<u>2,195,702,933</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(6) Fixed assets (continued)

(a) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Other equipment	Total
Original cost					
31 December 2017	1,203,704,309	2,522,824,906	97,232,221	353,338,209	4,177,099,645
Increases in the current year	49,934,642	63,794,563	1,887,989	18,682,271	134,299,465
Purchase	—	2,953,920	1,887,989	18,682,271	23,524,180
Transfer from construction in process	49,934,642	60,840,643	—	—	110,775,285
Decreases in the current year	(45,237,344)	(114,361,243)	(4,897,309)	(12,012,910)	(176,508,806)
Disposal	(19,475,230)	(19,861,336)	(4,897,309)	(12,012,910)	(56,246,785)
Transfer to construction in process	(25,762,114)	(94,499,907)	—	—	(120,262,021)
31 December 2018	1,208,401,607	2,472,258,226	94,222,901	360,007,570	4,134,890,304
Accumulated depreciation					
31 December 2017	(310,256,594)	(1,327,144,141)	(62,387,419)	(253,226,869)	(1,953,015,023)
Increases in the current year — accrual	(30,689,888)	(126,897,523)	(6,478,072)	(31,958,770)	(196,024,253)
Decreases in the current year	26,237,507	87,783,977	4,243,525	11,125,238	129,390,247
Disposal	13,316,335	12,804,995	4,243,525	11,125,238	41,490,093
Transfer to construction in process	12,921,172	74,978,982	—	—	87,900,154
31 December 2018	(314,708,975)	(1,366,257,687)	(64,621,966)	(274,060,401)	(2,019,649,029)
Provision for impairment					
31 December 2017	(1,618,803)	(27,637,298)	(781,541)	(30,521)	(30,068,163)
Increases in the current year — accrual	—	(9,211,030)	(9,152)	(44,117)	(9,264,299)
Decreases in the current year — disposal	—	5,814,006	530,163	30,522	6,374,691
31 December 2018	(1,618,803)	(31,034,322)	(260,530)	(44,116)	(32,957,771)
Carrying amount					
31 December 2018	892,073,829	1,074,966,217	29,340,405	85,903,053	2,082,283,504
31 December 2017	891,828,912	1,168,043,467	34,063,261	100,080,819	2,194,016,459

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(6) Fixed assets (continued)

(a) Fixed assets (continued)

For the year ended 31 December 2018, the Company's fixed assets with carrying amount of 32,361,867 (cost of 120,262,021, accumulated depreciation of 87,900,154) are transferred to construction in progress to be upgraded due to the requirements of technology renewal.

As at 31 December 2018, there are no fixed assets pledged as collateral for borrowings (31 December 2017: nil).

For the year ended 31 December 2018, accrued depreciation are 196,024,253 (2017: 200,505,850), of which 170,017,815, 3,152,458, 20,206,797 and 2,647,183 (2017: 172,227,854, 3,579,699, 21,739,301 and 2,958,996) have been charged to cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses respectively.

The cost of fixed assets transferred from construction in progress amounts to 110,775,285 (2017: 125,415,181).

As at 31 December 2018, the ownership certificates of certain fixed assets (buildings) with carrying amount of approximately 25,866,000 have not been obtained by the Company (31 December 2017: 26,510,000) (Note 4(10)(a)).

(b) Fixed assets pending for disposal

	31 December 2018	31 December 2017
Machinery and equipment	<u>48,211</u>	<u>1,686,474</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(7) Intangible assets

	Land use rights	Trademarks	Marketing networks	Software and others	Totals
Original cost					
31 December 2017	277,450,986	190,345,726	320,907,803	362,696,253	1,151,400,768
Increase in the current year — purchase	—	—	—	36,222,856	36,222,856
Decrease in the current year — disposal	(15,099,000)	—	—	—	(15,099,000)
31 December 2018	262,351,986	190,345,726	320,907,803	398,919,109	1,172,524,624
Accumulated amortisation					
31 December 2017	(79,080,146)	(110,690,380)	(213,420,830)	(166,545,969)	(569,737,325)
Increase in the current year — accrual	(5,471,721)	(11,683,643)	(32,090,781)	(32,557,840)	(81,803,985)
Decrease in the current year — disposal	7,599,830	—	—	—	7,599,830
31 December 2018	(76,952,037)	(122,374,023)	(245,511,611)	(199,103,809)	(643,941,480)
Carrying amount					
31 December 2018	185,399,949	67,971,703	75,396,192	199,815,300	528,583,144
31 December 2017	198,370,840	79,655,346	107,486,973	196,150,284	581,663,443

For the year ended 31 December 2018, the amortisation amount of intangible assets is 81,803,985 (2017: 80,244,131).

As at 31 December 2018, there are no intangible assets pledged as collateral for borrowings (31 December 2017: nil).

For the year ended 31 December 2018, research and development expenditures of 19,755,502 (2017: 18,688,799) are recognised in profit or loss.

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(8) Provision for asset impairment and loss

	31 December 2017	Changes in accounting policies	1 January 2018	Increase in the current year	Decrease in the current year		31 December 2018
					Reversal	Written-off	
Provision for bad debt of notes receivable and accounts receivable	63,420,030	—	63,420,030	63,721	(2,000,000)	—	61,483,751
Including:							
Provision for bad debt recognized individually	13,755,474	—	13,755,474	—	(2,000,000)	—	11,755,474
Provision for bad debt recognized on grouping basis	49,664,556	—	49,664,556	63,721	—	—	49,728,277
Provision for bad debt of other receivables	41,975,857	—	41,975,857	1,088,260	(973,906)	—	42,090,211
Provision for bad debt of long- term receivables	85,500,000	(85,500,000)	—	—	—	—	—
Provision for bad debt of debt investment	—	85,500,000	85,500,000	3,000,000	(33,500,000)	—	55,000,000
Provision for bad debt of available-for-sale financial assets	4,385,261	(4,385,261)	—	—	—	—	—
Subtotal	<u>195,281,148</u>	<u>(4,385,261)</u>	<u>190,895,887</u>	<u>4,151,981</u>	<u>(36,473,906)</u>	<u>—</u>	<u>158,573,962</u>
Provisions for impairment of inventory	662,025	—	662,025	—	—	—	662,025
Provisions for impairment of long-term investment	994,478,059	—	994,478,059	265,895,228	—	—	1,260,373,287
Provisions for impairment of fixed assets	30,068,163	—	30,068,163	9,264,299	—	(6,374,691)	32,957,771
Subtotal	<u>1,025,208,247</u>	<u>—</u>	<u>1,025,208,247</u>	<u>275,159,527</u>	<u>—</u>	<u>(6,374,691)</u>	<u>1,293,993,083</u>
	<u>1,220,489,395</u>	<u>(4,385,261)</u>	<u>1,216,104,134</u>	<u>279,311,508</u>	<u>(36,473,906)</u>	<u>(6,374,691)</u>	<u>1,452,567,045</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(9) Capital surplus

	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
Share premium	4,190,058,186	—	—	4,190,058,186
Other capital surplus —	116,562,642	4,800	—	116,567,442
Share of changes in equity other than comprehensive income and profit distribution of investees accounted for using the equity method	(10,209,446)	4,800	—	(10,204,646)
Transfer from capital surplus recognised under the previous accounting system	123,006,624	—	—	123,006,624
Others	3,765,464	—	—	3,765,464
	<u>4,306,620,828</u>	<u>4,800</u>	<u>—</u>	<u>4,306,625,628</u>
	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
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 2018

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(10) Other comprehensive income

	Changes arising from re-measurement of defined benefit plan liabilities
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>
Movements for the year ended 31 December 2018	<u>(21,613,000)</u>
As at 31 December 2018	<u>(48,482,000)</u>

(11) Undistributed profits

	2018	2017
Undistributed profits at the beginning of the year	7,149,822,495	6,728,201,082
Add: Net profit in the current year	737,961,512	894,465,391
Less: Ordinary shares dividends payable	<u>(567,412,774)</u>	<u>(472,843,978)</u>
Undistributed profits at the end of the year	<u>7,320,371,233</u>	<u>7,149,822,495</u>

The dividends actual paid for the year ended 31 December 2018 and the dividends proposed but not paid at the end of the year are disclosed in Note 4(33).

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(12) Revenue and cost of sales

	2018	2017
Revenue from main operation (a)	17,381,291,814	16,292,990,739
Revenue from other operations (b)	1,303,865,330	1,240,721,312
	18,685,157,144	17,533,712,051
	2018	2017
Cost of main operation (a)	(13,690,582,706)	(12,073,791,069)
Cost of other operations (b)	(1,258,142,264)	(1,211,986,553)
	(14,948,724,970)	(13,285,777,622)

(a) Revenue and cost of main operation

	2018		2017	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sales of Beer	17,381,291,814	(13,690,582,706)	16,292,990,739	(12,073,791,069)

(b) Revenue and cost of other operations

	2018		2017	
	Revenue from other operations	Cost of other operations	Revenue from other operations	Cost of other operations
Sales of raw materials	1,294,188,935	(1,252,195,245)	1,228,480,383	(1,202,279,559)
Others	9,676,395	(5,947,019)	12,240,929	(9,706,994)
	1,303,865,330	(1,258,142,264)	1,240,721,312	(1,211,986,553)

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(13) Expenses by nature

The costs of sales, selling and distribution expenses, general and administrative expenses and research and development expenses classified by nature are as follows:

	2018	2017
Finished goods purchased from outside	10,285,233,588	8,723,878,071
Raw materials, packaging materials and consumables used	4,317,989,115	4,050,574,498
Employee benefits expenses	1,784,104,476	1,569,719,687
Handling and transportation expenses	992,167,967	877,677,316
Advertising related expenses	682,827,400	560,082,932
Depreciation and amortisation charges	279,533,224	285,942,648
Administrative expenses	128,496,999	123,386,118
Repair expenses	77,747,979	77,433,795
Operating lease payments	53,124,512	65,450,788
Labour expenses	23,007,705	22,851,529
Auditors' remuneration — audit service	8,094,340	8,094,340
Promotion related expenses (Note 2(28)(b))	—	585,026,428
Changes in inventories of finished goods, work in progress and materials on consignment for further processing	(275,750,714)	(42,016,523)
Other expenses	98,558,610	72,384,185
	<u>18,455,135,201</u>	<u>16,980,485,812</u>

(14) Finance expenses

	2018	2017
Interest income	(75,798,516)	(58,688,712)
Discounting impact of the long-term employee benefits payable	11,719,956	10,270,001
Exchange losses	4,036,304	5,959,130
Others	2,833,363	2,826,613
	<u>(57,208,893)</u>	<u>(39,632,968)</u>

(15) Asset impairment losses

	2018	2017
Reversal of bad debts	—	(88,461,382)
Impairment losses of long-term equity investments	265,895,228	238,890,000
Impairment losses of fixed assets	9,264,299	—
	<u>275,159,527</u>	<u>150,428,618</u>

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(16) Credit impairment losses

	2018	2017
Losses/(Reversals) of bad debts of notes receivable and accounts receivable	(1,936,279)	—
Losses of bad debts of other receivables	114,354	—
Losses/(Reversals) of impairment losses of debt investment	<u>(30,500,000)</u>	—
	<u>(32,321,925)</u>	—

(17) Investment income

	2018	2017
Investment income from long-term equity investment accounted for using the cost method (a)	1,137,050,010	983,299,600
Investment income from long-term equity investment accounted for using the equity method	16,323,543	20,280,331
Interest income from debt investment	<u>7,313,432</u>	<u>4,455,728</u>
	<u>1,160,686,985</u>	<u>1,008,035,659</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 declared by subsidiaries (Note 15(5)(a)).

Notes to Financial Statements

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (continued)

(18) Income tax expense

	2018	2017
Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax	90,842,368	119,522,004
Deferred income tax	<u>(109,989,519)</u>	<u>(44,730,395)</u>
	<u>(19,147,151)</u>	<u>74,791,609</u>

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the Company's financial statements to the income tax expense is as below:

	2018	2017
Total profit	<u>718,814,361</u>	<u>969,257,000</u>
Income tax expense calculated at applicable tax rates	179,703,590	242,314,250
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	29,865,983	47,031,681
Income not subject to tax	<u>(289,546,806)</u>	<u>(251,843,905)</u>
Impact of utilisation of deductible temporary differences from previously unrecognised deferred tax assets	<u>(9,234,497)</u>	<u>(608,913)</u>
Deductible temporary differences of currently unrecognised deferred tax assets	<u>70,064,579</u>	<u>37,898,496</u>
Income tax expense	<u>(19,147,151)</u>	<u>74,791,609</u>

Supplementary Information

For the Year Ended 31 December 2018

(All amounts in RMB Yuan unless otherwise stated)

1 Summary of non-recurring profit or loss

	2018	2017
Government grants recognised in profits	523,897,869	428,407,393
Employee arrangement expenses arising from capacity integration	(47,589,503)	—
Net profit or loss on disposal of non-current assets	10,339,068	(46,283,580)
Reversal of impairment provision for accounts receivable which impairment is provided individually	2,000,000	100,000
Other non-operating income and expenses other than aforesaid items	1,478,900	(11,401,578)
	<u>490,126,334</u>	<u>370,822,235</u>
Impact of income tax expense	(96,951,792)	(69,438,531)
Impact on the non-controlling interests, net of tax	(24,717,449)	(13,632,285)
	<u>368,457,093</u>	<u>287,751,419</u>

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

Under the requirements in Explanatory announcement No.1 on information disclosure by companies offering securities to the public — non-recurring profit or loss [2008] from CSRC, non-recurring profit or loss refer to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

2 Return on net assets and earnings per share

	Weighted average return on net assets		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	2018	2017	2018	2017	2018	2017
Net profit attributable to ordinary shareholders of the Company	8.10%	7.55%	1.053	0.935	1.053	0.935
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	6.00%	5.83%	0.780	0.722	0.780	0.722

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：

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
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	本公司第九屆董事會審計與內控委員會	Audit Committee	Means	Audit & Internal Control Committee under the 9th session of the Board
戰略委員會	指	本公司第九屆董事會戰略與投資委員會	Strategy Committee	Means	Strategy & Investment Committee under the 9th session of the Board
報告期	指	本公司截至2018年12月31日止年度	Reporting Period	Means	The year ended 31 December 2018
《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
財務公司	指	青島啤酒財務有限責任公司	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
深圳朝日	指	深圳青島啤酒朝日有限公司	Shenzhen Asahi	Means	Shenzhen Tsingtao-Asahi Co., Ltd.
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.
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.
復星集團	指	復星國際有限公司旗下五家實體公司	Fosun Group	Means	five entity companies under Fosun International Limited
復星國際	指	復星國際有限公司	Fosun International Limited	Means	Fosun International Limited

In this Report, the following expressions have the following respective meanings set adjacent below, unless the context requires otherwise:

公司資料 Company Information

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| <p>1. 中文名稱：青島啤酒股份有限公司</p> <p>2. 法定代表人：黃克興</p> <p>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
 1106室
 董事會秘書室</p> <p>郵政編碼：266071
 電話：86-532-85713831
 傳真：86-532-85713240</p> <p>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</p> <p>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</p> <p>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</p> <p>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</p> <p>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</p> | <p>1. English Name: Tsingtao Brewery Company Limited</p> <p>2. Legal Representative: HUANG Ke Xing</p> <p>3. Company Secretary: Zhang Rui Xiang
 Address: Secretarial Office of the Board
 Room 1106
 Tsingtao Beer Tower
 May Fourth Square
 Hong Kong Road Central, Qingdao,
 Shandong Province
 Postal Code: 266071
 Tel: 86-532-85713831
 Fax: 86-532-85713240</p> <p>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</p> <p>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</p> <p>6. Custodian of unlisted shares:
 Shanghai Branch of China Securities Depository and Clearing Corporation Limited</p> <p>7. Auditor: PricewaterhouseCoopers Zhong Tian LLP at 11/F PricewaterhouseCoopers Center, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai</p> <p>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</p> |
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青島啤酒

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青島啤酒股份有限公司
TSINGTAO BREWERY CO., LTD.



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