



青島啤酒股份有限公司 TSINGTAO BREWERY CO., LTD.

(Stock Code 股份代號 : 168)

年度報告
ANNUAL REPORT
2016



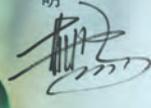
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青岛啤酒代言人：黄晓明



青岛纯生 鲜活人生

TSINGTAO DRAFT BEER
REFRESH YOUR LIFE

主演 黄晓明



新装上市



公司簡介 Company Profile

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

公司的經營範圍是啤酒製造、銷售以及與之相關的業務。目前公司在國內擁有62家全資和控股的啤酒生產企業，及2家聯營及合營啤酒生產企業，分佈於全國20個省、直轄市、自治區，規模和市場份額居國內啤酒行業領先地位。其生產的青島啤酒為國際市場上最具知名度的中國品牌，已行銷世界九十四個國家和地區。

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

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



會計數據摘要 Financial Highlights

按中國企業會計準則編制

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

1、本集團二零一六年財務資料

(單位：人民幣千元)

1. The Group’s financial information for the year ended 31 December 2016

(Unit: RMB’000)

| | | |
|------------------------|---|-----------|
| 營業利潤 | Operating profit | 1,640,253 |
| 利潤總額 | Total profit | 2,123,442 |
| 歸屬於母公司股東的淨利潤 | Net profit attributable to shareholders of the Company | 1,043,486 |
| 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 | 819,399 |
| 經營活動產生的現金流量淨額 | Net cash flows from operating activities | 2,970,891 |
| 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 | 517,095 |
| 補交所得稅 | Income tax payment of the expired preferential tax rate difference for previous years | (338,876) |
| 與三得利公司交易事項對投資收益的影響 | Effect of transactions with Suntory Company on investment income | 129,788 |
| 與三得利公司交易事項對營業外收入的影響 | Effect of transactions with Suntory Company on non-operating income | 177,702 |
| 非流動資產處置損失 | Losses on disposal of non-current assets | (223,544) |
| 單獨進行減值測試的應收賬款減值準備轉回 | Reversal of bad debt provision for accounts receivables which provision is provided on the individual basis | 1,350 |
| 除上述各項之外的其他營業外收入和支出 | Other non-operating income and expenses other than aforesaid items | 11,935 |
| 小計 | Subtotal | 275,450 |
| 所得稅影響額 | Impact of income tax expense | (37,531) |
| 少數股東權益影響額(稅後) | Impact on the non-controlling interests, net of tax | (13,832) |
| 合計 | Total | 224,087 |

會計數據摘要 Financial Highlights

2. 主要會計數據及財務指標

(單位：人民幣千元)

| 主要會計資料 | Summarised accounting information | 2016 | 2015 | 2014 | 2013 | 2012 |
|-------------------------|--|------------|------------|------------|------------|------------|
| 營業收入 | Revenue | 26,106,344 | 27,634,686 | 29,049,321 | 28,290,978 | 25,781,544 |
| 利潤總額 | Total profit | 2,123,442 | 2,274,822 | 2,682,999 | 2,666,534 | 2,484,156 |
| 歸屬於母公司股東的淨利潤 | Net profit attributable to shareholders of the Company | 1,043,486 | 1,713,129 | 1,990,098 | 1,973,372 | 1,758,863 |
| 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 | 819,399 | 1,052,707 | 1,671,409 | 1,655,872 | 1,470,047 |
| 基本每股收益 | Basic earnings per share | 0.7724 | 1.2681 | 1.4731 | 1.4607 | 1.3019 |
| 稀釋每股收益 | Diluted earnings per share | 0.7724 | 1.2681 | 1.4731 | 1.4607 | 1.3019 |
| 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 | 0.6065 | 0.7792 | 1.2372 | 1.2257 | 1.0881 |
| 全面攤薄淨資產收益率(%) | Fully diluted return on net assets (%) | 6.40 | 10.41 | 12.93 | 14.07 | 14.11 |
| 加權平均淨資產收益率(%) | Weighted average return on net assets (%) | 6.43 | 10.76 | 13.53 | 14.87 | 14.91 |
| 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 (%) | 5.02 | 6.40 | 10.86 | 11.81 | 11.79 |
| 扣除非經常性損益後的加權平均淨資產收益率(%) | Weighted average return on net assets after deduction of non-recurring profit or loss (%) | 5.05 | 6.61 | 11.36 | 12.48 | 12.46 |
| 經營活動產生的現金流量淨額 | Net cash flows from operating activities | 2,970,891 | 2,574,566 | 1,690,634 | 3,401,151 | 3,103,597 |
| 每股經營活動產生的現金流量淨額 | Net cash flows from operating activities per share | 2.20 | 1.91 | 1.25 | 2.52 | 2.30 |
| 總資產 | Total assets | 30,077,158 | 28,500,590 | 27,003,913 | 27,364,867 | 23,661,106 |
| 總負債 | Total liabilities | 13,198,019 | 12,334,579 | 11,716,631 | 13,491,396 | 10,877,675 |
| 歸屬於母公司股東權益 | Total equity attributable to shareholders of the Company | 16,313,953 | 16,458,062 | 15,387,562 | 14,020,559 | 12,467,953 |
| 歸屬於母公司股東的每股淨資產 | Net assets per share attributable to shareholders of the Company | 12.08 | 12.18 | 11.39 | 10.38 | 9.23 |

2. Summarised accounting data and financial indicators

(Unit: RMB'000)

會計數據摘要 Financial Highlights

3. 報告期內股東權益變動情況

(單位：人民幣千元)

| 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 |
|------|------------------------------|---|-----------------|----------------------------|-----------------|-----------------|-----------------------|-----------|-------------|
| | | Attributable to shareholders of the Company | | | | | | | |
| | | 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 | | |
| 期初數 | Opening balance | 1,350,983 | 4,075,079 | (20,326) | 1,400,704 | 106,025 | 9,545,597 | (292,051) | 16,166,011 |
| 本期增加 | Increase in the current year | — | — | — | — | 36,471 | 1,043,486 | 913,878 | 1,993,835 |
| 本期減少 | Decrease in the current year | — | (630,889) | (29,823) | — | — | (563,354) | (56,640) | (1,280,706) |
| 期末數 | Ending balance | 1,350,983 | 3,444,190 | (50,149) | 1,400,704 | 142,496 | 10,025,729 | 565,187 | 16,879,140 |

(1) 資本公積：減少主要原因是本年度收購上海實業公司少數股權；

(2) 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；

(3) 一般風險準備：增加為本年度提取的一般風險準備；

(4) 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；

(5) 少數股東權益：增加主要原因是本年度收購上海實業公司少數股權及部分擁有少數股東的子公司盈利所致，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) Surplus reserve: Decrease mainly dues to acquiring the non-controlling interests of Shanghai Industrial Company in the current year;

(2) Other comprehensive income: Decrease mainly dues to the changes arising from remeasurement of defined benefit plan liabilities and currency translation differences;

(3) General reserve: Increase represents the general reserve appropriated in the current year;

(4) 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;

(5) Non-controlling interests: Increase mainly dues to acquiring the non-controlling interests of Shanghai Industrail Company and profit of certain subsidires with non-controlling interests in the current year. Decrease represents distribution of dividends in the current year.

會計數據摘要 Financial Highlights

4. 利潤分配

本公司董事會建議就截至二零一六年十二月三十一日止年度派發末期股息每股人民幣0.35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二零一六年度股東年會審議批准。有關公司H股股東暫停辦理股份過戶登記手續的期間，本公司將在另行公佈的股東年會通告中載列。

4. Dividend Distribution

The Board proposed a final dividend of RMB0.35 (pre-tax) per share for the year ended 31 December 2016, and the remaining distributable profits will carry forward to the next year. The aforesaid dividend proposal shall be subject to the approval at the 2016 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.



青島啤酒 全球举杯 共分享



董事長報告書 Chairman's Statement

致各位股東：

本人謹此提呈本公司截止2016年12月31日會計年度之業務報告及經審計之財務報告，敬請各位股東審閱。

2016年中國啤酒市場經過連續兩年下滑後，市場消費仍面臨較大的壓力，啤酒行業全年實現產量4,506萬千升，同比下降0.1%（數據來源：國家統計局），中高端餐飲消費不振和異常的氣候對啤酒銷售均產生了不利的影響。下半年行業下滑幅度收窄，但波動性下行壓力依然較大，行業復蘇緩慢。伴隨消費者對啤酒產品需求多元化帶來的市場消費結構性升級，以及外資啤酒和進口啤酒在國內市場銷量的增加，使啤酒企業在品牌、品種和渠道等方面的競爭更加激烈。

面對嚴峻的市場競爭形勢和啤酒行業產能過剩、銷量負增長的市場形勢，本公司在董事會的帶領下，著眼長遠，堅持實施「能力支撐品牌帶動下的發展戰略」，夯實公司有質量、可持續發展的基礎；同時立足當下，在報告期內以「穩增長，調結構」積極應對中國啤酒行業下行壓力和市場新形勢的挑戰，積極推進企業發展方式轉型、加快產品結構調整升級、持續深化精細化管理等各項有效措施，提高價值鏈整體運行效率，鞏固和提升了公司市場競爭實力。2016年公司共實現啤酒銷量792萬

Dear shareholders,

I hereby present the business report and audited financial statements of the Company for the accounting year ended 31 December 2016 for your kind review.

In 2016, after China's beer market had declined for consecutive two years, the market consumption was still under huge pressure that the full-year output of beer industry reached 450.6 million hl, decreased by 0.1% on year-on-year basis (Resource: National Bureau of Statistics). Both the stagnation in the mid-and-high-end catering consumption and the unusual climate brought negative impact to the sales of beer. In the second half-year, the decline in the industry had slowed down, but the pressure of the floating decline was still great, therefore the recovery of the industry was slow. With the structural upgrade of market consumption brought by the diversified needs of the beer products from the consumers, and the growth of sales volume of foreign-invested beers and imported beers in the domestic market, the competition among the breweries in terms of brand, category and channel became fiercer.

In face of the severe market competition situation, and the market situation of excess production capacity and negative growth of sales volume in the beer industry, as led by the Board, the Company kept in mind the prospects that it insisted on implementing "the development strategy led by brands with the support of capacity" to build a solid basis for quality and sustainable development; at the same time, based on the current situation and the strategy of "stabilizing the growth, adjusting the structure", it actively responded to the pressure of the decline of China's beer industry and the challenges from the latest market situation, actively promoted the effective measures including the transformation of corporate development manner, the acceleration of the adjustment and the upgrade of product mix continuously deepen the effective measures including intensive management, which improved the overall running efficiency of value chain, and consolidated and improved the Company's market competition strength during the Reporting Period. In 2016, the Company



孫明波先生
Mr. SUN Ming Bo

董事長報告書 Chairman's Statement

千升，實現營業收入人民幣261.06億元；主要受公司補交2007年以前年度所得稅稅款差異的影響，2016年度當年實現歸屬於上市公司股東的淨利潤為人民幣10.43億元。

報告期內，公司積極致力於國內外市場的開拓。結合國家「一帶一路」發展戰略的實施，公司加大了沿海、沿黃河市場戰略帶的建設，依託現有生產基地充分發揮產銷協同效應，着力打造具有品牌影響力、盈利能力和市場佔有率的基地市場。通過鞏固拓展沿海、沿黃河流域的優勢市場，為公司未來可持續發展擴大戰略縱深，構建青島啤酒「一縱一橫」戰略市場佈局奠定了堅實基礎。

公司持續推進省級市場及大城市基地市場建設，加大成長性市場的開發、整合力度，積極佈局新興市場，使公司全國性戰略佈局更趨完善。山東、陝西等傳統優勢市場繼續保持健康發展態勢，輻射帶動周邊區域市場銷量提升；華南、華東等區域市場經過市場結構整合和資源聚焦，不斷提升了區域市場營銷運作和市場掌控能力。

在海外市場本公司充分發揮品牌和品質優勢開展青島啤酒全球品牌推廣活動，聚焦區域影響力實施精準投入，著力圍繞市場進入、消費者觸達、消費場景營造、消費頻次四個戰略主題實施品牌傳播和營銷，打造提升青島啤酒高端品牌形象。公司發揮經銷商本土資源優勢，通過完善產品組合、包裝形象升級等舉措拉動銷量增長。2016年公司在海外市場已行銷全球94個國家和地區，銷量同比增長11.6%。

公司不斷推進和完善「大客戶+微觀運營」的營銷模式，積極培育戰略性經銷商。目前公司在全國市場已擁有15,924家經銷商，建立了覆蓋全國主要市場的龐大的銷售網絡。通過完善經銷商溝通機制，提高經銷商業務協同性，進一步完善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。公司還創新營銷模式，根據移動互聯網時代的營銷新模式，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，上線移動端「青島啤酒微信商城」、

realized 79.2 million hl of sales volume of beer in total, realized RMB26.106 billion of revenue; and realized RMB1.043 billion of net profits attributable to shareholders of the Company which was mainly affected by the supplemental payment of the differences of the income tax made by the Company for the years prior to 2007.

During the Reporting Period, the Company actively dedicated to the expansion of domestic and overseas markets. Combining with the implementation of the State's development strategy of "one belt one road", the Company had strengthened the construction of the coastal and along-Yellow-River strategic areas, fully played the synergetic effect between production and sales based on the existing production bases, focused on building the base markets with brand impact, profitability and market share. By consolidating and expanding the dominant markets in the coastal and along-Yellow-River areas, it had built a solid basis to deepen the strategy for the Company's future sustainable development, and to establish a strategic market layout of "one vertical line and one cross line" for Tsingtao Beer.

The Company continued to promote the construction of provincial markets and base markets in big cities, strengthened the exploration and integration of growing markets, and actively set up the layout of emerging markets to further improve the Company's nation-wide strategic layout. The traditional dominant markets in Shandong and Shaanxi continued to maintain a healthy development trend, and led the growth of sales volume in the neighboring regional markets; the regional markets including South China and East China kept improving the marketing operation and market control ability in the regional markets through the integration of market structure and the concentration of resources.

In the overseas markets, the Company completely utilized its advantages in brand and quality to carry out the global brand promotion activities of Tsingtao Beer, made precise investment by concentrating on its regional impact, implemented the brand expansion and marketing by focusing on the four strategic themes of market entry, access of consumers, consumption scenes building and consumption frequency, to build and upgrade the high level of brand image of Tsingtao Beer. The Company utilized the advantages in resources owned by the local distributors and took the measures of upgrading product mix and improving package image to promote the growth of sales volume. In 2016, the Company had sold globally to 94 countries and regions in which the sales volume of its overseas markets increased by 11.6% on year-on-year basis.

The Company kept promoting and improving the marketing mode of "Big Customer + Micro Operation" that it actively cultivated strategic distributors. At present, the Company has had 15,924 distributors in the markets throughout the whole country, and built a giant sales network covering the main markets in the country. By improving the communication mechanism with the distributors, it improved the business synergy with the distributors, and further improved the sales network and channel coverage to improve its control over the final customers and the distribution capacity in the regional markets. The Company also innovated the marketing mode that, based on the new marketing mode in the mobile Internet era, it had established the channel system of "Internet +", built up 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",

董事長報告書 Chairman's Statement

「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，對公司特色新商業模式的打造及新特產品發展起到了積極推動作用。

面對國內啤酒市場消費升級，啤酒市場消費多元化、個性化的新趨勢，公司繼續推進實施「青島啤酒主品牌+崂山啤酒第二品牌」的品牌戰略，以品牌帶動品類發展，加快品牌、品種結構的優化與調整，加快向以聽裝啤酒和精釀產品為代表的高附加值產品的轉型升級，鞏固和加強在中高端產品市場的競爭優勢。2016年公司主品牌青島啤酒共實現銷售量381萬千升，其中奧古特、鴻運當頭、經典1903、純生啤酒等高端產品共實現銷量163萬千升，保持了在國內中高端市場的領先地位。同時，公司以消費者為中心實施產品創新，積極培育及研發戰略性新產品和新特產品，成功開發上市了青島啤酒皮爾森、全麥白啤、原漿桶啤等順應消費新趨勢的特色化產品，為消費者提供了豐富、多元的產品體驗，形成了更加完善的產品組合，以品類優勢打造主流產品和新特產品的差異化競爭優勢，引領了產品消費升級，保持了高品質、差異化的產品競爭力。

在品牌傳播上，公司通過「四位一體」的品牌傳播模式，圍繞體育營銷、音樂營銷、事件營銷積極拓展與消費者互動交流渠道，開展豐富的品牌推廣活動。2016年公司借助歐洲杯足球賽和裡約奧運會等重大體育賽事的舉辦，加大了品牌推廣和市場投入力度；通過贊助亞洲足球俱樂部冠軍聯賽、中國CBA籃球聯賽等年輕人喜愛的體育活動，聘請著名影星黃曉明擔任青島純生啤酒形象代言人並全面升級純生系列產品上市等系列推廣措施，在消費者中著力提升青島啤酒年輕化、時尚化的新形象。報告期內，公司還借助青島國際啤酒節和全國主題性促銷活動與消費者互動並助力銷售，全面提升青島啤酒在消費者中的認可度和喜好度。

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

董事長
孫明波
中華人民共和國·青島
二零一七年三月三十日

to satisfy consumers of Internet era with their purchasing needs and consumption experience through various channels, which positively promoted the building of characterized new business mode and the development of new&special products.

Facing the upgrade of consumption in domestic beer market, and the new trend of diversification and personalization of consumption in beer market, the Company continued to promote the implementation of brand strategy of “core brand Tsingtao Beer + secondary brand Laoshan Beer” to promote the development of categories driven by the brands so as to accelerate the optimization and adjustment of brand mix and product mix, to accelerate the transformation and upgrade of high value-added products represented by canned beer and craft beer, and to consolidate and strengthen its competition advantages in mid-and-high-end market. In 2016, the Company's sales volume of its core brand, Tsingtao Beer, reached 38.1 million hl in aggregate, including 16.3 million hl in total of high-end products such as Augerta, Hong Yun Dang Tou, Classic 1903 and draft beer, which maintained its leading position in the domestic mid-and-high-end market. At the same time, the Company also innovated the products by focusing on the consumers, actively cultivated and developed strategic new products and new&special products that it had successfully developed and launched the specialized products including Tsingtao Pilsner, whole-barley Weissbier, raw stock barrel beer in following the new trend of consumption to provide the consumers with rich and diversified product experience, to create a more improved product mix, to build the differentiate competition advantage between the mainstream products and the new&special products with its advantages in category, to lead the upgrade of product consumption, and to maintain the high-quality and differentiate competition strength of products.

In the brand promotion, through the “4-in-1” brand promotion mode, and by focusing on sports marketing, music marketing and events marketing, the Company actively explored the channel of interaction and communication with the consumers, and carried out various brand promotion activities. In 2016, with the opportunity of the significant sport events such as European Football Championship and Rio Olympic Games, the Company strengthened its brand promotion and market input; through sponsoring the sports events favored by the young people such as AFC Champions League and China Basketball Association, appointing Mr. HUANG Xiao Ming, a famous movie star, to be the image spokesman of Tsingtao Draft Beer, and launching a series of completely upgraded products of draft beer, to strive to build a young and fashionable new image of Tsingtao Beer among the consumers. During the Reporting Period, the Company also took the opportunities of Qingdao International Beer Festival and the national thematic promotion activities to interact with the consumers and to promote the sales, so as to completely increase the recognition and affection of Tsingtao Beer among the consumers.

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

Chairman
SUN Ming Bo
Qingdao, the People's Republic of China
30 March 2017



为友情喝彩

为友情喝彩



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。

2016年公司共實現啤酒銷售量792萬千升，實現營業收入人民幣261.06億元，實現歸屬於上市公司股東的淨利潤人民幣10.43億元。

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

In 2016, the Company realized 79.2 million hl of sales volume of beer in total, realized RMB26.106 billion of revenue; and realized RMB1.043 billion of net profits attributable to shareholders of the Company.

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

單位：萬元 幣種：人民幣
Unit: RMB 0'000 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 | 28,790 | 165,989 | 71,413 | 27,186 | 253,771 | 36,268 |
| 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 | 500 | 69,753 | 18,452 | 17,702 | 167,661 | 23,603 |
| 青島啤酒財務有限責任公司 Tsingtao Brewery Finance LLC | 金融業 Financial business | 50,000 | 1,017,051 | 132,044 | 16,318 | 5,390 | 21,181 |
| 山東新銀麥啤酒有限公司 Shandong Xin Immense Brewery Company Limited | 製造、批發和零售業 Manufacturing, wholesale and retail business | 14,570 | 150,934 | 110,560 | 13,494 | 160,510 | 17,609 |



黃克興先生
Mr. HUANG Ke Xing

董事會報告 Report of the Directors

2. 報告期內主要供貨商和客戶情況

- (1) 2016年度前五名供應商採購額約1,131,600千元(2015年度：848,642千元)，佔年度採購總額10.41% (2015年度：7.51%)。
- (2) 2016年度前五名客戶銷售額約1,590,180千元(2015年度：1,576,570千元)，佔年度銷售總額6.16% (2015年度：5.71%)。

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

董事會建議就截至2016年12月31日止年度派發末期股息每股人民幣0.35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2016年度股東年會審議批准。末期股息預期於2017年7月28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，本公司將在另行公佈的股東年會通告中載列。

三. 業務回顧

本公司年內之業務回顧及有關公司未來發展的討論與分析，以及本公司面對的主要風險及不確定因素之討論載於本年報第46至65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72至78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

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 2016 was approximately RMB1,131,600 thousand (2015: RMB848,642 thousand), which accounted for 10.41% of its annual purchase amount in aggregate (2015: 7.51%).
- (2) The total amount of the Company's sales of its top 5 clients in 2016 was approximately RMB1,590,180 thousand (2015: RMB1,576,570 thousand), which accounted for 6.16% of its annual sales amount in aggregate (2015: 5.71%).

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

II. Profit Distribution

The Board proposed a final dividend of RMB0.35 (pre-tax) per share for the year ended 31 December 2016, and carried forward the remaining distributable profits to the next year. The proposed preliminary distribution scheme of final dividend, which is expected to be payable to the shareholders on 28 July 2017, will be subject to the consideration and approval at the Company's 2016 Annual General Meeting. The period for closure of register of members for H-share would be set out in the separate notice of annual general meeting to be published by the Company.

III. Business Review

A review of the business of the Company within the year and a discussion and analysis of the Company's future development, and the discussion of principal risks and uncertainties faced by the Company are set out in 'Management Discussion and Analysis' on pages 46 to 65 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 72 to 78 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

董事會報告 Report of the Directors

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2016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2017年3月30日於香港交易所網站上載之《青島啤酒2016環境、社會及管治報告》。

四. 儲備

報告期內本公司及集團的儲備變動詳列於財務報表(按中國企業會計準則編制)附註四(36)及(37)。

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 2016, 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 2016 Environment, Society and Governance Report* published by the Company on the website of the Stock Exchange on 30 March 2017.

IV. Reserve

Details of changes of reserve of the Company and the Group during the Reporting Period are set out in Note 4 (36) and (37) to Consolidated Financial Statements (prepared in accordance with CAS).

董事會報告 Report of the Directors

五. 股本變動及股東情況

1. 報告期內，本公司股份總數及股本結構未發生變化。

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

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

2. 股東情況

- (1) 報告期末公司股東總數為 29,070 戶。其中：A 股 28,790 戶，H 股股東 280 名。

報告期內，本公司股東未有放棄或同意放棄任何股息的安排的情況。

V. Changes of Share Capital and Information of Shareholders

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

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

單位：股
Unit: Share

報告期末
End of
Reporting
Period

| | | |
|-----|---|---------------|
| 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 29,070 including 28,790 holders of A-share, and 280 holders of H-share.

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

董事會報告 Report of the Directors

(2) 報告期末本公司前十名股東(暨無限售條件的流通股股東)持股情況

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

單位：股
Unit: Share

| 股東名稱 Shareholder's name | 報告期內增減 Increase/Decrease during the Reporting Period | 報告期末持股 Shares held at the end of the Reporting Period | 持股比例(%) Shareholding percentage (%) | 股份質押或 凍結情況 Guaranteed or frozen shares | 股份類別 Class of share |
|--|---|--|---|---|------------------------------|
| 青島啤酒集團有限公司(附註1) Tsingtao Brewery Group Company Limited (Note 1) | 0 | 416,448,055 | 30.83 | 無 Nil | A股和H股 A-share and H-share |
| 香港中央結算(代理人)有限公司(附註2) HKSCC Nominees Limited (Note 2) | (90,000) | 370,425,449 | 27.42 | 未知 Unknown | H股 H-share |
| 朝日集團控股株式會社 Asahi Group Holdings Ltd. | 0 | 270,127,836 | 19.99 | 未知 Unknown | H股 H-share |
| 中國證券金融股份有限公司 China Securities Finance Corporation Company | | 40,395,975 | 2.99 | 未知 Unknown | A股 A-share |
| 中國人民人壽保險股份有限公司 — 分紅 — 個險分紅 PICC Life Insurance Co., Ltd. – Dividends — Dividends for personal insurance | | 29,006,916 | 2.15 | 未知 Unknown | A股 A-share |
| 中國建銀投資有限責任公司 China Jianyin Investment Company Ltd. | | 17,574,505 | 1.30 | 未知 Unknown | A股 A-share |
| 香港中央結算有限公司 Hong Kong Securities Clearing Company Limited | | 10,797,631 | 0.80 | 未知 Unknown | A股 A-share |
| 中央匯金資產管理有限責任公司 Central Huijin Asset Management LLC. | | 10,517,500 | 0.78 | 未知 Unknown | A股 A-share |
| 國信證券股份有限公司 Guosen Securities Co., Ltd. | | 9,786,974 | 0.72 | 未知 Unknown | A股 A-share |
| 中國工商銀行股份有限公司 — 南方消費活力靈活配置混合型 發起式證券投資基金 ICBC Co., Ltd. — Southern Consumption Energy Flexible Allocation Mixed Initiating Securities Investment Fund | | 5,672,782 | 0.42 | 未知 Unknown | A股 A-share |

附註：

- 青啤集團持股數量包括了通過其自身以及全資附屬公司持有的本公司H股股份合計11,316,000股，其本身持有本公司A股股份405,132,055股。
- 香港中央結算(代理人)有限公司持有的H股股份乃代表多個客戶所持有，並已扣除青啤集團全資附屬公司持有的H股股份數量。

Notes:

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

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2016年12月31日，除下述人士外，本公司的董事並不知悉有任何本公司的董事、監事、最高行政人員或他們的連絡人以外的人士，在本公司的股份或相關股份中擁有權益或淡倉，而該等權益或淡倉是根據《證券及期貨條例》(香港法例第571章)(「《證券及期貨條例》」)第336條而備存的登記冊所載錄者：

(3) Substantial Shareholders of H-share

Save as disclosed below, the directors of the Company are not aware of any persons other than a director or supervisor or chief executive of the Company or his/her respective associate(s) who, as at 31 December 2016, had an interest or short position in the shares or underlying shares of the Company which was recorded in the register to be kept under Section 336 of SFO:

| 名稱 Name | 性質 Nature | 股份類別 Class of Shares | 持股身份 Capacity | 註釋 Note | 股份/相關 股份的數目 Number of Shares/ underlying Shares | 佔全部已發行 股本之百分比 As a percentage of the entire issued capital | 佔全部H股 之百分比 As a percentage of all H Shares |
|---------------------------|---|-------------------------|--|------------|--|--|---|
| 青島市國資委 SASACQ | 好倉 Long position | A股 A-Share | 法團權益 Corporation | | 405,132,055 A股 | 29.99% | 不適用 N/A |
| | 好倉 Long position | H股 H-Share | 受控制法團權益 Interest of controlled corporation | 1 | 11,316,000 H股 | 0.84% | 1.73% |
| 朝日集團控股株式會社 Asahi Group | 好倉 Long position | H股 H-Share | 實益擁有人 Beneficial Owner | 2 | 270,127,836 H股 | 19.99% | 41.24% |
| JPMorgan Chase & Co. | 好倉 Long position | H股 H-Share | 受控制法團權益/ 實益擁有人/ 投資經理/保管人 Interest of controlled corporation/ Beneficial Owner/ Investment Manager/ Custodian | 3&4 | 45,545,667 H股 | 3.37% | 6.95% |
| | 可供借出股份中權益 Interest in a lending pool | H股 H-Share | | | 16,741,919 H股 | 1.24% | 2.56% |
| | 淡倉 Short position | H股 H-Share | 實益擁有人 Beneficial Owner | | 122,000 H股 | 0.009% | 0.01% |
| Baillie Gifford & Co | 好倉 Long position | H股 H-Share | 受控制法團權益 Interest of controlled corporation | 5 | 43,990,250 H股 | 3.26% | 6.72% |
| | | | 投資經理 Investment Manager | | 8,652,753 H股 | 0.64% | 1.32% |

註釋：

(1) 被視為由青島市國資委享有權益的11,316,000股H股是透過青啤集團的全資附屬公司持有。根據最新的披露權益申報，青島市國資委享有7,844,000股H股權益。

(2) 根據最新的披露權益申報，朝日啤酒株式會社享有269,127,836股H股權益。朝日集團控股株式會社於2011年7月1日重組設立，代替朝日啤酒株式會社持有上述H股權益。

Notes:

(1) The 11,316,000 H-Shares which were deemed to be interested by SASACQ were held by a wholly-owned subsidiary of Tsingtao Group, which is controlled by SASACQ. According to the latest disclosure of interests filings, SASACQ was interested in 7,844,000 H-Shares.

(2) According to the latest disclosure of interests filings, Asahi Breweries was interested in 269,127,836 H-Shares. Asahi Group. was re-organized and set up on 1 July 2011, and held the aforesaid shares of H-share in place of Asahi Breweries.

董事會報告 Report of the Directors

- | | |
|---|--|
| <p>(3) JPMorgan Chase & Co.的持股資料是根據最新的披露權益申報而作出。</p> <p>(4) JPMorgan Chase & Co.被視為享有權益的股份是分別透過多家中間控股公司持有。</p> <p>(5) 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。</p> <p>(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。</p> | <p>(3) The shareholding information of JPMorgan Chase & Co. is made based on the latest disclosure of interests filings.</p> <p>(4) The shares in which JPMorgan Chase & Co. was deemed to be interested were held through various intermediate holding companies.</p> <p>(5) The shares in which Baillie Gifford & Co. was deemed to be interested were held through various controlled wholly-owned subsidiaries of Baillie Gifford & Co.</p> <p>(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).</p> |
|---|--|

3. 優先認股權

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

3. Pre-emptive Right

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



董事會報告 Report of the Directors

六. 董事、監事、高級管理人員和員工情況

1. 董事、監事和高級管理人員持股情況

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

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

截至2016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。

V. 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 2016, 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：

- (1) 馬海濤先生於2015年12月29日因中國教育部有關進一步加強高校黨員領導幹部兼職管理的通知精神，申請辭去公司第八屆董事會獨立非執行董事職務，同時辭去其兼任的公司董事會審計與內控委員會主席、提名與薪酬委員會委員、戰略與投資委員會委員等職務。自公司2016年2月16日召開的2016年第一次臨時股東大會結束後生效。
- (2) 公司於2016年2月16日召開的2016年第一次臨時股東大會委任于增彪先生為公司獨立非執行董事，其同時擔任中航航空高科技股份有限公司、第一拖拉機股份有限公司的獨立董事，中國中信集團有限公司外部監事。
- (3) 公司獨立非執行董事賈聖林先生於報告期內新任興業銀行股份有限公司外部監事；
- (4) 公司獨立非執行董事蔣敏先生於報告期內新任陽光電源股份有限公司獨立董事。
- (5) 公司獨立監事李燕女士於報告期內新任中國電影股份有限公司獨立董事。

2. Changes of information of directors

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

- (1) Mr. MA Hai Tao had applied to resign as Independent Non-executive Director of the Eighth Session of the Board on 29 December 2015 pursuant to the requirements in the notice of further strengthening the administration of the part-time work taken by the leaders and cadres of Party members in the institutions of higher learning issued by the Ministry of Education, and resigned as Chairman of Audit & Internal Control Committee, member of Nomination & Remuneration Committee, and member of Strategy & Investment Committee of the Board as well. Such resignation has come into effect after the closure of the 2016 First Extraordinary General Meeting held on 16 February 2016.
- (2) Mr. YU Zeng Biao was appointed as Independent Non-executive Director of the Company at the 2016 First Extraordinary General Meeting held on 16 February 2016. He is also Independent Director of Avic Aviation High-Technology Co., Ltd. and First Tractor Company Limited, and External Supervisor of China Citric Group Co., Ltd.
- (3) Mr. BEN Sheng Lin, Independent Non-executive Director of the Company, was appointed as External Supervisor of Industrial Bank Co., Ltd. during the Reporting Period.
- (4) Mr. JIANG Min, Independent Non-executive Director of the Company, was appointed as Independent Director of Sungrow Power Co., Ltd. during the Reporting Period.
- (5) Ms. LI Yan, Independent Supervisor of the Company, was appointed as Independent Director of China Film Co., Ltd. during the Reporting Period.

董事會報告 Report of the Directors

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。基本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。

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。

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.

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

報告期內從公司領取的報酬總額
(萬元)(稅前)

Total remuneration withdrawn from
the Company during the Reporting Period
(RMB 0'000) (pre-tax)

| 姓名 Name | 職務 Position | |
|--------------------------|--|-------|
| 孫明波 SUN Ming Bo | 董事長 Chairman | 90.12 |
| 黃克興 HUANG Ke Xing | 執行董事、總裁兼營銷總裁 Executive Director, President of the Company & President of Marketing Center | 75.97 |
| 樊偉 FAN Wei | 執行董事、副總裁兼製造總裁、總釀酒師 Executive Director, Vice President of the Company & President of Manufacturing Center, Chief Brewer | 60.86 |
| 于竹明 YU Zhu Ming | 執行董事、財務總監 Executive Director, CFO | 60.16 |
| 杉浦康譽 Yasutaka SUGIURA | 非執行董事 Non-executive Director | 0 |
| 王學政 WANG Xue Zheng | 獨立非執行董事 Independent Non-executive Director | 12 |
| 于增彪 YU Zeng Biao | 獨立非執行董事 Independent Non-executive Director | 11 |
| 賁聖林 BEN Sheng Lin | 獨立非執行董事 Independent Non-executive Director | 12 |
| 蔣敏 JIANG Min | 獨立非執行董事 Independent Non-executive Director | 12 |
| 李綱 LI Gang | 監事會主席 Chairman of Board of Supervisors | 12 |
| 北川亮一 Ryoichi KITAGAWA | 股東監事 Supervisor as Shareholders' Representative | 0 |
| 李燕 LI Yan | 獨立監事 Independent Supervisor | 8 |
| 王亞平 WANG Ya Ping | 獨立監事 Independent Supervisor | 8 |
| 薛超山 XUE Chao Shan | 職工監事 Supervisor as Employees' Representative | 53.44 |

董事會報告 Report of the Directors

| 姓名 Name | 職務 Position | 報告期內從公司領取的報酬總額 (萬元)(稅前) |
|--------------------------------|---|---|
| | | Total remuneration withdrawn from the Company during the Reporting Period (RMB 0'000) (pre-tax) |
| 孫麗紅 SUN Li Hong | 職工監事 Supervisor as Employees' Representative | 41.59 |
| 邢軍 XING Jun | 職工監事 Supervisor as Employees' Representative | 38.61 |
| 王瑞永 WANG Rui Yong | 副總裁 Vice President | 63.54 |
| 張瑞祥 ZHANG Rui Xiang | 董事會秘書(香港公司秘書) Board Secretary/Company Secretary (Hong Kong) | 45.87 |
| 姜宏 JIANG Hong | 副總裁(於2016年6月16日離任) Vice President (resigned on 16 June 2016) | 37.86 |
| 劉英弟 LIU Ying Di | 副總裁(於2016年7月12日離任) Vice President (resigned on 12 July 2016) | 37.86 |
| 馬海濤 MA Hai Tao | 獨立非執行董事(於2016年2月16日離任) Independent Non-executive Director (resigned on 16 February 2016) | 1 |
| 川面克行 Katsuyuki KAWATSURA | 股東監事(於2016年6月16日離任) Supervisor as Shareholders' Representative (resigned on 16 June 2016) | 0 |
| 合計 Total | | <u>681.88</u> |

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43,228人。員工專業構成及教育程度如下：

4. Employees

4.1 As at the end of the Reporting Period, the Company (including the subsidiaries) totally had 43,228 persons of full-time employees. The composition of employees in terms of profession and educational background is as follows:

| 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 | 18,677 |
| 銷售人員 | Sales personnel | 13,225 |
| 工程技術人員 | Technical and engineering personnel | 2,610 |
| 財務人員 | Financial personnel | 1,300 |
| 行政管理人員 | Administrative personnel | 7,416 |
| 合計 | Total | 43,228 |
| 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 | 433 |
| 本科生 | Undergraduate | 7,235 |
| 專科生 | 2-year college | 12,616 |
| 中專生 | Secondary specialized school | 8,428 |
| 中專以下 | Under secondary specialized school | 14,516 |
| 合計 | Total | 43,228 |

董事會報告 Report of the Directors

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。

2016年，公司薪酬政策與績效激勵機制緊密圍繞公司業務發展主線「穩增長、調結構、控費用、提效率」，豐富激勵策略，完善配套機制。提升人力成本投入產出，持續推進人員優化與效率提升項目，控制人員總量、提升人均效率、合理控制人工成本總額、促進員工收入水平的穩定性、連續性。

4.3 培訓計劃

2016年，公司以組織建設和項目管理為抓手，按照「覆蓋全員、聚焦重點、落地一線」的步驟，扎實推進人才培養工作。全面推進第六屆職業技能大賽；通過舉辦微課大賽傳播優秀操作法，打造微學習社群。推行總經理、大區經理等崗位資格在線認證項目，提升職業化素養；持續提升釀酒師國際化視野，青啤-Doemens釀酒師班(二期)12名學員圓滿完成學習、攻關任務；優化大區經理培養路徑，「銀★計劃」順利實施；助力財務轉型為目標的財務總監管理會計班「TT-MA」首期班順利結業；著力打造移動微學習平臺，促銷員、業務代表在線學習率100%。

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 2016, Company’s remuneration policy and performance incentive mechanism closely focused on the Company’s business development principal line of “stabling the growth, adjusting the structure, controlling the expenses, improving the efficiency”. It enriched the incentive strategies, improved the supporting mechanisms, increased the input-output of labor costs, continuously promoted the projects of personnel optimization and efficiency improvement, controlled the total number of personnel, improved the per capita efficiency, reasonably controlled the total sum of labor costs, and promoted the stabilization and continuity of staff’s income.

4.3 Training plan

In 2016, under the principle of the organizational construction and project management, and based on the process of “covering all employees, focusing on the key points, putting into practice of the frontier employees”, the Company had been effectively promoting the cultivation of talents. It completely promoted the Sixth Professional Skills Contest; expanded the good practice methods through holding the mini course matches, and established the mini study groups. It promoted the online verification projects for the qualification of taking the positions including general manager and manager of major regions to promote the professional qualification; continuously improved the international vision of the brewers that, 12 students of Tsingtao-Doemens Brewing Class (2nd Session) had finished their study and tasks; optimized the manner of cultivating the managers of major regions by successfully put into practice of “Silver ★ Plan”; the first TT-MA of CFO administrative accounting class which was targeted at helping the financial transformation had been successfully completed; strived to establish the mobile mini study platform that the on-line study rate of promotion personnel and business representatives reached 100%.

董事會報告 Report of the Directors

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。

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財務報表附註。

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.

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 Financial Statements.

董事會報告 Report of the Directors

十二. 固定資產

有關報告期內固定資產之變動載於隨附財務報表附註。

十三. 銀行貸款

於2016年12月31日之銀行貸款詳情載於隨附財務報表附註。

十四. 獲准許之彌償條文

經本公司2013年度股東年會批准，本公司已為全體董事購買適當之責任保險。

十五. 股票掛鈎協議

本公司於本年度終結日或年內任何時間概無訂立任何股票掛鈎協議。

十六. 董事及監事在重要交易、安排或合約中的權益

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

十七. 捐款

本集團於年內作出的慈善及其他捐款之金額載於合併財務報表附註四(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。

孫明波

董事長

中華人民共和國 青島

二零一七年三月三十日

XII. Fixed Assets

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

XIII. Bank Loans

Details of bank loans as at 31 December 2016 are set out in the attached Notes to Financial Statements.

XIV. Permitted Indemnity Provision

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

XV. Equity-linked Agreements

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

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

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

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

SUN Ming Bo

Chairman

Qingdao, the People's Republic of China

30 March 2017

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2016年度之監事會報告，敬請各位股東審閱。

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

一、報告期內監事會的工作情況

(一) 監事會召開情況

報告期內，公司監事會共召開5次定期會議，審議各類議案共計19項。主要議案如下：

1、 審議定期報告：

- (1) 審議公司2015年度財務報告；
- (2) 審議公司2016年第一季度報告；
- (3) 審議公司2016年半年度報告；
- (4) 審議公司2016年度第三季度報告。

I hereby present the 2016 Report of Supervisors of Tsingtao Brewery Company Limited for the kind review by all shareholders.

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

I. Work of Board of Supervisors during the Reporting Period

(I) Meetings held by Board of Supervisors

During the Reporting Period, the Board of Supervisors totally held 5 regular meetings to consider 19 resolutions mainly including the followings:

1. Regular reports:

- (1) considered the Company's 2015 Financial Report;
- (2) considered the Company's 2016 First Quarterly Report;
- (3) considered the Company's 2016 Interim Report;
- (4) considered the Company's 2016 Third Quarterly Report.



李鋼先生
Mr. LI Gang

監事會報告 Report of the Supervisors

2、 審議持續關連交易：

審議批准關於本集團成員與三得利中國集團成員於2016年股權交割日之前繼續進行相關持續關連交易的議案。

3、 審議其它事項：

通過召開會議，審議通過了公司2015年度利潤分配預案、2016年預算草案、為子公司提供擔保及其他議案等，共計10餘項。

2. Continuous connected transactions:

It considered and approved the resolution that the member of the Group and the members of Suntory China Group continued to carry out the related continuing connected transactions before the date of transferring the equity interests in 2016.

3. Other issues:

It considered and approved, through holding meetings, over 10 resolutions including the Company's 2015 profit distribution preliminary scheme, 2016 budget draft, providing guarantees to its subsidiaries and etc.

(二) 監事會實地調研情況

報告期內，中國啤酒市場銷量出現持續下滑，隨著行業競爭加劇，公司市場面臨嚴峻挑戰。為進一步掌握青島啤酒在全國的生產、銷售等經營情況，同時為使公司監事(尤其是外部監事)加深對公司的瞭解，監事會深入公司所屬山東、華南、廣西等工廠、子公司和營銷分支機構進行了10餘次實地調研。通過調研交流，掌握第一手資料，為監事會決策的科學性及履行監督職能的有效性提供支持。



(II) Site researches made by Board of Supervisors

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

二、監事會對公司2016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，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。

II. Independent Comments made by Board of Supervisors to the issues in 2016

(I) Compliance operation

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

監事會報告 Report of the Supervisors

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

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

(二) 檢查公司財務情況

監事會對2016年度公司的財務狀況和財務成果進行了監督、審核，監事會認為，公司財務制度健全，財務運作規範，財務狀況良好。公司財務報告真實、客觀地反映了公司的財務狀況和經營情況。

(三) 最近一次募集資金使用情況

報告期內，公司未有新增和存量募集資金，不存在募集資金管理及使用違規情形。

(四) 關連交易情況

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

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

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

(II) Review of the financial situations

After having supervised and audited the financial situation and results of the Company for the year 2016, the Board of Supervisors is of the view that, the Company's financial system is sound and complete, the financial operation is compliant, the financial situation is satisfactory, and the financial statements truly and objectively reflects the Company's financial situation and operation.

(III) Latest use of proceeds received

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

(IV) Information of connected transactions

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

監事會報告 Report of the Supervisors

(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2016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。

(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。

2016年12月，公司在由中國上市公司協會、上海證券交易所、深圳證券交易所共同主辦的「上市公司監事會最佳實踐評選活動」中，從全國眾多上市公司監事會中脫穎而出，榮膺「上市公司監事會最佳實踐20強」。借此機會，我對各位監事會成員，為公司監事會工作所做的貢獻表示衷心的感謝！期望公司監事會繼續以「建設一個獨立高效的監事會」為目標，按照兩地監管規則，再接再厲，各項工作再上新臺階。

2017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
二零一七年三月三十日

(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 *2016 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.

(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 December 2016, in the "Selection of Best Practice of Board of Supervisors of Listing Companies" jointly held by China Association for Public Companies, SSE and Shenzhen Stock Exchange, the Company was awarded "Top 20 of Best Practice of Board of Supervisors of Listing Companies" among various board of supervisors of listing companies in China. By this opportunity, please let me express my sincere gratitude to the contribution made by all members of the Board of Supervisors! Hope the Board of Supervisors would continue to take "the establishment of an independent and efficient board of supervisors" as its target to make new achievements in all works according to the regulatory rules of Shanghai and Hong Kong.

In 2017, the Board of Supervisors will supervise the ordinary performance of duties and responsibilities of the directors and other senior management officers by continuing to strictly abide by the laws, regulations, provisions in *Articles of Association* and regulatory requirements, actively attend the general meetings, sit in the board meetings, and perform duties and responsibilities in good faith and diligently, completely utilize its professional advantages, further strengthen its supervisory function by ways of holding meetings and site investigation and researches and improve its duty exercising capacity to secure the continuous, healthy and stable development of the Company, and protect the legal rights and interests of the Company and all shareholders.

Chairman of Board of Supervisors: LI Gang
30 March 2017

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。

本公司新一屆董事會成員在技能、經驗以及多元化視角方面達到適當的平衡，從而提升董事會的有效運作並保持高標準的公司治理水平。

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

一. 董事會

1. 職責與分工

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

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

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

During the Reporting Period, the Company had abided by the code provisions in *Corporate Governance Code* set out in Appendix 14 of *Listing Rules*. 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*.

企業管治報告 Corporate Governance Report

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

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

2、 組成

公司第八屆董事會成員由4名執行董事、1名非執行董事及4名獨立非執行董事組成：

執行董事

孫明波先生(董事長)

黃克興先生(總裁)

樊偉先生(於2016年6月16日委任)

于竹明先生

姜宏女士(於2016年6月16日辭任)

非執行董事

杉浦康譽先生

獨立非執行董事

王學政先生

于增彪先生(於2016年2月16日委任)

賈聖林先生

蔣敏先生

馬海濤先生(於2016年2月16日辭任)

公司董事(包括非執行董事)之任期自2014年6月16日起為期三年。於2016年2月16日，馬海濤先生因個人工作安排辭任本公司獨立非執行董事、審計與內控委員會主席、提名與薪酬委員會委員

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

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

2. Composition

The eighth session of the Board comprises 4 executive directors, 1 non-executive director and 4 independent non-executive directors:

Executive Directors

Mr. SUN Ming Bo (*Chairman*)

Mr. HUANG Ke Xing (*President*)

Mr. FAN Wei (*being appointed on 16 June 2016*)

Mr. YU Zhu Ming

Ms. JIANG Hong (*resigned on 16 June 2016*)

Non-Executive Director

Mr. Yasutaka SUGIURA

Independent Non-executive Directors

Mr. WANG Xue Zheng

Mr. YU Zeng Biao (*being appointed on 16 February 2016*)

Mr. BEN Sheng Lin

Mr. JIANG Min

Mr. MA Hai Tao (*resigned on 16 February 2016*)

The service term of the Company's directors (including non-executive directors) is three years commencing from 16 June 2014. On 16 February 2016, Mr. MA Hai Tao resigned as Independent Non-executive Director, Chairman of Audit & Internal Control Commission, member of Nomination

企業管治報告 Corporate Governance Report

及戰略與投資委員會委員等職務，而于增彪先生於同日獲委任為本公司獨立非執行董事，並出任馬海濤先生於各委員會所擔當的職務。

本公司已採納董事會多元化政策以提升董事會之有效性。

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

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

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

2016年度，本公司共舉行了3次現場會議和4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；
- 審議批准董事提名事宜及召集股東年會事項；
- 審議批准受讓目標企業股權的可行性報告；

& Remuneration Committee and Strategy & Investment Commission due to the work arrangement of his own, while Mr. YU Zeng Biao was appointed as Independent Non-executive Director of the Company on the same day, and took all positions previously taken by Mr. MA Hai Tao in all committees.

The Company has adopted a board diversity policy in order to enhance the effectiveness of the Board.

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

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

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 2016, the Company totally held 3 site meetings and 4 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 issues of nominating directors and holding annual general meeting;
- Considering and approving the feasibility report of acquiring the equity interests in target breweries;

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— 審議批准公司的持續關連交易事項；

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

— 審議批准核銷財產損失。

— Considering and approving to write-off the property losses.

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

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

| 董事姓名 Name | 本年應參加 董事會次數 Number that should attend in the year | 親自出席次數 Number that attend in person | 參加董事會情況 Information of attending board meeting | | | 是否連續兩次 未親自參加會議 If not attend in person for consecutive two times | 參加股東 大會情況 Information of attending general meeting |
|--------------------------|---|---|--|---|------------------------------|---|--|
| | | | 以通訊方式 參加次數 Number that attend in form of communications | 委托出席次數 Number that being attended by proxy | 缺席次數 Number of absence | | 出席股東大會 的次數 Number of attending general meeting |
| 孫明波 SUN Ming Bo | 7 | 3 | 4 | 0 | 0 | 否 No | 2 |
| 黃克興 HUANG Ke Xing | 7 | 3 | 4 | 0 | 0 | 否 No | 2 |
| 樊偉 FAN Wei | 3 | 1 | 2 | 0 | 0 | 否 No | 0 |
| 于竹明 YU Zhu Ming | 7 | 3 | 4 | 0 | 0 | 否 No | 2 |
| 杉浦康譽 Yasutaka SUGIURA | 7 | 3 | 4 | 0 | 0 | 否 No | 2 |
| 王學政 WANG Xue Zheng | 7 | 2 | 4 | 1 | 0 | 否 No | 1 |
| 于增彪 YU Zeng Biao | 6 | 2 | 4 | 0 | 0 | 否 No | 0 |
| 賈聖林 BEN Sheng Lin | 7 | 3 | 4 | 0 | 0 | 否 No | 1 |
| 蔣敏 JIANG Min | 7 | 3 | 4 | 0 | 0 | 否 No | 0 |
| 姜宏 JIANG Hong | 4 | 2 | 2 | 0 | 0 | 否 No | 1 |
| 馬海濤 MA Hai Tao | 1 | 1 | 0 | 0 | 0 | 否 No | 0 |

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公司董事會的召集、召開嚴格按照《公司章程》、《董事會議事規則》的規定。董事會會議由董事長主持召開，並在會議通知發出後按時召開，各項提案在會議上充分討論，並對提案進行逐項表決。召開董事會定期會議的通知在會議召開前14天發出。如有董事因公務不能出席會議，可由該董事書面委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。本公司獨立非執行董事根據《公司章程》的規定行使職權、履行職責或業務的需要時，可聘請獨立專業機構為其服務，由此發生的合理費用由本公司承擔。

二. 董事

1. 董事之培訓

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

於2016年1月1日至2016年12月31日期間，本公司全體董事定期接受有關本集團業務、營運及企業管治事宜的簡報及更新。董事並獲提供適用於本集團的新訂重點法律及條例或重要法律及條例的變動。公司每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

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 2016 to 31 December 2016, 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. Mr.

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國證監會青島證監局舉辦的不少於16學時的專題培訓。公司秘書張瑞祥先生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。

年末公司還組織獨立非執行董事到華南區域子公司進行工作調研及考察啤酒市場。實地瞭解當地啤酒市場信息及子公司經營狀況。

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。

ZHANG Rui Xiang, 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.

At the end of the year, the Company also arranged the independent non-executive directors to visit some subsidiaries in South China to conduct research and study the beer market, to understand the situation of the local beer markets and the operations of the subsidiaries on-site.

2. Independence of independent non-executive directors

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

3. Securities transaction by directors

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

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

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

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

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

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三. 董事會專門委員會

董事會於2014年6月16日召開會議，根據董事會換屆人員的調整，批准成立新一屆董事會下屬3個專門委員會，明確其監察公司個別範疇業務的職權範圍以下委員會成員組成之披露為截止2016年末的狀況。

1. 審計委員會

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

第八屆董事會審計委員會的成員包括：獨立非執行董事于增彪先生(審計委員會主席)、非執行董事杉浦康譽先生及獨立非執行董事王學政先生、賈聖林先生和蔣敏先生。其中于增彪先生具備財務和會計業務的經驗和能力，並擁有中國註冊會計師資格。2016年度審計委員會共舉行了5次會議，為保證彙報的獨立性，會議主席已安排外部審計師與審計委員會成員進行單獨的會議。於每次會議後，委員會均會就討論的重要事項向董事會提交建議。各委員出席會議的情況如下：

| 委員姓名 | Name | 應出席會議(次) | | 出席率(%) |
|-------------------|--|---|--|--------|
| | | 出席會議(次) Number of meetings attended (time) | Number of meetings should be attended (time) | |
| 于增彪 (審計委員會主席)* | YU Zeng Biao (Chairman of Audit Committee)* | 4 | 4 | 100 |
| 王學政 | WANG Xue Zheng | 4 | 5 | 80 |
| 杉浦康譽 | Yasutaka SUGIURA | 3 | 5 | 60 |
| 賈聖林 | BEN Sheng Lin | 4 | 5 | 80 |
| 蔣敏 | JIANG Min | 5 | 5 | 100 |
| 馬海濤* | MA Hai Tao* | 1 | 1 | 100 |

III. Specific Committees under the Board

The Board held a meeting on 16 June 2014, at which it approved to set up 3 specific committees under it based on the adjustments of its members of the latest session of the Board, and clarified their duty scope of supervising the specific business fields in the Company. The composition of the committees as at the end of 2016 is disclosed below.

1. Audit Committee

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

The Audit Committee under the eighth session of the Board is comprised of Mr. YU Zeng Biao (Chairman of Audit Committee), Mr. Yasutaka SUGIURA, Non-executive Director, and independent non-executive directors including Mr. WANG Xue Zheng, Mr. BEN Sheng Lin and Mr. JIANG Min, among whom Mr. Yu Zeng Biao has experience and capability in financial and accounting business, and has the qualification of Chinese Certified Public Accountant. In 2016, Audit Committee totally held 5 meetings. To ensure the independence of the reporting, the Chairman of Audit Committee arranged sole meetings between external auditor and members of Audit Committee. The Audit Committee made proposals to the Board on important issues discussed between them after each meeting. The attendance of meetings of each member of Audit Committee is as follows:

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* 馬海濤先生於2016年2月16日辭任本公司獨立非執行董事職務，而于增彪先生於同日獲委任為本公司獨立非執行董事

* Mr. MA Hai Tao has resigned from the position as Independent Non-executive Director on 16 February 2016 on which Mr. YU Zeng Biao was appointed as Independent Non-executive Director by the Company.

審計委員會在本年度主要工作包括：

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

Major work 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 internal control system and regulations, including whether the resource of the financial reporting, and the qualification and experience of the jobholders were sufficient or not, whether the training to the related personnel and the related budgets were sufficient or not.

2、 戰略委員會

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

第八屆董事會戰略委員會的成員包括：執行董事黃克興先生(戰略委員會主席)及于竹明先生和獨立非執行董事于增彪先生、賁聖林先生及蔣敏先生。2016年度戰略委員會共舉行了1次會議，各委員出席會議的情況如下：

2. Strategy Committee

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

Members of Strategy Committee under the eighth session of the Board include: executive directors including Mr. HUANG Ke Xing (Chairman of Strategy Committee), and Mr. YU Zhu Ming, and independent non-executive directors including Mr. YU Zeng Biao, Mr. BEN Sheng Lin and Mr. JIANG Min. In 2016, the Strategy Committee totally held 1 meeting, and the attendance of each member of Strategy Committee is as follows:

| 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) | 1 | 1 | 100 |
| 王學政 | WANG Xue Zheng | 1 | 1 | 100 |
| 于增彪 | YU Zeng Biao | 1 | 1 | 100 |
| 賁聖林 | BEN Sheng Lin | 1 | 1 | 100 |
| 蔣敏 | JIANG Min | 1 | 1 | 100 |

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戰略委員會在本年度的主要工作包括：審議公司收購目標公司股權項目的可行性報告。

Strategy Committee's work in the year mainly included: considering the feasibility reports of acquiring the equity interests held in the target companies.

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。

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.

第八屆董事會提名與薪酬委員會的成員包括：獨立非執行董事王學政先生(提名委員會主席)、非執行董事杉浦康譽先生及獨立非執行董事于增彪先生、賁聖林先生和蔣敏先生。2016年度提名與薪酬委員會舉行了2次會議，對年報披露的董事、監事和高管人員薪酬資料進行了審核，以及對於執行董事候選人的提名事項進行了審議。

Members of the Nomination & Remuneration Committee under the eighth session of the Board include: Mr. WANG Xue Zheng (Chairman of Nomination & Remuneration Committee), Independent Non-executive Director, Mr. Yasutaka SUGIURA, Non-executive Director, and independent non-executive directors including Mr. YU Zeng Biao, Mr. BEN Sheng Lin and Mr. JIANG Min. In 2016, Nomination & Remuneration Committee held 2 meetings to review the remuneration information of directors, supervisors and senior management officers disclosed in the Annual Report, and consider the nomination of candidate of executive director.

| 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) | |
| 王學政 (提名委員會主席) | WANG Xue Zheng (Chairman of Nomination & Remuneration Committee) | 2 | 2 | 100 |
| 于增彪 | YU Zeng Biao | 2 | 2 | 100 |
| 賁聖林 | BEN Sheng Lin | 2 | 2 | 100 |
| 蔣敏 | JIANG Min | 2 | 2 | 100 |
| 杉浦康譽 | Yasutaka SUGIURA | 1 | 2 | 50 |

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四. 監控機制

1、 監事會

公司第八屆監事會由4名股東代表監事和3名職工代表監事組成，現任監事的個人簡介資料，載列於本年度報告「董事、監事、高級管理人員情況」。

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。2016年度，監事會共舉行5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。

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。

IV. Supervisory Mechanism

1. Board of Supervisors

The eighth session of Board of Supervisors is comprised of 4 supervisors as shareholders' representative and 3 supervisors as employees' representative. The profile of the current supervisors is set out in "Profiles of Directors, Supervisors and Senior Management Officers" in this Annual Report.

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 2016, the Board of Supervisors totally held 5 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.

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.

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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的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。公司各職能部門、各分(子)公司也按照規定期限開展自評工作，對所發現的問題實施整改。

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 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 internal control system 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.

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

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(1) 公司董事會對內控體系自我評估情況

公司第八屆董事會第十六次會議審議通過公司2016年度內部控制評價報告，按照公司制定的內部控制缺陷認定標準，報告期內公司不存在財務報告內部控制重大缺陷、重要缺陷。亦未發現公司非財務報告內部控制重大缺陷、重要缺陷。

(2) 公司境內註冊會計師對財務報告內控體系評估情況

公司聘請普華永道中天對財務報告內部控制有效性進行了審核評估，認為公司於2016年12月31日按照《企業內部控制基本規範》和相關規定在所有重大方面保持了有效的財務報告內部控制。

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

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

The Company's 2016 internal control evaluation report was considered and approved at the sixteenth meeting of the eighth session of the Board. According to the affirmation standards of internal control defects worked out by the Company, during the Reporting Period, the Company did not have any material weakness or significant weakness of internal control in the financial reporting, nor in the non-financial reporting.

(2) 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 2016, 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.

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

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。普華永道中天會計師事務所(特殊普通合夥)已為本公司連續提供審計服務15年。2016年度，本公司應向普華永道中天支付其年度財務報告審計工作的酬金為人民幣660萬元，支付其內控審計工作的酬金為人民幣198萬元，公司不承擔其差旅費及其它費用。

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 15 consecutive years. In 2016, 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, but all expenses for business travels and others will not be borne by the Company.

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五. 股東及其他利益相關者

1. 股東大會

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

股東大會是公司的最高權力機構，依法行使職權，決定公司重大事項。每年的股東年會為董事會與公司股東提供直接溝通的渠道。因此，本公司高度重視股東大會，於會議召開45日前發出會議通知，在股東年會上，公司董事長及其他與會執行董事就股東關注的事項進行了廣泛深入的溝通及說明。2016年2月16日公司在青島以現場會議與網絡投票相結合的方式召開了2016年第一次臨時股東大會，會議審議通過選舉于增彪先生為公司獨立非執行董事的議案。2016年6月16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2015年度股東年會，會議審議通過了公司2015年度董事會報告、監事會報告、經審計的財務報告、利潤分配預案和續聘財務報告及內部控制審計師等項議案，並選舉樊偉先生為公司執行董事及選舉北川亮一先生為公司股東監事，以及聽取了公司2015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。

V. Shareholders and other Interest-related Parties

1. General meeting

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

General meeting is the highest authority of the Company, which legally exercises its authorities to determine the significant events for the Company. The annual general meeting is a channel of direct communication between the Board and the shareholders of the Company. Therefore, the Company pays high regards to the general meetings by dispatching the meeting notice 45 days prior to the meeting date, and the chairperson and other attending executive directors make extensive and intensive communications and interpretation over the issues concerned by the shareholders at the annual general meetings. On 16 February 2016, the Company held the 2016 First Extraordinary General Meeting in form of on-site voting in Qingdao and online voting to consider and approve the resolution of appointing Mr. YU Zeng Biao as Independent Non-executive Director of the Company. On 16 June 2016, the Company held the 2015 Annual General Meeting in form of on-site meeting in Qingdao or online voting to consider and approve the resolutions including the Company's 2015 report of the directors, report of the supervisors, audited financial statements, preliminary proposal for profit distribution and re-appointment of auditor of financial reporting and internal control, the election of Mr. FAN Wei as Executive Director of the Company and Mr. Ryoichi KITAGAWA as Supervisor as Shareholders' Representative, and also listened to the Company's 2015 work report of independent non-executive directors.

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

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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。

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。

於年內，《公司章程》並無變動。

3、投資者關係與溝通

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

2. Shareholders' rights

As one of the measures 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.

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

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.

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2016年，公司共舉辦或參加有事先預約的投資者來電來訪及聯合調研等溝通會議共82次，參加境內外證券金融投資機構舉辦的大型投資論壇或投資者溝通會議共計4次。

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

4、其他利益相關者

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

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

In 2016, the Company totally held or attended 82 meetings including the calls and visits, and joint investigations and researches which were appointed in advance by the investors, attended 4 large-scale investment forums or investor communication meetings held by the domestic and overseas securities and financial investing institutions.

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

4. Other interest-related parties

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

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



管理層討論與分析 Management Discussion and Analysis

一、報告期內主要財務分析(按中國企業會計準則計算)

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

(I) 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 | 26,106,344 | 27,634,686 | (5.53) |
| 營業成本 | Cost of sales | 15,265,280 | 17,192,102 | (11.21) |
| 税金及附加 | Taxes and surcharges | 2,231,365 | 2,030,394 | 9.90 |
| 銷售費用 | Selling and distribution expenses | 6,029,439 | 5,904,539 | 2.12 |
| 管理費用 | General and administrative expenses | 1,340,543 | 1,412,436 | (5.09) |
| 財務費用 | Financial expenses | (257,408) | (299,598) | 14.08 |
| 資產減值損失 | Asset impairment losses | 7,842 | 2,062 | 280.24 |
| 投資收益 | Investment income | 150,970 | 462,413 | (67.35) |
| 營業外收入 | Non-operating income | 721,492 | 558,817 | 29.11 |
| 營業外支出 | Non-operating expenses | 238,303 | 139,158 | 71.25 |
| 所得稅費用 | Income tax expenses | 1,017,743 | 662,779 | 53.56 |
| 少數股東損益 | Net profit attributable to non-controlling interests | 62,212 | (101,085) | 161.54 |
| 研發支出 | R&D expenditures | 14,613 | 12,879 | 13.46 |
| 經營活動產生的現金流量 淨額 | Net cash flows from operating activities | 2,970,891 | 2,574,566 | 15.39 |
| 投資活動產生的現金流量 淨額 | Net cash flows from investing activities | (1,164,015) | (236,709) | (391.75) |
| 籌資活動產生的現金流量 淨額 | Net cash flows from financing activities | (1,470,421) | (30,678) | (4,693.09) |

2、收入

Revenue

- (1) 2016年營業收入同比減少5.53%，主要原因是報告期內銷量下降，使得營業收入減少所致。

In 2016, revenue decreased by 5.53% from the corresponding period in prior year, which was mainly due to the decrease in revenue caused by the decline of sales volume during the Reporting Period.

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 | 741 | 792 | 26 | 5.08 | (6.60) | 76.21 |

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，上海投資公司下屬生產企業的產量自2016年4月起計入本公司產量統計。

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. The output of the subsidiary plants of Shanghai Investing Company has been included in the calculation of the Company's output since April 2016.

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 | | | | |
|-----------------------|--|--|---|---|---|--|
| | | 本期金額 Amount during this Reporting Period | 本期佔總成本 比例(%) Percentage of the total cost (%) | 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) (%) |
| 啤酒銷售 Sales of beer | 直接材料 Direct materials | 9,859,939 | 64.59 | 10,220,047 | 59.45 | (3.52) |
| | 直接人工 Direct labor | 888,058 | 5.82 | 788,924 | 4.59 | 12.57 |
| | 製造費用 Overhead | 2,804,458 | 18.37 | 2,565,493 | 14.92 | 9.31 |
| | 外購產成品 Outsourcing of finished goods | 1,525,389 | 9.99 | 3,349,368 | 19.48 | (54.46) |
| | 其他非主營銷售業務 Other non-principle sales business | 187,436 | 1.23 | 268,270 | 1.56 | (30.13) |
| 合計 Total | | 15,265,280 | 100.00 | 17,192,102 | 100.00 | (11.21) |

管理層討論與分析 Management Discussion and Analysis

| | | 分產品情況 Information by products | | | | |
|------------------------------------|-------------------------------|----------------------------------|-----------------|-----------------|-----------------|-------------------------|
| 分產品 By products | 成本構成項目 Items in the costs | 本期金額 | 本期佔總成本 | 上年同期金額 | 上年同期 | 本期金額 |
| | | Amount | 比例(%) | Amount of | 佔總成本比例 | 較上年同期 |
| | | during | Percentage of | corresponding | Percentage of | Increase/ (Decrease) |
| | | this Reporting | the total costs | period in prior | the total costs | (%) |
| | | Period | (%) | year | (%) | (%) |
| | 直接材料 | | | | | |
| | Direct materials | 9,859,939 | 64.59 | 10,220,047 | 59.45 | (3.52) |
| | 直接人工 | | | | | |
| | Direct labor | 888,058 | 5.82 | 788,924 | 4.59 | 12.57 |
| | 製造費用 | | | | | |
| | Overhead | 2,804,458 | 18.37 | 2,565,493 | 14.92 | 9.31 |
| | 外購成本 | | | | | |
| | Outsourcing of finished goods | 1,525,389 | 9.99 | 3,349,368 | 19.48 | (54.46) |
| 其他非主營銷售業務 | | | | | | |
| Other non-principle sales business | | 187,436 | 1.23 | 268,270 | 1.56 | (30.13) |
| 合計 | | | | | | |
| Total | | 15,265,280 | 100.00 | 17,192,102 | 100.00 | (11.21) |

備註：
Note:

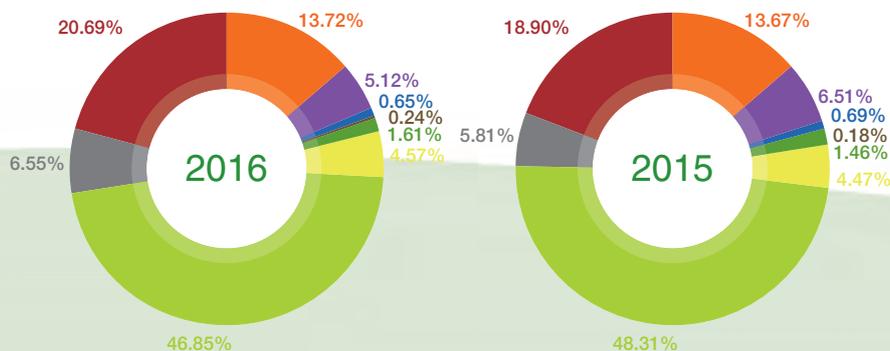
啤酒銷售成本構成項目金額參照本年度生產成本構成比例計算。

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

2016年營業成本同比減少11.21%，主要原因是報告期內銷量下降以及收購上海投資公司股權，與其產品採購交易由外購模式轉變為內部交易，使得營業成本減少所致。

In 2016, the cost of sales decreased by 11.21% from the corresponding period in prior year, which was mainly due to the decrease in cost of sales caused by the decline of sales volume, and the purchasing transactions between the Company and Shanghai Investing Company changed from outsourcing mode to internal transactions after acquiring the equity interests in Shanghai Investing Company during the Reporting Period.

制造成本構成 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

2016年銷售費用較上年度增加2.12%，主要原因是本年度部分區域促銷費用、品牌費用增加所致。

In 2016, selling and distribution expenses increased by 2.12% from prior year, which was mainly due to the increase in the promotion and brand expenses in some regions within the year.

(2) 管理費用

General and administrative expenses

2016年管理費用較上年度減少5.09%，主要原因是本年度按財政部相關規定，將5-12月原計入管理費用的房產稅、土地使用稅、車船稅、印花稅等相關稅費調整計入稅金及附加使得管理費用同比減少所致。

In 2016, general and administrative expenses decreased by 5.09% from prior year, which was mainly due to the decrease in general and administrative expenses from the corresponding period in prior year due to that, in the year, according to the related requirements of the Ministry of Finance, the Company recognized the taxes including property tax, land use tax, vehicle and vessel use tax and stamp duty for the period from May to December into taxes and surcharges instead of general and administrative expenses as previously did.

(3) 財務費用

Financial expenses

2016年財務費用較上年度增加14.08%，主要原因是本年度利息收入同比減少所致。

In 2016, financial expenses increased by 14.08% from prior year, which was mainly due to that the interests received in the year decreased 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) 稅金及附加

Taxes and surcharges

2016年稅金及附加較上年度增加9.90%，主要原因是本年度收購上海投資公司股權納入合並範圍的單位增加，以及按財政部相關規定將5-12月原計入管理費用的房產稅、土地使用稅、車船稅、印花稅等相關稅費調整計入稅金及附加使得稅金及附加同比增加所致。

In 2016, taxes and surcharges increased by 9.90% from prior year, which was mainly due to the increase in the units which were included in the consolidation scope caused by acquiring the equity interests in Shanghai Investing Company in the year, and the increase in taxes and surcharges from the corresponding period in prior year due to that, in the year, according to the relevant requirements of the Ministry of Finance, the Company recognized the taxes including property tax, land use tax, vehicle and vessel use tax and stamp duty for the period from May to December as taxes and surcharges instead of general and administrative expenses as previously did.

(2) 資產減值損失

Asset impairment losses

2016年資產減值損失較上年度增加280.24%，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 2016, asset impairment losses increased by 280.24% 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.

(3) 投資收益

Investment income

2016年投資收益較上年度減少67.35%，主要原因是同期轉讓子公司股權取得收益所致。

In 2016, investment income decreased by 67.35% from prior year, which was mainly due to the income obtained from transferring the equity interests in a subsidiary during the corresponding period.

管理層討論與分析 Management Discussion and Analysis

(4) 營業外收入

Non-operating income

2016年營業外收入較上年度增加29.11%，主要原因是報告期內收購上海投資公司股權使其成為控股子公司形成的負商譽計入營業外收入所致。

In 2016, non-operating income increased by 29.11% from prior year, which was mainly due to that the negative goodwill from acquiring the equity interests in Shanghai Investing Company during the Reporting Period, which made it a wholly-owned subsidiary, was recognized as non-operating income.

(5) 營業外支出

Non-operating expenses

2016年營業外支出較上年度增加71.25%，主要原因是報告期內部分子公司處置固定資產及土地使用權損失增加所致。

In 2016, non-operating expenses increased by 71.25% from prior year, which was mainly due to the increase in losses caused by disposing the fixed assets and land use right of some subsidiaries during the Reporting Period.

(6) 所得稅費用

Income tax expenses

2016年所得稅費用較上年度增加53.56%，主要原因是報告期內補交以前年度所得稅所致。

In 2016, income tax expenses increased by 53.56% from prior year, which was mainly due to the supplemental payment of income taxes in prior years made by the Company during the Reporting Period.

(7) 少數股東損益

Net profit attributable to non-controlling interests

2016年少數股東損益較上年度增加161.54%，主要原因是報告期內收購上海實業公司少數股權，原少數股東不再分佔其經營虧損所致。

In 2016, net profit attributable to non-controlling interests increased by 161.54% from prior year, which was mainly due to that the former non-controlling shareholders no longer shared the operation losses after the non-controlling equity interests in Shanghai Industrial Company were acquired during the Reporting Period.

6、研發投入

R&D expenditures

研發投入情況表

Information of R&D expenditures

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

| | | |
|--------------------|---|--------|
| 本期費用化研發投入 | R&D expenditures of the Reporting Period | 14,613 |
| 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 | 14,613 |
| 研發投入總額佔營業收入比例(%) | Percentage of total R&D expenditures in revenue (%) | 0.06 |
| 公司研發人員的數量 | Number of R&D personnel | 48 |
| 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 (%) | 0.11 |
| 研發投入資本化的比重(%) | Percentage of R&D expenditures capitalised | 0 |

管理層討論與分析 Management Discussion and Analysis

7、 現金流

Cash flow

- (1) 經營活動產生的現金流量淨額同比增加15.39%，主要原因是報告期內購買商品、接受勞務支付的現金同比減少所致。

Net cash flows from operating activities increased by 15.39% from the corresponding period in prior year, which was mainly due to the decrease in cash paid for purchasing goods and receiving services during the Reporting Period.

- (2) 投資活動產生的現金流量淨額同比減少391.75%。主要原因是報告期內全資子公司財務公司購買理財產品以及收購上海投資公司等子公司股權支付的現金同比增加所致。

Net cash flows from investing activities decreased by 391.75% from the corresponding period in prior year, which was mainly due to the increase in cash paid for the wealth management products purchased by Finance Company, a wholly-owned subsidiary, and the acquisition of equity interests in the subsidiaries including Shanghai Investing Company during the Reporting Period.

- (3) 籌資活動產生的現金流量淨額同比減少4693.09%。主要原因是報告期內借款收到的現金同比減少以及償還債務支付的現金同比增加所致。

Net cash flows from financing activities decreased by 4693.09% from the corresponding period in prior year, which was mainly due to that, during the Reporting Period, the cash received from the borrowings decreased from the corresponding period in prior year and the cash paid for the repayment of the debts increased from the corresponding period in prior year.

(II) 非主營業務導致利潤重大變化的說明

Explanation of material changes to profit caused by non-principal business

- 1、 報告期內收購上海投資公司股權，原持有上海投資公司股權的賬面價值與其公允價值之差計入投資收益約12,979萬元。

The difference of approximately RMB129.79 million between the carrying value and the fair value of the equity interests previously held in Shanghai Investing Company was recognized as investment income after acquiring the equity interests in Shanghai Investing Company during the Reporting Period.

- 2、 報告期內收購上海投資公司股權使其成為控股子公司而形成的負商譽計入營業外收入約17,770萬元。

The negative goodwill of approximately RMB177.70 million from the acquisition of the equity interests in Shanghai Investing Company which made it a wholly-owned subsidiary was recognized as non-operating income during the Reporting Period.

- 3、 報告期內補交2007年之前年度所得稅優惠稅率執行差異，計入當期所得稅費用約33,888萬元。

The supplemental payment of approximately RMB338.88 million of the differences in the application of preferential income tax rate for the years prior to 2007 made by the Company during the Reporting Period was recognized as income tax expenses of the corresponding period.

管理層討論與分析 Management Discussion and Analysis

(III) 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 | | |
| 應收利息 | Interests receivable | 71,557 | 0.24 | 148,581 | 0.52 | (51.84) |
| 其他流動資產 | Other current assets | 1,116,182 | 3.71 | 768,741 | 2.70 | 45.20 |
| 長期股權投資 | Long-term equity investments | 379,531 | 1.26 | 1,507,745 | 5.29 | (74.83) |
| 在建工程 | Construction in progress | 193,447 | 0.64 | 287,470 | 1.01 | (32.71) |
| 遞延所得稅資產 | Deferred tax assets | 1,042,210 | 3.47 | 769,159 | 2.70 | 35.50 |
| 短期借款 | Short-term borrowings | 302,341 | 1.01 | 810,387 | 2.84 | (62.69) |
| 應付票據 | Notes payable | 307,517 | 1.02 | 100,142 | 0.35 | 207.08 |
| 預收款項 | Advances from customers | 1,320,882 | 4.39 | 1,000,313 | 3.51 | 32.05 |
| 應交稅費 | Taxes payable | 396,467 | 1.32 | 261,889 | 0.92 | 51.39 |
| 專項應付款 | Payables for specific projects | 175,014 | 0.58 | 251,632 | 0.88 | (30.45) |
| 遞延所得稅負債 | Deferred tax liabilities | 249,070 | 0.83 | 133,868 | 0.47 | 86.06 |
| 一般風險準備 | General reserve | 142,496 | 0.47 | 106,025 | 0.37 | 34.40 |
| 其他綜合收益 | Other comprehensive income | (50,149) | (0.17) | (20,326) | (0.07) | (146.72) |
| 少數股東權益 | Non-controlling interests | 565,187 | 1.88 | (292,051) | (1.02) | 293.52 |

(1) 應收利息

Interests receivable

應收利息報告期期末比期初減少51.84%，主要原因是報告期內全資子公司財務公司應收利息減少所致。

Interests receivable at the end of the Reporting Period decreased by 51.84% from the beginning of the year, which was mainly due to the decrease in interests receivable of Finance Company, a wholly-owned subsidiary, during the Reporting Period.

(2) 其他流動資產

Other current assets

其他流動資產報告期期末比期初增加45.20%，主要原因是報告期內全資子公司財務公司購買理財產品增加所致。

Other current assets at the end of the Reporting Period increased by 45.20% from the beginning of the year, which was mainly due to the increase in the wealth management products purchased by Finance Company, a wholly-owned subsidiary of the Company, during the Reporting Period.

管理層討論與分析 Management Discussion and Analysis

(3) 長期股權投資

Long-term equity investments

長期股權投資報告期期末比期初減少74.83%，主要原因是報告期內收購上海投資公司股權使其成為控股子公司，在合並報表層面對其長期股權投資進行抵銷所致。

Long-term equity investments at the end of the Reporting Period decreased by 74.83% from the beginning of the year, which was mainly due to the offset of the long-term equity investment of Shanghai Investing Company at the level of consolidated statements after acquiring its equity interests which made it a wholly-owned subsidiary during the Reporting Period.

(4) 在建工程

Construction in progress

在建工程報告期期末比期初減少32.71%，主要原因是本年度部分子公司在建項目完工轉固所致。

Construction in progress at the end of the Reporting Period decreased by 32.71% from the beginning of the year, which was mainly due to that the constructions in progress of some subsidiaries were completed and transferred to fixed assets in the year.

(5) 遞延所得稅資產

Deferred tax assets

遞延所得稅資產報告期期末比期初增加35.50%，主要原因是報告期內待付費用增加使得遞延所得稅資產增加所致。

Deferred tax assets at the end of the Reporting Period increased by 35.50% from the beginning of the year, which was mainly due to the increase in deferred tax assets caused by the increase in accrued expenses during the Reporting Period.

(6) 短期借款

Short-term borrowings

短期借款報告期期末比期初減少62.69%，主要原因是報告期內部分子公司償還已到期借款所致。

Short-term borrowings at the end of the Reporting Period decreased by 62.69% from the beginning of the year, which was mainly due to the repayment of matured short-term borrowings by some subsidiaries during the Reporting Period.

(7) 應付票據

Notes payable

應付票據報告期期末比期初增加207.08%，主要原因是報告期內採用票據結算貨款方式比重增加所致。

Notes payable at the end of the Reporting Period increased by 207.08% from the beginning of the year, which was mainly due to the increase in percentage of goods amount settled with notes during the Reporting Period.

(8) 預收款項

Advances from customers

預收款項報告期期末比期初增加32.05%，主要原因是報告期內部分子公司預收酒款增加所致。

Advances from customers at the end of the Reporting Period increased by 32.05% from the beginning of the year, which was mainly due to the increase in advances for beer amount received by some subsidiaries during the Reporting Period.

(9) 應交稅費

Taxes payable

應交稅費報告期期末比期初增加51.39%，主要原因是報告期末應交增值稅、消費稅等相關稅費增加所致。

Taxes payable at the end of the Reporting Period increased by 51.39% from the beginning of the year, which was mainly due to the increase in relevant taxes including value-added tax and consumption tax payable at the end of the Reporting Period.

(10) 專項應付款

Payables for specific projects

專項應付款報告期期末比期初減少30.45%，主要原因是報告期內部分子公司將收到的政府搬遷補償款按搬遷項目進度轉入遞延收益所致。

Payables for specific projects at the end of the Reporting Period decreased by 30.45% from the beginning of the year, which was mainly due to that, during the Reporting Period, some subsidiaries recognized the governmental relocation compensation as deferred income according to the progress of the relocation projects.

管理層討論與分析 Management Discussion and Analysis

(11) 遞延所得稅負債

Deferred tax liabilities

遞延所得稅負債報告期期末比期初增加 86.06%，主要原因是報告期內收購上海投資公司股權，由於該公司資產評估增值使得遞延所得稅負債增加所致。

Deferred tax liabilities at the end of the Reporting Period increased by 86.06% from the beginning of the year, which was mainly due to the increase in deferred tax liabilities caused by the increase in asset valuation of Shanghai Investing Company after its equity interests were acquired during the Reporting Period.

(12) 一般風險準備

General reserve

一般風險準備報告期期末比期初增加 34.40%，主要原因是本年度全資子公司財務公司計提一般風險準備金增加所致。

General reserve at the end of the Reporting Period increased by 34.40% from the beginning of the year, which was mainly due to the increase in accrued general reserve of Tsingtao Finance Company, a wholly-owned subsidiary of the Company, in the year.

(13) 其他綜合收益

Other comprehensive income

其他綜合收益報告期期末比期初減少 146.72%，主要原因是本年度補充退休福利精算假設變化影響以及對境外子公司外幣財務報表折算差額減少所致。

Other comprehensive income at the end of the Reporting Period decreased by 146.72% from the beginning of the year, which was mainly due to the effect of changes to assumptions of supplemental retirement benefits and currency translation differences of financial statements in foreign currencies of overseas subsidiaries in the year.

(14) 少數股東權益

Non-controlling interests

少數股東權益報告期期末比期初增加 293.52%，主要原因是報告期內收購上海實業公司少數股權，原少數股東不再分佔其淨資產所致。

Non-controlling interests at the end of the Reporting Period increased by 293.52% from the beginning of the year, which was mainly due to that the former non-controlling shareholders no longer shared the net assets of Shanghai Industrial Company after its non-controlling interests were acquired during the Reporting Period.

(IV) 其他經營情況說明

Interpretation of other operating situations

1. 債務資本率

Debt/Capital Ratio

本集團 2016 年 12 月 31 日的債務資本率為 0.01% (2015 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 + 歸屬於上市公司股東的股東權益)。

On 31 December 2016, the Group's debt/capital ratio was 0.01% (31 December 2015: 0.01%). The calculation of debt/capital is: total amount of long-term borrowings / (total amount of long-term borrowings + shareholders' interests attributable to shareholders of the Company).

2. 資產抵押

Assets mortgage

於 2016 年 12 月 31 日，本集團無資產抵押。(2015 年 12 月 31 日：無)

As at 31 December 2016, the Group did not have any mortgages (31 December 2015: Nil).

管理層討論與分析 Management Discussion and Analysis

3. 匯率波動風險

Risk of fluctuate exchange rate

由於本公司目前用於主品牌生產的原材料大麥主要依賴進口，因此匯率的變動將會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 in its production of core brand, 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

2016年本集團資本性新建、搬遷及改擴建項目共投入約8.56億元，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 2016, the Company invested in approximately RMB856 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

詳見年報正文財務報表附註。

For details please refer to Notes to Financial Statements set out in this Annual Report.

6. 或有負債

Contingent liabilities

無

Nil.

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1,566萬千升，實際產能1,139萬千升。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、設備刷新等因素後，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 156.6 million hl, of which the actual production capacity is 113.9 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.



管理層討論與分析 Management Discussion and Analysis

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) |
|------------------------------|--|
| 260 | 444 |

3. 產品情況

Product information

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

| 產品檔次 Product class | 產量 (萬千升) Output (ten million litre) | 同比 (%) Increase/ (Decrease) from the corresponding period in prior year (%) | 銷量 (萬千升) Sales volume (ten million litre) | 同比 (%) Increase/ (Decrease) from the corresponding period in prior year (%) | 產銷率 (%) Sales-output percentage | 銷售 收入 Sales income | 同比 (%) Increase/ (Decrease) from the corresponding period in prior year (%) | 主要 代表品牌 Main representative brand |
|------------------------|---|---|---|---|--|--------------------------|---|---|
| | | | | | | | | |
| 青島品牌 Tsingtao Brand | 376 | (1.1) | 381 | (8.6) | 99 | 1,584,372 | (7.5) | 青島 Tsingtao |
| 其他品牌 Other brands | 365 | 12.3 | 411 | (4.7) | 115 | 997,453 | (2.0) | 嶗山 Laoshan |

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；以嶗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，上海投資公司下屬生產企業的產量自2016年4月起計入本公司產量統計。

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. The output of the subsidiary brewing plants of Shanghai Investing Company has been included in the Company's output since April 2016.

管理層討論與分析 Management Discussion and Analysis

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.

(2) 採購金額

Purchasing amount

單位：萬元 幣種：人民幣
Unit: RMB 0'000 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 | 366,664 | 413,837 | 35.20 |
| 包裝材料 | Packaging materials | 660,269 | 648,333 | 63.40 |
| 能源 | Energy | 14,573 | 16,828 | 1.40 |

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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.

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.

管理層討論與分析 Management Discussion and Analysis

(2) 區域情況

Regional information

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

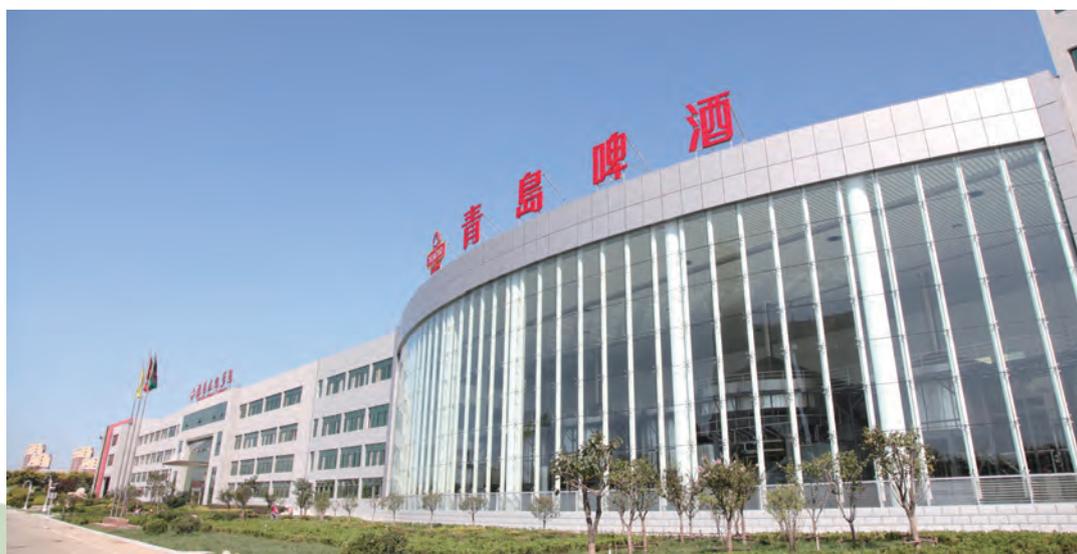
| 區域名稱 | Region | 本期銷售 收入 Sales income of the Reporting Period | 上期銷售 收入 Sales Income of the corresponding period in prior year | 本期佔比 (%) Percentage of the Reporting Period (%) | 本期銷售量 (萬千升) Sales volume of the Reporting Period (ten million litres) | 上期銷售量 (萬千升) Sales volume of the corresponding period in prior year (ten million litres) | 本期佔比 (%) Percentage of the Reporting Period (%) |
|---------------|--|--|--|---|--|--|---|
| 山東地區 | Shandong Province | 1,360,685 | 1,360,057 | 52.70 | 421 | 428 | 53.14 |
| 華北地區 | North China | 420,261 | 416,066 | 16.28 | 131 | 134 | 16.54 |
| 華南地區 | South China | 324,251 | 381,009 | 12.56 | 88 | 111 | 11.06 |
| 華東地區 | East China | 273,688 | 277,161 | 10.60 | 102 | 104 | 12.93 |
| 東南地區 | South-east China | 144,123 | 235,058 | 5.58 | 40 | 62 | 5.10 |
| 港澳及其他海外 地區 | Hong Kong, Macau and other overseas regions | 58,817 | 51,493 | 2.28 | 10 | 9 | 1.23 |
| 合併 | Total | 2,581,825 | 2,720,844 | 100.00 | 792 | 848 | 100.00 |

區域劃分標準：

Standard for dividing the regions

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。

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.



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(3) 經銷商情況

Information of distributors

單位：個

| 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 | 15,924 | 5,181 | 3,981 |

經銷商管理情況：

Information on the management of distributors

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

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

公司不斷加強經銷商網絡的培育與發展，持續開發引進優質經銷商，積極培育戰略性經銷商，通過落地經銷商培訓管理機制、完善經銷商溝通機制和推進星級網絡評估項目，有效提高了經銷商的內部運營管理能力和市場拓展能力，促進了區域銷售網絡質量提升。公司通過經銷商業務培訓、市場策劃及促銷支持、提高經銷商廠商業務協同等措施，不斷提升了對終端客戶的掌控能力和區域市場的分銷能力，進一步完善了公司銷售網絡和渠道覆蓋。

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

管理層討論與分析 Management Discussion and Analysis

6. 公司收入分析

Analysis of the Company's income

(1) 按不同類型披露公司主營業務構成

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

單位：萬元 幣種：人民幣
Unit: RMB 0'000 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 | 1,584,372 | (7.49) | 799,512 | (14.12) | 49.54 | 增加 3.11 個百分點 Increased by 3.11 percentage points |
| 其他品牌 | Other brands | 997,453 | (2.04) | 708,272 | (10.12) | 28.99 | 增加 5.62 個百分點 Increased by 5.62 percentage points |
| 小計 | Total | 2,581,825 | — | 1,507,784 | — | — | — |
| 按地區分部 | By regions | | | | | | |
| 山東地區 | Shandong Province | 1,360,685 | 0.05 | 741,861 | (5.66) | 45.48 | 增加 3.30 個百分點 Increased by 3.30 percentage points |
| 華北地區 | North China | 420,261 | 1.01 | 240,171 | (4.21) | 42.85 | 增加 3.11 個百分點 Increased by 3.11 percentage points |
| 華南地區 | South China | 324,251 | (14.90) | 183,255 | (20.03) | 43.48 | 增加 3.63 個百分點 Increased by 3.63 percentage points |
| 華東地區 | East China | 273,688 | (1.25) | 201,373 | (16.24) | 26.42 | 增加 13.16 個百分點 Increased by 13.16 percentage points |
| 東南地區 | South-east China | 144,123 | (38.69) | 106,194 | (30.56) | 26.32 | 減少 8.62 個百分點 Decreased by 8.62 percentage points |
| 海外地區 | Overseas regions | 58,817 | 14.22 | 34,930 | 6.61 | 40.61 | 增加 4.24 個百分點 Increased by 4.24 percentage points |
| 小計 | Total | 2,581,825 | — | 1,507,784 | — | — | — |

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情況說明：

Explanation:

華東地區毛利率同比增加13.16個百分點，主要原因是報告期內收購上海投資公司股權，與其產品採購交易由外購模式轉變為內部交易。

The gross margin in East China increased by 13.16 percentage points from the corresponding period in prior year, which was mainly due to that, the product purchasing transactions between the Company and Shanghai Investing Company changed from outsourcing mode to internal transactions after the equity interests in Shanghai Investing Company were acquired during the Reporting Period.

東南地區毛利率同比降低8.62個百分點，主要原因是2016年該地區產品結構變化所致。

The gross margin in South-east China decreased by 8.62 percentage points from the corresponding period in prior year, which was mainly due to the changes in product mix in this region in 2016.



7. 銷售費用情況

Information of selling and distribution expenses

單位：萬元 幣種：人民幣
Unit: RMB 0'000 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 | 182,802 | 184,463 | 7.00 | (0.90) |
| 促銷費 | Promotion expenses | 175,033 | 164,599 | 6.70 | 6.34 |
| 裝卸運輸費 | Handling and transportation expenses | 120,290 | 122,510 | 4.61 | (1.81) |
| 廣告宣傳費 | Adverting-related expenses | 74,224 | 64,471 | 2.84 | 15.13 |
| 行政費用 | Administrative expenses | 16,811 | 19,132 | 0.64 | (12.13) |
| 折舊及攤銷費用 | Depreciation and amortization charges | 12,438 | 12,373 | 0.48 | 0.53 |
| 租賃費 | Operation lease payments | 9,039 | 9,384 | 0.35 | (3.68) |
| 低值易耗品 | Low-value consumables | 6,257 | 7,301 | 0.24 | (14.30) |
| 其他 | Others | 6,050 | 6,221 | 0.23 | (2.77) |
| 合計 | Total | 602,944 | 590,454 | 23.09 | 2.12 |

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

2016年中國經濟保持了總體平穩、穩中向好的發展態勢，居民消費價格指數溫和上漲，但消費市場整體仍表現疲弱，中高端餐飲消費不振和異常的氣候對啤酒銷售均產生了不利的影響，銷量繼續呈現下滑態勢，行業復蘇緩慢。

In 2016, China's economy maintained the development trend of overall stability and seeking for further improvement that the consumer price index rose mildly. However, the overall consumption market was still weak that both the consumption stagnation of mid-and-high-end catering and the unusual climate brought negative impact to the sales of beer, which resulted in the trend of continuous decline in sales volume, and the slow recovery of the industry.

作為一個充分競爭的傳統行業，經過幾十年的快速發展，中國啤酒市場銷量已穩居世界第一，人均消費量也已達世界人均水平。目前中國前五大啤酒企業已佔市場近80%的份額，外資啤酒和進口啤酒在國內市場銷量的增加，亦使市場競爭進一步加劇。

As a traditional industry involving in complete competition, the sales volume of China's beer market has definitely taken the top position in the world, and the per capita consumption volume has also reached the world's level. At present, the top 5 breweries in China has obtained nearly 80% of the market share, and the sales volume of foreign-invested beers and imported beers in the domestic market keep rising, which also results in the more intense market competition.

國內啤酒行業總體已進入低速增長的「新常態」，產能過剩，市場競爭由產能、規模的擴張轉向以質量型、差異化為主的競爭，增長和發展必須依靠自身運營能力和創新能力的提高。同時，消費升級以及消費者需求的多元化帶來的啤酒市場消費結構轉變，使行業增速分化明顯，以精釀啤酒、特色啤酒和進口啤酒為代表的高端產品市場不斷提升，並保持良好的發展勢頭。

The overall domestic beer industry has entered into the period of "new normality" of low growth. The market competition has changed from the expansion of production capacity and size to that focuses on the quality and differentiation due to the excess production capacity. Therefore, the growth and development must rely on the improvement of its own operation ability

and innovation ability. At the same time, the upgrade of consumption and the diversification of consumers' needs have brought changes to the consumption structure of beer market, which resulted in the obvious variation of industrial growth rate that the growth of high-end product market represented by craft beer, featured beer and imported beer kept on rising and maintained a satisfactory development trend.

目前國內啤酒市場仍以餐飲等即飲市場為主導。餐飲消費市場當中，大眾餐飲市場有所增長，但中高端餐飲市場啤酒產品銷售仍存在較大壓力。同時面向家庭消費為主的以易拉罐、小瓶酒和精釀產品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 domestic beer market is still dominated by the RTD market including the caterings. Among the catering consumption markets, the mass catering market has some growth, but the sales of beer products in the mid-and-high-end catering market is still under huge pressure. At the same time, some mid-and-high-end products represented by canned beer, small-bottled beer and craft beer which are mainly for family consumption maintain satisfactory development trend, and the matured application of e-commerce also brings a convenient and rapid choice for the family consumption of beer.

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

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

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

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

管理層討論與分析 Management Discussion and Analysis

(二) 公司發展戰略

The Company's development strategy

公司將繼續堅持實施「能力支撐品牌帶動下的發展戰略」，著力推進發展方式轉型，加快結構調整步伐。在建設和鞏固核心基地市場、突破新興市場，努力穩定國內市場份額的基礎上，致力於產品結構的優化提升和管理提升，充分發揮青島啤酒的品牌和品質優勢，以消費者為中心提升差異化競爭優勢，以差異化競爭戰略在國內中高端市場不斷取得新的增長。

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

(三) 經營計劃

Operating plan

國內啤酒市場經過近三年的持續調整後，目前隨著中國經濟的不斷發展，已出現了企穩回升的跡象。儘管外資啤酒在中國啤酒市場仍在加大投資及市場推廣的力度，對本公司及其他國產高端產品形成了較強的挑戰，但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。

After the continuous adjustment for nearly three years, and with the on-going development of China's economy, there has been a sign of stabilization and growth in the domestic beer market. Although the foreign-invested beers are still strengthening their investment and market expansion in China's beer market, which brings about greater challenges to the high-end products of the Company and other domestic brands, but the recovery of beer industry and the upgrade of consumption will generate more opportunities to the domestic breweries which have advantages in brand and size.

本公司將抓住機遇，充分發揮青島啤酒品牌和品質的優勢，穩中求進，努力拼搏，力爭使本公司的銷量實現高於國內啤酒行業增長率兩個百分點的目標。

The Company will seize the opportunity, completely utilize its advantages in brand and quality of Tsingtao Beer, seek for improvement based on the stabilization, and put into efforts to strive to realize the goal that the growth rate of the Company's sales volume being 2 percentage points higher than that of the domestic beer industry.

公司將繼續積極開拓國內外市場，堅持發展沿海、沿黃河流域優勢市場，重點推進城市基地市場的建設，同時充分發揮現有產能的利用效率，通過技改推進產品升級和結構升級，保持公司在國內中高端市場的領先地位。

The Company will continue to actively expand the domestic and overseas markets, insist on developing the dominant markets in the coastal and along-Yellow-River areas, and focus on promoting the construction of urban base markets. At the same time, it will also maintain its leading position in the domestic mid-and-high-end market by fully playing the role of utilization efficiency of existing production capacity and promoting the upgrade of products and its mix through technical reconstruction.

公司將繼續整合資源，不斷完善營銷渠道和網絡、創新營銷方式，加快銷售網絡一體化進程建設，建立最具競爭力的渠道網絡和銷售運作模式，通過推進實施市場一體化整合著力提升營銷效率、深度和協同性，以營銷效率的提升帶動銷量、產品結構和收入不斷增長。

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

管理層討論與分析 Management Discussion and Analysis

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

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

2017年是公司董事會、監事會換屆之年，公司董事會和管理層將率領廣大員工，乘行業復蘇和國企改革的東風，努力推進行業各項改革，按照公司既定的發展戰略，充分發揮品牌優勢，不斷提高青啤的核心競爭力和可持續發展能力，再鑄輝煌。

In 2017, the Board and Board of Supervisors will be elected for a new session. The Board and the management team will lead all employees, with the opportunity of industrial recovery and state-owned enterprise reform, to strive to promote various reforms, and completely utilize its advantages in brands according to the Company's established development strategies, to keep on improving Tsingtao Beer's core competitiveness and sustainable development ability for more achievements.

(四) 可能面對的風險

Potential risks

作為充分競爭的傳統行業，在國內經濟增長放緩和行業產能過剩、銷量增長壓力較大的形勢下，國內啤酒市場國際化競爭進一步加劇，未來公司可能面臨的主要經營風險包括：

As a traditional industry which involves in complete competition, under the situation of the slow-down of the growth of domestic economy, the excess production capacity in the industry, and huge pressure of the

growth of sales volume, the competition with the international players in domestic beer market became fiercer. The Company may face the following operating risks in the future:

- 1、由於國內經濟增速放緩，雖然大眾餐飲市場有所增長，但中高端餐飲市場仍未回升，可能導致國內啤酒市場復蘇緩慢，影響短期銷量和收入。
Due to the slow-down of China's economic growth, the mid-and-high-end catering market still has not recovered to the growth although the mass catering market has obtained certain growth, which may result in the slow recovery of domestic beer market, and affect the sales volume and revenue in short term.
- 2、隨著外資啤酒和進口啤酒在國內市場銷量的增加，行業競爭加劇，主要啤酒企業之間的競爭在範圍和力度上可能會進一步升級。
The growth of sales volume of foreign-invested beers and imported beers in the domestic market will cause fiercer competition in the industry and that the competition among the top brewers will be fiercer in terms of range and extent.
- 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、由於啤酒生產原材料和人工成本持續上漲帶來壓力，對公司盈利形成影響。
The pressure from the continuous increase in raw materials and labor costs for the beer production will affect the Company's profits.
- 5、替代品(進口啤酒、白酒、葡萄酒、預調酒等)發展迅速，侵蝕國內啤酒市場份額。
The rapid development of substitutes (imported beer, alcohols, wines, RTD, and etc.) will take some shares of the domestic beer market.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers

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



孫明波先生，現年60歲，復旦大學—華盛頓大學EMBA，同濟大學管理科學與工程博士，工程系列應用研究員。現任本公司董事長，青啤集團董事長、首席執行官。曾任青島啤酒一廠副廠長、總工程師，本公司總經理助理兼副總工程師、常務副總裁、營銷總裁、總裁，具有豐富的戰略管理、營銷管理、生產技術管理及並購重組經驗，青島市專業技術拔尖人才，國務院特殊津貼專家，為第十二屆全國人大代表。

Mr. SUN Ming Bo, aged 60, EMBA at Fudan University – Washington University, Doctor of Management Science and Engineering at Tongji University, and applied researcher of engineering series. He is currently Chairman of the Company, Chairman and CEO of Tsingtao Group, and ever served as Deputy Factory Manager and Chief Engineer of Tsingtao Brewery No. 1 Factory, Assistant to General Manager & Vice Chief Engineer, Executive Vice President, President of Marketing Center and President of the Company with substantial experience in management of strategy, marketing, production technology, merger and acquisition, and re-organization. He is Top Talent in Professional Technologies in Qingdao and expert with special allowance from the State Council. Mr. SUN is a representative of the Twelfth National People's Congress.



黃克興先生，現年54歲，北京大學光華管理學院EMBA畢業，碩士研究生學位，高級工程師。現任本公司執行董事、總裁兼營銷總裁、青啤集團董事。曾任青島啤酒工程有限公司總經理、本公司總裁助理兼戰略投資管理總部部長、本公司副總裁、青啤集團副總裁。具有豐富的啤酒行業戰略規劃、投資管理及經營管理經驗，為山東省政協第十一屆委員。

Mr. HUANG Ke Xing, aged 54, EMBA at Guanghua School of Management of Peking University, Senior Engineer. He is currently Executive Director, President of the Company & President of Marketing Center, and Director of Tsingtao Group. He ever served as General Manager of Tsingtao Brewery Engineering Company Limited, Assistant to President & Head of Strategic Investment Management Department and Vice President of the Company, and Vice President of Tsingtao Group with substantial experience in strategic planning, investment management and operating management of beer industry. Mr. HUANG is a member of the Eleventh Shandong Committee of Chinese People's Political Consultative Conference.



樊偉先生，現年57歲，江南大學碩士研究生畢業，工程系列應用研究員，現任本公司執行董事、副總裁兼製造總裁、總釀酒師。曾任青島啤酒二廠副廠長、總工程師，本公司總釀酒師。具有豐富的生產、科研及技術管理經驗，青島市專業技術拔尖人才，國務院特殊津貼專家。

Mr. FAN Wei, aged 57, Master's Degree at Southern Yangtze University, Applied Researcher of engineering series. He is currently Executive Director, Vice President of the Company & President of Manufacturing Center, Chief Brewer, and ever served as Deputy Factory Manager and Chief Engineer of Tsingtao Brewery No. 2 Factory, and Chief Brewer of the Company with substantial experience in production, scientific research and technical management. He is Top Talent in Professional Technologies in Qingdao and expert with special allowance from the State Council.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers



于竹明先生，現年55歲，東北財經大學EMBA畢業，碩士研究生學位，高級會計師。現任本公司執行董事、財務總監。曾任青島啤酒四廠財務科科長，本公司財務管理總部部長、總裁助理、總會計師。具有豐富的財務管理和資本運作經驗，2008年山東省會計先進工作者，2009年青島市會計先進工作者。

Mr. YU Zhu Ming, aged 55, EMBA at Dongbei University of Finance & Economics, Senior Accountant. He is currently Executive Director and CFO of the Company, and ever served as Head of Finance Section of Tsingtao Brewery No. 4 Factory, Head of Finance Department, Assistant to President and Chief Account of the Company with substantial experience in finance management and capital operation. He was awarded the prizes including Outstanding Accountant in Shandong Province in 2008 and Outstanding Accountant in Qingdao in 2009.



杉浦康譽先生，現年60歲，畢業於日本慶應義塾大學文學系，現任本公司非執行董事、朝日集團控股株式會社中國總代表兼朝日啤酒(中國)投資有限公司董事長、北京啤酒朝日有限公司董事長。曾任日本朝日啤酒株式會社商品企劃科科長、國際事業部部長、中國代表部副代表兼朝日啤酒(中國)投資有限公司副董事長兼總經理。

Mr. Yasutaka SUGIURA, aged 60, graduated from Department of Literature at Keio University in Japan. He is currently Non-executive Director of the Company, Chief Representative of China Office of Asahi Group & Chairman of Asahi (China) Investment, and Chairman of Beijing Beer Asahi Co., Ltd. He also served as Head of Commodities Planning Section, Head of International Business Department of Asahi Breweries, Ltd., Vice Representative of China Office of Asahi Breweries, Ltd. & Vice Chairman & General Manager of Asahi (China) Investment.



王學政先生，現年67歲，北京大學法學博士畢業。現任本公司獨立非執行董事，中國人民大學、首都經濟貿易大學等大學兼職教授，中國國際經濟貿易仲裁委員會仲裁員、福建省政府法律顧問。

Mr. WANG Xue Zheng, aged 67, Doctor of Law Science at Peking University. He is currently Independent Non-executive Director of the Company, part-time Professor of the universities including Renmin University of China, and Capital University of Economics and Business, Arbitrator of China International Economic and Trade Arbitration Commission, and Legal Consultant of Fujian Provincial Government.



于增彪先生，現年61歲，廈門大學會計學博士、中國註冊會計師，現任本公司獨立非執行董事，清華大學經管學院會計學教授，博士生導師。于先生現為美國會計學會會員、中國成本研究會副會長、中國總會計師學會副會長、財政部管理會計諮詢專家；並擔任中航航空高科技股份有限公司、第一拖拉機股份有限公司的獨立董事，中國中信集團有限公司外部監事。

Mr. YU ZENG Biao, aged 61, Doctor of Accounting at Xiamen University, China Certified Public Accountant. He is currently Independent Non-executive Director of the Company. Professor of Accounting and Tutor of doctoral candidates in School of Economics and Management at Tsinghua University. He is also Member of American Accounting Association, Vice Chairman of Cost Research Society of China and Chief Accountant Society of China, Consulting Expert of management accounting of Ministry of Finance; Independent Director of Avic Aviation High-Technology Co., Ltd. and First Tractor Company Limited, and External Supervisor of China Citric Group Co., Ltd.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers



賁聖林先生，現年50歲，先後獲得清華大學工程學士學位，中國人民大學企業管理碩士學位和美國普渡大學經濟學博士學位。現任本公司獨立非執行董事，浙江大學管理學院教授，博士生導師，浙大互聯網金融研究院創始院長，兼任中國人民大學國際貨幣研究所執行所長，浙江省人民政府參事，並兼任寧波銀行股份有限公司、物產中大集團股份有限公司獨立董事和中國國際金融股份有限公司獨立非執行董事，以及興業銀行股份有限公司外部監事。曾擔任摩根大通銀行(中國)有限公司行長及環球企業銀行全球領導小組成員等職位。

Mr. BEN Sheng Lin, aged 50, Bachelor of Engineering at Tsinghua University, Master of Business Administration at Renmin University of China and Doctor of Economics at Purdue University in the USA. He is currently Independent Non-executive Director of the Company, Professor and Tutor of doctoral candidates of Management School at Zhejiang University, Founding Director of Internet Finance Institute at Zhejiang University, Executive Superintendent of International Monetary Institute at Renmin University of China, Counsellor of Zhejiang People's Government, Independent Director of Bank of Ningbo Co., Ltd. and Zhongda Group Co., Ltd., Independent Non-executive Director of China International Capital Corporation Limited, and External Supervisor of Industrial Bank Co., Ltd. He also served as CEO and Member of Global Leadership Team at Global Corporate Banking in JP Morgan Chase Bank (China) Co Ltd. and etc.



蔣敏先生，現年51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，安徽省人大代表、中華全國律師協會副會長。曾任中國證監會第四、第五屆上市公司併購重組審核委員會委員，曾獲「中華律師業特殊貢獻獎」等榮譽稱號。現兼任山東省藥用玻璃股份有限公司、陽光電源股份有限公司獨立董事。

Mr. JIANG Min, aged 51, Master of Laws. He is currently Independent Non-executive Director of the Company, Founding Partner of Anhui Tianhe Law Firm, a representative of Anhui Province of the National People's Congress, Vice Chairman of All-China Lawyers Association. He was also a member of the 4th and 5th Reviewing Committee of M&A of Listing Companies under China Securities Regulatory Commission. He was awarded the prizes including "Award for Special Contributions to China's Lawyer Sector", and he is also Independent Director of Shandong Pharmaceutical Glass Co., Ltd. and Sungrow Power Co., Ltd.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers

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



李綱先生，現年56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 56, Doctor of Administration of Major of Administration Science and Engineering at Xi'an Jiaotong University. He is currently Chairman of Board of Supervisors of the Company and Tsingtao Group, and Chairman of Board of Supervisors in Enterprises Directly under Qingdao Government. He ever served as Deputy Chief of Shibe Branch of Qingdao Local Taxation Bureau, Assistant to Chief of Qingdao Local Taxation Bureau & Chief of Laoshan Branch of Qingdao Local Taxation Bureau, Chief of Inspection Bureau of Qingdao Local Taxation Bureau, and Deputy Chief of Qingdao Local Taxation Bureau.



北川亮一先生，現年53歲，畢業於日本早稻田大學法學部，現任本公司股東監事，朝日集團控股株式會社董事，兼任康師傅飲品控股有限公司董事，曾任朝日啤酒國際經營企劃部部長，朝日啤酒國際部部長，朝日集團控股國際部部長，朝日集團控股執行董事企業提携部部長。

Mr. Ryoichi KITAGAWA, aged 53, graduated from School of Law at Waseda University in Japan. He is currently Supervisor as Shareholders' Representative of the Company, Director of Asahi Group Holdings Ltd. & Director of Tingyi-Asahi Beverages Holding Co., Ltd. He also served as Head of International Operating Planning Department and Head of International Department in Asahi Breweries, Ltd., Head of International Department, Executive Director and Head of Corporate Promotion Department of Asahi Group Holdings Ltd.



李燕女士，現年59歲，畢業於中央財政金融學院。現任本公司獨立監事，中央財經大學財稅學院教授，博士生導師，政府預算研究所所長，中國註冊會計師協會非執業會員，中國財政學會理事，中國法學會財稅法學研究會理事，兼任中國電影股份有限公司、北京東華軟件股份有限公司、安徽荃銀高科股份有限公司及江西富祥藥業股份有限公司獨立董事。

Ms. LI Yan, aged 59, graduated from Central Finance and Economics Institute. She is currently Independent Supervisor of the Company, Professor and Tutor of doctoral candidate in Finance and Tax School, and Director of Governmental Budget Institute at Central University of Finance and Economics, Non-profession Member of The Chinese Institute of Certified Public Accountants Commission, Member of China Finance Commission, Member of China Finance and Taxation Law Society, Independent Director of China Film Co., Ltd., Beijing DHC Co., Ltd., Anhui Win-all Hi-tech Seed Co., Ltd. and Jiangxi Fushine Pharmaceutical Co., Ltd.



王亞平先生，現年52歲，華東政法學院法學學士，國家高級律師。現任本公司獨立監事，山東琴島律師事務所執行主任、高級合夥人。青島市律師協會會長，青島仲裁委員會仲裁員。兼任青島港國際股份有限公司獨立非執行董事。

Mr. WANG Ya Ping, aged 52, Bachelor of Laws at East China University of Political Science and Law, State Senior Lawyer. He is currently Independent Supervisor of the Company, Executive Director and Senior Partner of Shandong Qindao Law Firm, Chairman of Qingdao lawyers Association, Arbitrator of Qingdao Arbitration Commission, and Independent Non-executive Director of Qingdao Port International Co., Ltd.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers



薛超山先生，現年58歲，廈門大學EMBA課程班畢業，現任本公司職工監事，製造總裁助理兼青島啤酒廠廠長。曾任青島啤酒銷售分公司副總經理，青島啤酒(三水)有限公司、青島啤酒(福州)有限公司、青島啤酒(漳州)有限公司總經理，青島啤酒東南營銷有限公司總經理、董事長，青島啤酒二廠廠長。具有豐富的市場營銷和企業管理經驗。

Mr. XUE Chao Shan, aged 58, graduated from EMBA class at Xiamen University. He is currently Supervisor as Employees' Representative of the Company, Assistant to President of Manufacturing Center of the Company & Factory Manager of Tsingtao Brewery Factory. He also served as Deputy Manager of Tsingtao Brewery Sales Company, General Manager of Tsingtao Brewery (Sanshui) Company Limited, Tsingtao Brewery (Fuzhou) Company Limited and Tsingtao Brewery (Zhangzhou) Company Limited, General Manager and Chairman of Tsingtao Brewery South-East Sales Company Limited, and Factory Manager of Tsingtao Brewery No. 2 Factory with substantial experience in marketing and business administration.



孫麗紅女士，現年41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 41, 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43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 43, undergraduate of Major of Accounting Science at Shanghai University of Finance and Economics, Accountant. He is currently Supervisor as Employees' Representative and Deputy Head of Finance Department of the Company. He also served as Section Head of Accounting & Auditing of Finance Department of the Company with substantial experience in financial management.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management Officers

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



王瑞永先生，現年51歲，北京大學工商管理碩士研究生學歷，高級工程師，現任本公司副總裁。曾任青島嶗山啤酒廠副廠長，青島啤酒(徐州)彭城有限公司副總經理，北京五星青島啤酒有限公司總經理，上海青島啤酒華東營銷公司總經理，青島啤酒營銷中心山東省區總經理，本公司營銷中心常務副總裁。具有豐富的市場營銷及企業管理經驗。

Mr. WANG Rui Yong, aged 51, MBA at Peking University, Senior Engineer. He is currently Vice President of the Company. He also served as Deputy Factory Manager of Qingdao Laoshan Brewery Factory, Deputy General Manager of Tsingtao Brewery (Xuzhou) Pengcheng Company Limited, General Manager of Beijing Five-Star Tsingtao Brewery Company Limited, Shanghai Tsingtao Brewery East-China Sales Company Limited and Shandong Area of Marketing Center of the Company, and Executive Vice President of Marketing Center of the Company with substantial experience in marketing and business administration.



張瑞祥先生，現年52歲，大學本科，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 52, undergraduate, Economist. He is currently Board Secretary & Head of Secretarial Office of the Board, Company Secretary and Authorized Representative of the Company. He also served as Assistant to Director, Deputy Director, and Director of Secretarial Office of the Board & Representative to Securities Affairs of the Company with long-term experience in the operation of listing company, information disclosure and financing in capital market.



重要事項 Significant Events

一、報告期內發生的關連交易事項

有關年度關連人士交易之詳情載於財務報表附註八。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2015年2月3日與煙台朝日簽署新的《產品經銷合同》，煙台朝日同意授予本公司銷售所有煙台朝日產品的獨家經銷權，合同期限自2015年1月1日起至2017年12月31日止。煙台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系人及本公司的關連人士。有關該持續關連交易事項的詳情請見公司於2015年2月3日在聯交所和上交所網站分別刊登的公告。本公司向煙台朝日採購啤酒產品於2016年度的上限金額為人民幣13億元，實際採購金額為人民幣655,107,526元，未超逾年度上限。
- (2) 經本公司董事會審議批准，2015年2月3日，青啤深圳與朝日啤酒及朝日中國投資分別簽訂了《新朝日產品經銷合同》（「原合同」），朝日啤酒及朝日中國投資分別同意向青啤深圳繼續購買「朝日」品牌啤酒產品，合同期限為2015年1月1日至2017年12月31日。朝日集團為本公司的主要股東，而其附屬公司朝日啤酒及朝日中國投資為朝日集團之聯系人。因此，朝日啤酒及朝日中國投資為本公司之關連人士。有關該持續關連交易事項的詳情請見公司於2015年2月3日在聯交所和上交所網站分別刊登的公告。朝日啤酒於2016年度向青啤深圳採購啤酒產品的金額上限為人民幣5,000萬元，實際採購金額為人民幣36,455,148元，朝日中國投資於2016年度向青啤深圳採購啤酒產品的金額上限為人民幣2,000萬元，實際採購金額為人民幣8,499,815元，均未超逾年度上限。

I. Connected Transactions occurred during the Reporting Period

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

1. The continuing connected transactions relating to ordinary operation

- (1) As considered and approved by the Board, the Company entered into a *New Product Distribution Contract* with Yantai Asahi on 3 February 2015, whereby Yantai Asahi agreed to grant the Company the sole distribution right for the distribution of all products of Yantai Asahi for the period from 1 January 2015 to 31 December 2017. As an indirect subsidiary of Asahi Group which is a substantial shareholder of the Company, Yantai Asahi is therefore an associate of Asahi Group and a connected person of the Company. For details of this continuing connected transaction, please refer to the announcements published respectively on the websites of the Stock Exchange and SSE on 3 February 2015. The annual cap amount of the Company's purchasing beer products from Yantai Asahi for the year 2016 was RMB1.3 billion, of which the actual purchasing amount was RMB655,107,526, not exceeding the annual cap amount.
- (2) As considered and approved by the Board, Tsingtao Shenzhen entered into two *New Asahi Product Distribution Contracts* with Asahi Breweries and Asahi (China) Investment respectively on 3 February 2015 ("*Former Contracts*"), whereby Asahi Breweries and Asahi (China) Investment respectively agreed to continue to purchase "Asahi" brand beer products from Tsingtao Shenzhen for the period from 1 January 2015 to 31 December 2017. As the associates of Asahi Group which is a substantial shareholder of the Company, Asahi Breweries and Asahi (China) Investment, subsidiaries of Asahi Group, are therefore connected persons of the Company. For details of the subject continuing connected transactions, please refer to the announcements published by the Company respectively on the websites of the Stock Exchange and SSE on 3 February 2015. The annual cap amount for the purchase of beer products of Asahi Breweries from Tsingtao Shenzhen for the year 2016 was RMB50 million, of which the actual purchasing amount was RMB36,455,148, and the annual cap amount for the purchase of beer products of Asahi (China) Investment from Tsingtao Shenzhen for the year 2016 was RMB20 million, of which the actual purchasing amount was RMB8,499,815, neither exceeding the annual cap amounts.

重要事項 Significant Events

於2017年3月3日，青啤深圳與朝日啤酒及朝日中國投資分別重新簽訂了《委托生產協議》（「新協議」），約定朝日啤酒及朝日中國投資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。原合同於新協議生效日終止。有關該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。

- (3) 經本公司董事會審議批准，2015年2月3日，本公司全資附屬公司青啤財務公司與煙臺朝日簽訂一份協議書，約定煙臺朝日將其銷售款存放在青啤財務公司賬戶的關聯存款及結算服務交易，合同期限自2015年1月1日起至2017年12月31日止。青啤財務公司吸收煙臺朝日銷售款之存款交易額度（包括利息和結算手續費）不得超出經董事會批准本公司與煙臺朝日進行購銷持續關連交易的各年度上限金額。2016年度，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737,961,461元，未超逾年度上限人民幣13億元。有關該持續關連交易事項的詳情請見本公司於2015年2月3日在聯交所和上交所網站分別刊登的相關公告。
- (4) 本公司與三得利公司（於重組後為本集團子公司層面的主要股東及關連人士）的重組交易於2013年4月28日完成。重組交易完成後，新松江製造、徐州公司、彭城公司、宿遷公司及揚州公司成為三得利公司之子公司及本公司之關連人士。

本公司之子公司與新松江製造、彭城公司、徐州公司、三得利江蘇、宿遷公司、三得利昆山及揚州公司於2014年1月27日、2014年3月31日及2014年7月31日分別簽訂了產品經銷合同，合同期限自2014年1月1日起至2014年12月31日止；

On 3 March 2017, Tsingtao Shenzhen entered into an *Agreement of Entrusted Production* respectively with Asahi Breweries and Asahi (China) Investment (“*New Agreements*”), whereby Asahi Breweries and Asahi (China) Investment agreed to respectively entrust Tsingtao Shenzhen to produce the beer products for the period from 3 March 2017 to 31 December 2019. The *Former Agreements* have been terminated from the date when the *New Agreements* came into effect. For details of these continuing connected transactions, please refer to the announcements published respectively on the websites of the Stock Exchange and SSE on 3 March 2017.

- (3) As considered and approved by the Board, Tsingtao Finance Company, the Company’s wholly-owned subsidiary, entered into an agreement with Yantai Asahi on 3 February 2015, whereby Yantai Asahi agreed to the related deposit and settlement service of depositing its sales income in the account opened in Tsingtao Finance Company for the period from 1 January 2015 to 31 December 2017. The cap amount (including the interests and settlement fees) for Tsingtao Finance Company absorbing the deposit of Yantai Asahi’s sales income was not allowed to exceed the respective annual cap amount of the continuing connected transaction of distribution between the Company and Yantai Asahi as approved by the Board. The principal and its corresponding interests and settlement fees deposited by Yantai Asahi in Tsingtao Finance Company for the year 2016 was RMB737,961,461, not exceeding the annual cap amount of RMB1.3 billion. For details of the subject continuing connected transaction, please refer to the announcements published by the Company respectively on the websites of the Stock Exchange and SSE on 3 February 2015.
- (4) The re-organization transaction between the Company and Suntory Company (which became a substantial shareholder and connected person of the Group at the level of subsidiaries after the re-organization) was completed on 28 April 2013. New Songjiang Manufacturing, Xuzhou Company, Pengcheng Company, Suqian Company and Yangzhou Company therefore became the subsidiaries of Suntory Company and connected persons of the Company after the completion of the re-organization transaction.

Some subsidiaries of the Company had entered into a product distribution contract with New Songjiang Manufacturing, Pengcheng Company, Xuzhou Company, Suntory Jiangsu, Suqian Company, Suntory Kunshan and Yangzhou Company respectively on 27 January 2014, 31 March 2014 and 31 July 2014 for the period from 1 January 2014 to 31 December 2014.

重要事項 Significant Events

本公司與三得利公司於2015年10月18日簽署《框架協議》，本公司受讓三得利公司擁有的上海投資公司50%股權和上海實業公司50%股權，該交易於2016年3月28日完成，交易完成後，上海投資公司及其下屬子公司變更為本公司之子公司，不再為本公司之關連人士。

本公司之子公司上海實業公司與上海投資公司於2016年1月18日簽訂了產品經銷合同，本公司全資擁有的青啤財務公司與上海投資公司及其下屬子公司新松江製造於同日分別簽訂結算賬戶管理協議，合同期限均自2016年1月1日起至2016年3月28日止。

上述合同項下的購銷啤酒交易和賬管協議項下交易，構成上市規則下的持續關連交易。上海實業公司的若干子公司從上海投資公司下屬若干子公司採購啤酒產品之交易上限金額為人民幣76,900萬元，實際採購金額為人民幣445,449,279元。青啤財務公司提供存款及結算服務交易的交易上限總金額為人民幣50,000萬元，實際交易金額為人民幣221,483,795元。均未超逾上限。

此外，在重組交易完成前，本集團成員間以及三得利公司集團成員間於其各自的日常及一般業務流程中分別簽訂了購買麥芽、啤酒及財務安排等協議。重組交易完成後，本公司部分成員及三得利公司部分成員變更為本公司之關連人士，本公司已按《上市規則》第14A.65條遵守《上市規則》第14A章的相關要求；本集團成員與三得利公司集團成員(包括三得利上海、三得利昆山、三得利光明、三得利江蘇及江蘇三得利(淮安)啤酒有限公司)於2012年12月9日簽訂多份相關協議，內容並無變更並仍然持續進行。

有關上述持續關連交易事項的詳情請見本公司於2016年1月18日在聯交所和上交所網站分別刊登的相關公告。

The Company entered into a *Framework Agreement* with Suntory Company on 18 October 2015, whereby the Company agreed to acquire 50% of equity interests held by Suntory Company respectively in Shanghai Investing Company and Shanghai Industrial Company. The subject transaction was completed on 28 March 2016. Shanghai Investing Company and its subsidiaries therefore became the subsidiaries of the Company and were no longer the connected persons of the Company after the completion of the transaction.

Shanghai Industrial Company, a subsidiary of the Company, had entered into a product distribution contract with Shanghai Investing Company on 18 January 2016, and on the same day, Tsingtao Finance Company, a wholly-owned subsidiary of the Company, entered into a settlement account management agreement respectively with Shanghai Investing Company and its subsidiary, New Songjiang Manufacturing, for the period from 1 January 2016 to 28 March 2016.

The transactions of purchasing beer products under the aforesaid contracts and the transactions under the account management agreements constitute continuing connected transactions in according to *Listing Rules*. The annual cap amount for purchasing beer products of certain subsidiaries of Shanghai Industrial Company from certain subsidiaries of Shanghai Investing Company was RMB769 million, of which the actual purchasing amount was RMB445,449,279. The annual cap amount for the deposit and settlement service provided by Tsingtao Finance Company was RMB500 million, of which the actual transaction amount was RMB221,483,795, neither exceeding the cap amount.

Save as above, before the completion of re-organization transactions, agreements of purchasing malt, beer and financial arrangements were entered into between the members of the Group and the members of Suntory Company in their respective ordinary and usual course of business. After the completion of re-organization transactions, some members of the Company and some members of Suntory Company became connected persons of the Company, and the Company had complied with the related requirements in Chapter 14A of *Listing Rules* by complying with Rule 14A.65; a couple of related agreements had been entered into between the members of the Group and the members of Suntory Company (including Suntory Shanghai, Suntory Kunshan, Suntory Guangming, Suntory Jiangsu and Jiangsu Suntory (Huai'an) Brewery Co., Ltd.) on 9 December 2012. These agreements are still effective without any changes in content.

For details of the above continuing connected transactions, please refer to the announcements published by the Company on 18 January 2016 on the websites of the Stock Exchange and SSE 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。

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(修訂)《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72至74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。

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 websites of the stock exchanges on which the Company is listed.

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

- ① entered into in ordinary and usual course of business of the Group;
- ② on normal commercial terms, or entered into in terms not better than those the Company providing to the independent third party or not worse than those from the independent third party;
- ③ on terms 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 (revised) 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 pages 72 to 74 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2016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 2016 were in compliance with the disclosure requirements in Chapter 14A of *Listing Rules*.

二、報告期內收購三得利公司股權事項的進展情況

根據本公司與三得利公司於2015年10月18日簽訂的《框架協議》，本公司受讓三得利公司擁有的上海投資公司50%股權和上海實業公司50%股權，交易對價以人民幣822,912,001元為基礎，並根據框架協議約定的價格調整因素調整確定。

2016年10月27日，協議雙方簽署關於框架協議的補充協議，雙方確認，股權轉讓價格調減金額為人民幣147,600,942元，本次股權轉讓的最終價款為人民幣675,311,059元。截至2016年12月31日公司已支付股權轉讓價款合計人民幣648,311,059元。

於報告期內，上海投資公司和上海實業公司成為本公司的全資子公司。該兩筆股權交易影響歸屬於上市公司股東的淨利潤增加約30,749萬元，其中一是由於收購上海投資公司股權使其成為控股子公司而形成的負商譽計入營業外收入約17,770萬元，二是原持有上海投資公司股權的賬面價值與其公允價值之差計入投資收益約12,979萬元；另由於收購上海實業公司少數股權使得資本公積減少約63,089萬元。

II. Progress of the acquisition of the equity interests in Suntory Company during the Reporting Period

Pursuant to the *Framework Agreement* entered into between the Company and Suntory Company on 18 October 2015, the Company acquired 50% of the equity interests held by Suntory Company respectively in Shanghai Investing Company and Shanghai Industrial Company for a consideration based on the sum of RMB822,912,001, and adjusted and determined according to the price adjustment factors as agreed in the *Framework Agreement*.

On 27 October 2016, the both parties to the agreement entered into a supplementary agreement to the *Framework Agreement*, pursuant to which, both parties confirmed that the price for acquiring the equity interests was adjusted and reduced by RMB147,600,942, and the final amount of the acquisition of the subject equity interests was RMB675,311,059. As at 31 December 2016, the Company had paid RMB648,311,059 in aggregate for the acquisition of the equity interests.

During the Reporting Period, Shanghai Investing Company and Shanghai Industrial Company became the wholly-owned subsidiaries of the Company. These two equity interests transactions resulted in an increase in net profits attributable to shareholders of the Company by approximately RMB307.49 million, attributable to that, firstly, approximately RMB177.70 million of negative goodwill was recognized as non-operating income from acquiring the equity interests in Shanghai Investing Company which made it a wholly-owned subsidiary, and, secondly, the difference of approximately RMB129.79 million between the carrying value and the fair value of the equity interests formerly held in Shanghai Investing Company was recognized as investing income; and the decrease in capital reserve by approximately RMB630.89 million due to the acquisition of non-controlling equity interests in Shanghai Industrial Company.

重要事項 Significant Events

收購三得利公司所持股權可消除原來兩個合資公司之間的持續關聯交易。同時，為本公司進一步整合華東區域市場，增強一體化運營能力，發揮協同效應，奠定了堅實基礎。

The acquisition of the equity interests held by Suntory Company may eliminate the continuing connected transactions between the former two joint ventures, and also, has built a solid basis for the Company to further integrate the regional markets in East China, strengthen the integrated operating capacity, and play the synergetic effect.

三、公司補繳2007年以前年度所得稅優惠稅率執行差異稅款事項

本公司於2017年3月21日在香港交易所網站上載公告，該公告稱公司接獲青島市稅務機關的通知，要求繳納2007年之前年度所得稅優惠稅率執行差異約33,888萬元人民幣。按照本公司日期為2007年7月5日及2008年4月16日有關所得稅優惠政策調整事宜之公告及自2007年年報開始的歷年年報財務報表中的附註，本公司於當中披露稅務機關對於2007年度之前就應用已到期稅收優惠稅率所產生的所得稅差異的處理尚未有定論。

III. The supplemental payment of the differences in the application of preferential income tax rate in the years prior to 2007

The Company published an announcement on the website of the Stock Exchange on 21 March 2017, which stated that the Company had received a notice from the tax authority of Qingdao requesting a payment of approximately RMB338.88 million, being the differences in the application of preferential income tax rate in the years prior to 2007. With references to the announcements of the Company dated 5 July 2007 and 16 April 2008 in relation to the adjustment of preferential income tax policy and the notes to financial statements of the annual reports from the year 2007 onwards, wherein the Company disclosed that the tax authority had yet to reach a conclusion on how to deal with the differences in income tax resulted from the application of the expired preferential income tax rate in the years prior to 2007.

根據青島市稅務機關的通知，本公司就2007年度之前就應用上述已到期稅收優惠稅率而產生的所得稅差異33,888萬元予以繳納，本公司已計提並計入2016年度的所得稅費用。

According to the notification from the tax authority of Qingdao, the Company will make a payment of RMB338.88 million being the differences of income tax in the application of the aforesaid expired preferential tax rate, and has accrued and recognized it as income tax expenses for the year 2016.

重要事項 Significant Events

四、報告期內擔保及購買理財產品情況

- (1) 經本公司第八屆董事會第十一次會議審議批准，本公司及青啤香港於2016年4月向中國銀行股份有限公司青島市分行（「中國銀行」）提交了《授信額度安排與切分申請書》，通過中國銀行以境內授信額度切分的方式，將公司在中國銀行的授信額度切分3.3億元人民幣給青啤香港使用，公司為該筆授信切分提供反擔保；對由中國銀行股份有限公司澳門分行向青啤香港發放貸款人民幣本金為266,546,800元（原幣港幣338,000,000元），辦理展期一年，展期至2017年5月4日。
- (2) 經本公司第八屆董事會審議批准，本公司之全資子公司青啤財務公司開展了理財產品業務。報告期內，青啤財務公司已累計購買理財產品人民幣318,000萬元，實現到期理財收益人民幣2,605萬元。截止報告期末，上述理財產品已有27筆到期，本金及收益已全部到賬；其他10筆尚未到期。

五、重大法律訴訟

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

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

- (1) As considered and approved at the eleventh meeting of the eighth session of the Board, in April 2016, the Company and Tsingtao HK submitted to Qingdao Branch of Bank of China Co., Ltd. (“Bank of China”) an *Application for Arrangement and Division of Credit Line*, pursuant to which, by way of dividing the domestic credit line through Bank of China, the Company divided RMB330 million of its credit line in Bank of China to Tsingtao HK for its use, and the Company would provide counter-guarantee for this division; applied for the extension of the loan of RMB266,546,800 (HKD338,000,000 in original currency) in principal provided by Macau Branch of Bank of China Co., Ltd. to Tsingtao HK for one year to 4 May 2017.
- (2) As considered and approved at the eighth session of the Board, Tsingtao Finance Company, a wholly-owned subsidiary of the Company, launched a wealth management product business. During the Reporting Period, Tsingtao Finance Company had accumulatively purchased RMB3.18 billion of wealth management products, and realized RMB26.05 million of income from the matured wealth management products. As at the end of the Reporting Period, the capital fund and income of 27 of the aforesaid wealth management products had matured and been credited into the account, while the remaining 10 products had not matured.

V. 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

按照中國企業會計準則編制的財務報表

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

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Auditor's Report



普华永道

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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 2016;
- 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 2016, 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)

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Key Audit Matters

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

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

- (1) Shandong Xin Immense Brewery Co., Ltd. ("Immense Brewery Company") — Impairment assessment on goodwill and other long-term assets
- (2) Impairment test on fixed assets
- (3) Acquisition transactions as entered into with Suntory (China) Holding Co., Ltd. ("Suntory Company")

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|--|---|
| <p>(1) Immense Brewery Company — Impairment assessment on goodwill and other long-term assets (Refer to Notes 4(12), 4(15) and 4(16) 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 RMB 958.87 million as at 31 December 2016. The other long-term assets of Immense Brewery Company primarily comprised fixed assets and intangible assets of approximately RMB271.94 million and RMB356.16 million respectively.</p> <p>Due to the intensified beer market competition in the region where Immense Brewery Company operates and also the decrease in its sales volume and profits in recent years, the risk of impairment on the related goodwill and other long-term assets has been increased.</p> <p>Management has identified Immense Brewery Company as an independent cash generating unit ("CGU") and has engaged an independent valuer to conduct a valuation on the fair value of Immense Brewery Company, so as to assist management in performing the impairment assessment on the related goodwill and other long-term assets. The impairment assessment involved the determination of different valuation parameters (e.g. discount rate) and also the assumptions in the operating and financial performance (e.g. the sales growth rate and gross margin etc.) for the coming several years.</p> <p>We considered this area as a key audit matter because the carrying amounts of the goodwill and other long-term assets of Immense Brewery Company are significant to the financial statements and the reasonableness of the aforesaid judgements and assumptions would have a significant impact on the result of the impairment assessment.</p> | <p>In connection with the impairment assessment on goodwill and other long-term assets of Immense Brewery Company, we have performed the following procedures:</p> <ul style="list-style-type: none"> • Understood and validated Tsingtao Brewery's internal controls over the assessment of impairment of the goodwill and other long-term assets; • Evaluated the competency, professionalism and objectivity of the independent valuer; • Engaged our internal valuation specialists to evaluate the reasonableness of the basis of value, methodology and parameters (e.g. discount rate) as adopted; • Evaluated the management's judgement in identifying the CGU, and also the reasonableness of the key assumptions as adopted in the impairment assessment. For discount rate, our internal valuation specialists have compared it by reference to the financial information of several comparable companies as publicly published. For the assumptions in the operating and financial performance for the coming several years (e.g. sales growth rate and gross margin etc.), we compared them with the historical financial data and approved budgets of Immense Brewery Company, and also the recent development trends of the beer industry; • Performed sensitivity analysis over the discount rate, operating and financial assumptions as adopted in the impairment assessment so as to assess the potential implication on the results of the impairment assessment if these parameters and assumptions are to be changed within a reasonable range. <p>We found that the valuation methodology and assumptions as adopted in the impairment assessment on the goodwill and other long-term assets of Immense Brewery Company are to be consistent with the audit evidence which we have obtained.</p> |

Auditor's Report (Continued)

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Key Audit Matters (continued)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|--|
| <p data-bbox="165 439 783 498">(2) Impairment test on fixed assets (Refer to Note 4(12) to the financial statements)</p> <p data-bbox="165 536 783 754">As at 31 December 2016, the carrying amounts of fixed assets as recognised in the consolidated financial statements of Tsingtao Brewery amounted to approximately RMB11,447.61 million. 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 even suffered from losses persistently.</p> <p data-bbox="165 793 783 1073">Management had identified the related independent CGUs, analysed and identified the indication of impairment, conducted valuations on the fair values of those fixed assets with indication of impairment and conducted the impairment test accordingly. The impairment test involved the determination of different valuation parameters (e.g. discount rate), and also the assumptions in the operating and financial performance (e.g. the sales growth rate and gross margin etc.) for the coming several years.</p> <p data-bbox="165 1112 783 1295">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="810 439 1430 498">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="810 536 1430 595">• Understood and validated Tsingtao Brewery's internal controls over the test of impairment of fixed assets; <li data-bbox="810 633 1430 692">• Validated the management's processes in identifying the indications of impairment; <li data-bbox="810 730 1430 814">• 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="871 853 1430 978">— Engaged our internal valuation specialists to evaluate the reasonableness of the basis of value, methodology and parameters (e.g. discount rate) as adopted; <li data-bbox="871 1017 1430 1425">— Evaluated the management's judgement in identifying the CGUs, and also the reasonableness of the key assumptions as adopted in the impairment test. For discount rate, our internal valuation specialists have compared it by reference to the financial information of several comparable companies as publicly published. For the assumptions in the operating and financial performance for the coming several years (e.g. sales growth rate and gross margin etc.), we compared them with the related historical financial data, approved budgets and also the recent development trends of the beer industry. <li data-bbox="871 1463 1430 1677">— 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 1716 1430 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> |

Auditor's Report (Continued)

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Key Audit Matters (continued)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|--|---|
| <p>(3) Acquisition transactions as entered into with Suntory Company (Refer to Note 12 to the financial statements)</p> <p>During the current year, Tsingtao Brewery has acquired from Suntory Company its 50% equity interests in each of Tsingtao Brewery (Shanghai) Industrial Co., Ltd. ("Shanghai Industrial Company", a former subsidiary which Tsingtao Brewery previously held 50% equity interest therein) and Tsingtao Brewery (Shanghai) Investing Co., Ltd. ("Shanghai Investing Company", a former associate which Tsingtao Brewery previously held 50% equity interest therein) at a total consideration of RMB675.31 million. The aforesaid acquisition transactions have resulted in an increase in Tsingtao Brewery's net profits attributable to shareholders of the parent company by RMB307.49 million (including the investment income as arisen from the difference between the fair value and the carrying cost of the former 50% equity interest in Shanghai Investing Company of RMB129.79 million; and the negative goodwill from the bargain purchase of the remaining 50% equity interest in Shanghai Investing Company recognised as non-operating income of RMB177.70 million). The acquisition of the non-controlling interests in Shanghai Industrial Company has resulted in a decrease in capital surplus by RMB630.89 million.</p> <p>Management has engaged an independent valuer to assess the fair values of the equity interests in Shanghai Industrial Company and Shanghai Investing Company which have been used to calculate the normalised enterprise values for the respective companies. The total consideration has then been allocated among the acquisitions of the two companies based on that normalised enterprise values as calculated.</p> <p>On one hand, significant judgements were involved in the determination of valuation parameters (e.g. discount rate), and also the assumptions in the operating and financial performance (e.g. sales growth rate and gross margin etc.) of Shanghai Industrial Company and Shanghai Investing Company for the coming several years. On another hand, the total consideration have to be allocated among the acquisitions of the two companies in proportion to their respective normalised enterprise values as calculated. We considered this area as a key audit matter because the reasonableness of the above mentioned judgements and assumptions had a significant impact on the accounting treatment associated with the aforesaid acquisition transactions.</p> | <p>In connection with the acquisition transactions as entered into with Suntory Company, we have performed the following procedures:</p> <ul style="list-style-type: none"> • Understood and validated Tsingtao Brewery's internal controls over significant acquisitions; • Obtained and read the documents (including the Framework Agreement) as entered into between Tsingtao Brewery and Suntory Company in connection with the acquisitions; evaluated the competency, professionalism and objectivity of the independent valuer; • Engaged our internal valuation specialists to evaluate the reasonableness of the basis of value, methodology and parameters (e.g. discount rate) as adopted; • Evaluated the key assumptions as adopted in the valuation. For discount rate, our internal valuation specialists have compared it by reference to the financial information of several comparable companies as publicly published. For the assumptions in the operating and financial performance for the coming several years, we compared them with the historical financial data and approved budgets of Shanghai Industrial Company and Shanghai Investing Company, and also the recent development trends of the beer industry. • Our internal valuation specialists have checked the process for calculating the normalised enterprise values of Shanghai Industrial Company and Shanghai Investing Company based on the fair values of the equity interests in the respective companies; • Checked the calculation process for allocating the total consideration among the acquisitions of the two companies in proportion to their respective normalised enterprise values as calculated, the accounting treatment and related disclosures associated with these acquisition transactions. <p>We found that the valuation methodology and key assumptions as adopted in the valuation, the allocation of the total consideration and the accounting treatment associated with the aforesaid acquisition transactions are to be consistent with the audit evidence which we have obtained and the related disclosures as set out in Note 12 to the financial statements are appropriate.</p> |

Auditor's Report *(Continued)*

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Other Information

Management is responsible for the other information. The other information comprises all of the information included in 2016 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 Those Charged with Governance for the Financial Statements

Management 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.

Those charged with governance are responsible for overseeing Tsingtao Brewery's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Auditor's Report *(Continued)*

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Auditor's Responsibilities for the Audit of the Financial Statements *(continued)*

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

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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

Certified Public Accountants
Registered in the People's Republic of China

Shanghai, the People's Republic of China
30 March 2017

Jia Na (Engagement Partner)

Li Lili

Consolidated and Company Balance Sheets

As at 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

| ASSETS | Note 4 (unless otherwise stated) | As at 31 December | | | |
|-------------------------------------|--|-----------------------|----------------------|-----------------------|-----------------|
| | | 2016 Consolidated | 2015 Consolidated | 2016 Company | 2015 Company |
| Current assets | | | | | |
| Cash at bank and on hand | (1) | 8,572,685,245 | 8,401,751,637 | 3,412,002,240 | 3,043,305,966 |
| Notes receivable | (2) | 26,400,000 | 22,770,000 | 19,700,000 | 18,600,000 |
| Accounts receivable | (3),16(1) | 124,647,040 | 117,990,987 | 812,009,033 | 448,695,212 |
| Advances to suppliers | (4) | 51,806,259 | 44,392,821 | 24,993,651 | 21,196,969 |
| Interests receivable | (5) | 71,557,290 | 148,581,416 | 14,898,299 | 21,963,787 |
| Dividends receivable | 16(2) | — | — | 1,354,063,724 | — |
| Other receivables | (6),16(3) | 233,843,886 | 200,675,954 | 147,123,899 | 154,660,185 |
| Inventories | (7) | 2,412,442,780 | 2,182,435,136 | 823,095,523 | 829,296,282 |
| Other current assets | (8) | 1,116,181,886 | 768,741,109 | 277,939,238 | 657,471,757 |
| Total current assets | | 12,609,564,386 | 11,887,339,060 | 6,885,825,607 | 5,195,190,158 |
| Non-current assets | | | | | |
| Available-for-sale financial assets | (9) | 608,642 | 608,642 | 300,000 | 300,000 |
| Long-term receivables | 16(4) | — | — | 6,000,000 | 474,200,000 |
| Long-term equity investments | (10),16(5) | 379,530,915 | 1,507,745,095 | 9,943,282,037 | 9,103,798,500 |
| Investment properties | (11),16(6) | 24,946,020 | 25,512,148 | 31,577,276 | 32,874,602 |
| Fixed assets | (12),16(7) | 11,447,611,540 | 9,896,905,884 | 2,297,664,815 | 2,278,222,674 |
| Construction in progress | (13),16(8) | 193,446,726 | 287,469,734 | 45,141,139 | 161,458,068 |
| Fixed assets pending for disposal | (14) | 1,158,936 | 6,571,007 | 761,719 | 2,910,998 |
| Intangible assets | (15),16(9) | 2,974,746,773 | 2,707,099,617 | 630,198,434 | 671,513,765 |
| Goodwill | (16) | 1,307,103,982 | 1,307,103,982 | — | — |
| Long-term prepaid expenses | (17) | 39,921,000 | 39,861,860 | 6,221,005 | 8,413,988 |
| Deferred tax assets | (18) | 1,042,209,554 | 769,158,717 | 671,265,463 | 433,253,394 |
| Other non-current assets | (20) | 56,310,013 | 65,214,382 | 2,639,524 | 11,896,660 |
| Total non-current assets | | 17,467,594,101 | 16,613,251,068 | 13,635,051,412 | 13,178,842,649 |
| TOTAL ASSETS | | 30,077,158,487 | 28,500,590,128 | 20,520,877,019 | 18,374,032,807 |

Consolidated and Company Balance Sheets (Continued)

As at 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

| LIABILITIES AND EQUITY | Note 4 (unless otherwise stated) | As at 31 December | | | |
|---|--|-----------------------|----------------------|-----------------------|-----------------|
| | | 2016 Consolidated | 2015 Consolidated | 2016 Company | 2015 Company |
| Current liabilities | | | | | |
| Short-term borrowings | (21) | 302,341,000 | 810,387,282 | — | — |
| Notes payable | (22) | 307,516,920 | 100,141,631 | 76,500,000 | 51,600,000 |
| Accounts payable | (23) | 2,049,229,359 | 2,590,986,856 | 2,501,183,597 | 1,955,648,512 |
| Advances from customers | (24) | 1,320,882,187 | 1,000,313,388 | 1,027,556,435 | 664,814,193 |
| Employee benefits payable | (25) | 988,416,962 | 925,629,768 | 373,400,438 | 341,050,125 |
| Taxes payable | (26) | 396,466,643 | 261,889,152 | 86,703,934 | 52,527,324 |
| Interests payable | | 737,291 | 1,486,051 | — | — |
| Other payables | (27) | 4,918,819,305 | 4,061,298,404 | 2,353,717,365 | 1,992,292,436 |
| Current portion of non-current liabilities | (28) | 376,372 | 856,189 | — | — |
| Total current liabilities | | 10,284,786,039 | 9,752,988,721 | 6,419,061,769 | 5,057,932,590 |
| Non-current liabilities | | | | | |
| Long-term borrowings | (29) | 1,376,480 | 1,711,800 | — | — |
| Payables for specific projects | (30) | 175,014,368 | 251,632,082 | 15,440,660 | 48,663,142 |
| Deferred income | (31) | 1,948,814,560 | 1,656,652,129 | 61,307,433 | 43,821,553 |
| Long-term employee benefits payable | (32) | 538,957,516 | 537,725,965 | 288,026,884 | 268,790,726 |
| Deferred tax liabilities | (18) | 249,069,955 | 133,868,381 | — | — |
| Total non-current liabilities | | 2,913,232,879 | 2,581,590,357 | 364,774,977 | 361,275,421 |
| Total liabilities | | 13,198,018,918 | 12,334,579,078 | 6,783,836,746 | 5,419,208,011 |
| Equity | | | | | |
| Share capital | (33) | 1,350,982,795 | 1,350,982,795 | 1,350,982,795 | 1,350,982,795 |
| Capital surplus | (34),16(11) | 3,444,189,700 | 4,075,078,879 | 4,306,629,016 | 4,306,624,104 |
| Other comprehensive income | (35),16(12) | (50,149,422) | (20,326,159) | (49,477,000) | (32,110,000) |
| Surplus reserve | (36) | 1,400,704,380 | 1,400,704,380 | 1,400,704,380 | 1,400,704,380 |
| General reserve | (37) | 142,496,409 | 106,025,418 | — | — |
| Undistributed profits | (38),16(13) | 10,025,728,867 | 9,545,596,720 | 6,728,201,082 | 5,928,623,517 |
| Total equity attributable to shareholders of the Company | | 16,313,952,729 | 16,458,062,033 | 13,737,040,273 | 12,954,824,796 |
| Non-controlling interests | | 565,186,840 | (292,050,983) | — | — |
| Total equity | | 16,879,139,569 | 16,166,011,050 | 13,737,040,273 | 12,954,824,796 |
| TOTAL LIABILITIES AND EQUITY | | 30,077,158,487 | 28,500,590,128 | 20,520,877,019 | 18,374,032,807 |

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

Legal representative:
SUN Mingbo

Principal in charge of accounting
YU Zhuming

Head of accounting department:
HOU Qiuyan

Consolidated and Company Income Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

| ITEM | Note 4 (unless otherwise stated) | Year ended 31 December | | | |
|--|--|-------------------------|----------------------|-------------------------|------------------|
| | | 2016 Consolidated | 2015 Consolidated | 2016 Company | 2015 Company |
| Revenue | (39),16(14) | 26,106,343,738 | 27,634,686,040 | 17,162,339,623 | 16,695,191,598 |
| <i>Less:</i> Cost of sales | (39),(43), 16(14),(15) | (15,265,279,542) | (17,192,101,695) | (12,705,362,572) | (12,474,793,348) |
| Taxes and surcharges | (40) | (2,231,364,935) | (2,030,394,346) | (531,299,089) | (492,915,490) |
| Selling and distribution expenses | (41),(43),16(15) | (6,029,439,233) | (5,904,539,236) | (3,426,278,010) | (3,101,044,762) |
| General and administrative expenses | (42),(43),16(15) | (1,340,543,211) | (1,412,435,528) | (403,339,431) | (445,201,522) |
| Finance expenses — net | (44),16(16) | 257,408,345 | 299,597,521 | 50,369,278 | 49,593,277 |
| Asset impairment losses | (46),16(18) | (7,842,038) | (2,062,375) | (684,768) | 30,360,880 |
| <i>Add:</i> Investment income | (45),16(17) | 150,969,732 | 462,412,814 | 1,538,145,276 | 1,682,451,832 |
| Including: Share of losses of associates and a joint venture | | (5,214,764) | (4,562,375) | (4,873,468) | (2,157,821) |
| Operating profit | | 1,640,252,856 | 1,855,163,195 | 1,683,890,307 | 1,943,642,465 |
| <i>Add:</i> Non-operating income | (47) | 721,492,323 | 558,817,491 | 67,937,670 | 116,840,761 |
| Including: Gains on disposal of non-current assets | | 1,460,219 | 29,048,431 | 257,072 | 25,209,539 |
| <i>Less:</i> Non-operating expenses | (48) | (238,303,414) | (139,158,284) | (12,580,866) | (48,384,459) |
| Including: Losses on disposal of non-current assets | | (225,003,832) | (130,560,143) | (11,806,026) | (47,118,238) |
| Total profit | | 2,123,441,765 | 2,274,822,402 | 1,739,247,111 | 2,012,098,767 |
| <i>Less:</i> Income tax expense | (49),16(19) | (1,017,743,313) | (662,778,888) | (412,786,256) | (168,449,661) |
| Net profit | | 1,105,698,452 | 1,612,043,514 | 1,326,460,855 | 1,843,649,106 |
| Attributable to shareholders of the Company | | 1,043,486,428 | 1,713,128,882 | 1,326,460,855 | 1,843,649,106 |
| Attributable to non-controlling interests | | 62,212,024 | (101,085,368) | n/a | n/a |

Consolidated and Company Income Statements (Continued)

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

| ITEM | Note 4 (unless otherwise stated) | Year ended 31 December | | | |
|--|--|------------------------|----------------------|----------------------|-----------------|
| | | 2016 Consolidated | 2015 Consolidated | 2016 Company | 2015 Company |
| Other comprehensive income, net of tax | (35),16(12) | (29,823,263) | (30,366,503) | (17,367,000) | (17,789,000) |
| Other comprehensive income attributable to shareholders of the Company, net of tax | | | | | |
| Items that will not be subsequently reclassified to profit or loss | | | | | |
| Changes arising from re- measurement of defined benefit plan liabilities | | (18,142,000) | (18,513,000) | (17,367,000) | (17,789,000) |
| 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 | | 51,552 | (76,953) | — | — |
| Currency translation differences | | (11,732,815) | (11,776,550) | — | — |
| Total comprehensive income | | 1,075,875,189 | 1,581,677,011 | 1,309,093,855 | 1,825,860,106 |
| Attributable to shareholders of the Company | | 1,013,663,165 | 1,682,762,379 | 1,309,093,855 | 1,825,860,106 |
| Attributable to non-controlling interests | | 62,212,024 | (101,085,368) | n/a | n/a |
| Earnings per share | | | | | |
| Basic earnings per share | (50) | 0.772 | 1.268 | n/a | n/a |
| Diluted earnings per share | (50) | 0.772 | 1.268 | n/a | n/a |

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

Legal representative:
SUN Mingbo

Principal in charge of accounting:
YU Zhuming

Head of accounting department:
HOU Qiuyan

Consolidated and Company Cash Flow Statements

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

| ITEM | Note 4 | Year ended 31 December | | | |
|---|---------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 2016 Consolidated | 2015 Consolidated | 2016 Company | 2015 Company |
| Cash flows from operating activities | | | | | |
| Cash received from sales of goods or rendering of services | | 29,277,078,222 | 30,171,388,322 | 19,413,249,464 | 18,757,422,852 |
| Refund of taxes and surcharges | | 22,808,497 | 10,028,669 | 17,657,886 | 9,354,744 |
| Cash received relating to other operating activities | (51)(a) | 987,213,785 | 1,124,581,635 | 464,818,920 | 445,061,883 |
| Sub-total of cash inflows | | 30,287,100,504 | 31,305,998,626 | 19,895,726,270 | 19,211,839,479 |
| Cash paid for goods and services | | (13,915,236,142) | (15,852,126,090) | (13,412,734,194) | (13,327,737,802) |
| Cash paid to and on behalf of employees | | (4,290,094,173) | (4,031,145,871) | (1,492,774,687) | (1,427,121,090) |
| Payments of taxes and surcharges | | (5,261,199,825) | (4,920,972,297) | (1,441,704,635) | (1,488,819,902) |
| Cash paid relating to other operating activities | (51)(b) | (3,849,679,160) | (3,927,188,608) | (2,214,776,789) | (1,978,165,138) |
| Sub-total of cash outflows | | (27,316,209,300) | (28,731,432,866) | (18,561,990,305) | (18,221,843,932) |
| Net cash flows from operating activities | (52)(a) | 2,970,891,204 | 2,574,565,760 | 1,333,735,965 | 989,995,547 |
| Cash flows from investing activities | | | | | |
| Cash received from disposal of investments | (51)(f) | 2,970,467,515 | 900,000,000 | 1,457,100,000 | 1,234,790,136 |
| Cash received from returns on investments | | 45,045,052 | 44,952,014 | 121,303,917 | 1,479,390,131 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | 26,868,010 | 43,670,333 | 1,951,936 | 28,307,729 |
| Net cash received from disposal of subsidiaries and other business units | | — | 459,983,058 | — | — |
| Cash received relating to other investing activities | (51)(c) | 607,457,479 | 964,583,967 | 16,587,290 | 14,322,250 |
| Sub-total of cash inflows | | 3,649,838,056 | 2,413,189,372 | 1,596,943,143 | 2,756,810,246 |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | | (855,872,099) | (1,314,449,614) | (194,183,933) | (310,509,839) |
| Cash paid to acquire investments | (51)(g) | (3,259,900,000) | (1,211,507,900) | (1,544,811,059) | (1,270,277,900) |
| Net cash paid to acquire subsidiaries and other business units | (52)(b) | (572,059,978) | (100,000,000) | — | — |
| Cash paid relating to other investing activities | (51)(d) | (126,021,221) | (23,941,227) | (2,711,633) | (10,704,160) |
| Sub-total of cash outflows | | (4,813,853,298) | (2,649,898,741) | (1,741,706,625) | (1,591,491,899) |
| Net cash flows from investing activities | | (1,164,015,242) | (236,709,369) | (144,763,482) | 1,165,318,347 |

Consolidated and Company Cash Flow Statements (Continued)

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

| ITEM | Note 4 | Year ended 31 December | | | |
|---|---------|------------------------|----------------------|----------------------|-----------------|
| | | 2016 Consolidated | 2015 Consolidated | 2016 Company | 2015 Company |
| Cash flows from financing activities | | | | | |
| Cash received from borrowings | | 46,000,000 | 685,688,711 | — | — |
| Cash received relating to other financing activities | (51)(e) | — | 304,095,000 | — | 304,095,000 |
| Sub-total of cash inflows | | 46,000,000 | 989,783,711 | — | 304,095,000 |
| Cash repayments of borrowings | | (918,538,871) | (328,662,415) | — | — |
| Cash payments for distribution of dividends, profits or interest expense | | (597,303,929) | (690,740,856) | (530,801,581) | (607,942,258) |
| Including: Cash payments for dividends or profit to minority shareholders of subsidiaries | | (56,623,034) | (69,015,440) | — | — |
| Cash payments relating to other financing activities | | (578,521) | (1,058,358) | — | — |
| Sub-total of cash outflows | | (1,516,421,321) | (1,020,461,629) | (530,801,581) | (607,942,258) |
| Net cash flows from financing activities | | (1,470,421,321) | (30,677,918) | (530,801,581) | (303,847,258) |
| Exchange effect on cash and cash equivalents | | 17,644,207 | 1,805,946 | 9,584,922 | (887,585) |
| Net increase in cash and cash equivalents | (52)(a) | 354,098,848 | 2,308,984,419 | 667,755,824 | 1,850,579,051 |
| Add: Cash and cash equivalents at beginning of year | | 7,575,374,183 | 5,266,389,764 | 2,714,972,098 | 864,393,047 |
| Cash and cash equivalents at end of year | (52)(c) | 7,929,473,031 | 7,575,374,183 | 3,382,727,922 | 2,714,972,098 |

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

Legal representative:
SUN Mingbo

Principal in charge of accounting
YU Zhuming

Head of accounting department:
HOU Qiuyan

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

| ITEM | Note 4 | Attributable to shareholders of the Company | | | | | Undistributed profits | Non-controlling interests | Total shareholders' equity |
|-------------------------------------|--------|---|-----------------|----------------------------|-----------------|-----------------|-----------------------|---------------------------|----------------------------|
| | | Share capital | Capital surplus | Other comprehensive income | Surplus reserve | General reserve | | | |
| Balance at 1 January 2015 | | 1,350,982,795 | 4,079,399,151 | 10,040,344 | 1,216,339,469 | 66,981,927 | 8,663,818,498 | (100,279,746) | 15,287,282,438 |
| Movements for the year ended | | | | | | | | | |
| 31 December 2015 | | — | (4,320,272) | (30,366,503) | 184,364,911 | 39,043,491 | 881,778,222 | (191,771,237) | 878,728,612 |
| Total comprehensive income | | — | — | (30,366,503) | — | — | 1,713,128,882 | (101,085,368) | 1,581,677,011 |
| Net profit | | — | — | — | — | — | 1,713,128,882 | (101,085,368) | 1,612,043,514 |
| Other comprehensive income | (35) | — | — | (30,366,503) | — | — | — | — | (30,366,503) |
| Profit distribution | (38) | — | — | — | 184,364,911 | 39,043,491 | (831,350,660) | (69,049,068) | (676,991,326) |
| Appropriation to surplus reserve | | — | — | — | 184,364,911 | — | (184,364,911) | — | — |
| Appropriation to general reserve | | — | — | — | — | 39,043,491 | (39,043,491) | — | — |
| Profit distribution to shareholders | | — | — | — | — | — | (607,942,258) | (69,049,068) | (676,991,326) |
| Others | | — | (4,320,272) | — | — | — | — | (21,636,801) | (25,957,073) |
| Balance at 31 December 2015 | | 1,350,982,795 | 4,075,078,879 | (20,326,159) | 1,400,704,380 | 106,025,418 | 9,545,596,720 | (292,050,983) | 16,166,011,050 |
| Balance at 1 January 2016 | | 1,350,982,795 | 4,075,078,879 | (20,326,159) | 1,400,704,380 | 106,025,418 | 9,545,596,720 | (292,050,983) | 16,166,011,050 |
| Movements for the year ended | | | | | | | | | |
| 31 December 2016 | | — | (630,889,179) | (29,823,263) | — | 36,470,991 | 480,132,147 | 857,237,823 | 713,128,519 |
| Total comprehensive income | | — | — | (29,823,263) | — | — | 1,043,486,428 | 62,212,024 | 1,075,875,189 |
| Net profit | | — | — | — | — | — | 1,043,486,428 | 62,212,024 | 1,105,698,452 |
| Other comprehensive income | (35) | — | — | (29,823,263) | — | — | — | — | (29,823,263) |
| Profit distribution | (38) | — | — | — | — | 36,470,991 | (563,354,281) | (56,640,105) | (583,523,395) |
| Appropriation to general reserve | | — | — | — | — | 36,470,991 | (36,470,991) | — | — |
| Profit distribution to shareholders | | — | — | — | — | — | (526,883,290) | (56,640,105) | (583,523,395) |
| Others | (34) | — | (630,889,179) | — | — | — | — | 851,665,904 | 220,776,725 |
| Balance at 31 December 2016 | | 1,350,982,795 | 3,444,189,700 | (50,149,422) | 1,400,704,380 | 142,496,409 | 10,025,728,867 | 565,186,840 | 16,879,139,569 |

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

Legal representative:
SUN Mingbo

Principal in charge of accounting
YU Zhuming

Head of accounting department:
HOU Qiuyan

Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

| ITEM | Note 16 | Share capital | Capital surplus | Other comprehensive income | Surplus reserve | Undistributed profits | Total shareholders' equity |
|-------------------------------------|---------|----------------------|----------------------|----------------------------|----------------------|-----------------------|----------------------------|
| Balance at 1 January 2015 | | <u>1,350,982,795</u> | <u>4,306,073,277</u> | <u>(14,321,000)</u> | <u>1,216,339,469</u> | <u>4,877,281,580</u> | <u>11,736,356,121</u> |
| Movements for the year ended | | | | | | | |
| 31 December 2015 | | — | 550,827 | (17,789,000) | 184,364,911 | 1,051,341,937 | 1,218,468,675 |
| Total comprehensive income | | — | — | (17,789,000) | — | 1,843,649,106 | 1,825,860,106 |
| Net profit | | — | — | — | — | 1,843,649,106 | 1,843,649,106 |
| Other comprehensive income | (12) | — | — | (17,789,000) | — | — | (17,789,000) |
| Profit distribution | (13) | — | — | — | 184,364,911 | (792,307,169) | (607,942,258) |
| Appropriation to surplus reserve | | — | — | — | 184,364,911 | (184,364,911) | — |
| Profit distribution to shareholders | | — | — | — | — | (607,942,258) | (607,942,258) |
| Others | | — | 550,827 | — | — | — | 550,827 |
| Balance at 31 December 2015 | | <u>1,350,982,795</u> | <u>4,306,624,104</u> | <u>(32,110,000)</u> | <u>1,400,704,380</u> | <u>5,928,623,517</u> | <u>12,954,824,796</u> |
| Balance at 1 January 2016 | | <u>1,350,982,795</u> | <u>4,306,624,104</u> | <u>(32,110,000)</u> | <u>1,400,704,380</u> | <u>5,928,623,517</u> | <u>12,954,824,796</u> |
| Movements for the year ended | | | | | | | |
| 31 December 2016 | | — | 4,912 | (17,367,000) | — | 799,577,565 | 782,215,477 |
| Total comprehensive income | | — | — | (17,367,000) | — | 1,326,460,855 | 1,309,093,855 |
| Net profit | | — | — | — | — | 1,326,460,855 | 1,326,460,855 |
| Other comprehensive income | (12) | — | — | (17,367,000) | — | — | (17,367,000) |
| Profit distribution | (13) | — | — | — | — | (526,883,290) | (526,883,290) |
| Profit distribution to shareholders | | — | — | — | — | (526,883,290) | (526,883,290) |
| Others | | — | 4,912 | — | — | — | 4,912 |
| Balance at 31 December 2016 | | <u>1,350,982,795</u> | <u>4,306,629,016</u> | <u>(49,477,000)</u> | <u>1,400,704,380</u> | <u>6,728,201,082</u> | <u>13,737,040,273</u> |

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

Legal representative:
SUN Mingbo

Principal in charge of accounting
YU Zhuming

Head of accounting department:
HOU Qiuyan

Notes to Financial Statements

For the Year Ended 31 December 2016

(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 RMB1,500 million with the term of 6 years. Upon the exercise period ended on 19 October 2009, 42,763,617 A shares of the Company were issued and the total number of the Company’s shares was increased from 1,308,219,178 to 1,350,982,795.

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

Subsidiaries which are included in the scope of consolidation in this year are disclosed in Note 6(1)(a). Subsidiaries newly included in the scope of consolidation in this year are Tsingtao Brewery (Shanghai) Investing Co., Ltd. (“Shanghai Investing Company”, previously Suntory-Tsingtao (Shanghai) Co., Ltd.) and its subsidiaries. Subsidiaries excluded from the scope of consolidation in this year are Tsingtao Brewery Sifang Sales Co., Ltd. (“Sifang Sales Company”) and Tsingtao Brewery (Hainan) Co., Ltd. (“Hainan Company”) (Note 5).

These financial statements have been approved for issue by the Company’s Board of Directors on 30 March 2017.

2 Summary of significant accounting policies and accounting estimates

The Group applied the accounting policies and accounting estimates based on its business operations characteristics, including provision of bad debts of receivable (Note 2(10)), cost formulas (Note 2(11)), depreciation of fixed assets and amortization of intangible assets (Note 2(14) and (17)), timing of revenue recognition (Note 2(22)), etc.

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

(1) Basis of preparation

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises — Basic Standard, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as “the Accounting Standards for Business Enterprises” or “CAS”) and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Rules on Financial Reporting issued by the China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

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 2016

(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 2016 are in compliance with CAS, and truly and completely present the Consolidated and the Company's financial position as at 31 December 2016 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 recording currency of the Company and the subsidiaries incorporated and operated in mainland China is Renminbi (RMB), while the recording currency of the subsidiaries in Hong Kong and Macau is Hong Kong Dollar (HKD) and Macau Pataca (MOP) respectively. The consolidated financial statements of the Group are represented in RMB.

(5) Business combinations

(a) Business combinations involving enterprises under common control

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

(b) Business combinations involving enterprises not under common control

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

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

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

(5) Business combinations (continued)

(c) Acquisition of non-controlling interests

When acquiring part of or all of the non-controlling interests from its minority shareholders after obtaining the control over a subsidiary, the assets and liabilities of the subsidiary shall be stated at the amounts calculated continuously from the date of acquisition or merger in the consolidated financial statements. The difference between the increase in the cost of long-term equity investments as a result of acquisition of non-controlling interests and the share of net assets of the subsidiary calculated continuously from the date of the acquisition or merger based on the new shareholding proportion shall be adjusted against the capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining difference shall be adjusted against retained earnings.

(6) Preparation of consolidated financial statements

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

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realized before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealized profits are eliminated in the consolidated financial statements. The items which can't be attributable to the shareholders of the Company in subsidiary's equity, net profit or loss, and total comprehensive income of the period, are separately presented in the equity item, in net profit item and total comprehensive income item of the consolidated financial statement respectively. Elimination of intra-group unrealized profit on sale of assets by the Company to its subsidiaries should be in full of the net profit attributable to the shareholders, and elimination of intra-group unrealized profit on sale of assets by subsidiaries to the Company should be allocated between the net profit attributable to the shareholders and non-controlling interests in the ratio of their interests. Elimination of intra-group unrealized profit on sale of assets amongst the subsidiaries should be allocated between the net profit attributable to the shareholders and non-controlling interests, according to the Company's share interest in the subsidiary of selling party.

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

(7) Cash and cash equivalents

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

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

(8) Foreign currency translation

(a) Foreign currency transactions

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

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

(b) Translation of foreign currency financial statements

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

(9) Financial instruments

(a) Financial assets

(i) Classification of financial assets

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

Financial assets at fair value through profit or loss

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

Receivables

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

Available-for-sale financial assets

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

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

(9) Financial instruments (continued)

(a) Financial assets (continued)

(i) Classification of financial assets (continued)

Held-to-maturity investments

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

(ii) Recognition and measurement

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

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

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

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

(iii) Impairment of financial assets

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

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

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

(9) Financial instruments (continued)

(a) Financial assets (continued)

(iii) Impairment of financial assets (Continued)

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

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

When an impairment loss on an available-for-sale financial asset measured at fair value has occurred, the cumulative losses arising from the decline in fair value that had been recognised directly in equity are transferred out from equity and into impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previously recognised impairment loss is reversed into profit or loss for the current period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised directly in equity.

When an impairment loss on an available-for-sale financial asset carried at cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows using the market yield of similar financial assets. The loss which has already occurred will not be reversed in subsequent period.

(iv) De-recognition of financial assets

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

On de-recognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in equity, is recognised in profit or loss.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

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

(9) Financial instruments (continued)

(b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities of the Group mainly comprise other financial liabilities, including payables and borrowings.

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

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

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

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

(c) Determination of fair value of financial instruments

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

(10) Receivables

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

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

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

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

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

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

(10) Receivables (continued)

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

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and no provision has been made are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

Basis for grouping is as follows:

| | |
|---------|----------------------------------|
| Group A | Receivables from government etc. |
| Group B | Amounts due from subsidiaries |
| Group C | Others |

Methods of determining provision for bad debts by grouping are as follows:

| | |
|---------|--|
| Group A | Low credit risk upon assessment, no bad debts provided |
| Group B | Low credit risk upon assessment, no bad debts provided |
| Group C | Ageing analysis method |

The provision ratios used under the ageing analysis method for the above groupings are as follows:

| | Provision ratios used for accounts receivable | Provision ratios used for other receivables |
|--------------------|--|--|
| Within 6 months | 0% | 0% |
| 6 months to 1 year | 5% | 5% |
| 1 to 2 years | 50% | 50% |
| Over 2 years | 100% | 100% |

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

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

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

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

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

(11) Inventories

(a) Classification

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

(b) Cost formulas

Cost is determined using the weighted average method. The cost of finished goods and work in progress comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

(c) Basis for determining net realizable values of inventories and method for making provision for decline in the value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realizable value. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

(d) The Group adopts the perpetual inventory system.

(e) Amortization methods of low value consumables and packaging materials

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

(12) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its joint ventures and associates.

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

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

(a) Determination of investment cost

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

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

(12) Long-term equity investments (continued)

(a) Determination of investment cost (continued)

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

For investment in previously-held equity accounted for using the recognition and measurement standards of financial instruments, the initial investment cost accounted for using the cost method is the sum of carrying amount of previously-held equity investment and additional investment cost.

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

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

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

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

For long-term equity investments accounted for using the equity method, the Group recognizes the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in shareholders' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into capital surplus other comprehensive income, and profit distribution. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profit or loss arising from the intra-group transactions amongst the Group and its investees is eliminated in proportion to the Group's equity 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 2016

(All amounts in RMB Yuan unless otherwise stated)

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

(12) Long-term equity investments (continued)

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

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

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

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

(d) Impairment of long-term equity investments

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

(13) Investment properties

Investment properties are buildings that are held for the purpose of leasing, are measured at the initial cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are occurred.

The Group adopts the cost model for subsequent measurement of investment properties. Buildings are depreciated to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation rates of investment properties are as follows:

| | Estimated useful lives | Estimated residual value | Annual depreciation rate |
|-----------|---------------------------|-----------------------------|--------------------------------|
| Buildings | 20-40 years | 3% to 5% | 2.4% to 4.9% |

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset is reclassified as investment properties at its carrying amount at the date of the transfer.

The investment property's estimated useful life, net residual value and depreciation method applied are reviewed and adjusted as appropriate at each year end.

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

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

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

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

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

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

(b) Depreciation methods of fixed assets

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

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

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

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

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

(d) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses are recognised in profit or loss for the current period.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

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

(15) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(19)).

(16) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of an asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of an asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by deducting any interests income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of an asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the borrowings or applicable shorter period are discounted to the initial amount of the borrowings.

(17) Intangible assets

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

(a) Land use rights

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

(b) Trademarks

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

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

(17) Intangible assets (continued)

(b) Trademarks (continued)

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 resource for improvement of the beer technology and the large-scale production; and
- The expenditure attributable to the improvement of beer technology during its development phase can be liable measured.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

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

(17) Intangible assets (continued)

(g) Research and development (continued)

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

(h) Impairment of intangible assets

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

(18) Long-term prepaid expenses

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

(19) Impairment of long-term assets

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

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

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

(20) Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits provided in various forms of remuneration in exchange for service rendered by employees or compensations for the termination of employment relationship.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

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

(20) Employee benefits (continued)

(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 recognize liabilities and costs of assets or expenses.

Supplemental retirement benefits

In addition to the basic social pension plans, the Group also provides supplementary retirement benefits to those retired employees qualified for certain criteria. Such supplementary benefits are classified as defined benefit plans. The defined benefit obligation recognised in the balance sheet is the present value of the defined benefit obligation, net of the fair value of plan assets. The defined benefit obligation is calculated by using the Projected Unit Credit method and applying interests rates of government bonds that have terms to maturity approximating to the terms of the related pension obligation. The service cost and net interest income related to supplemental retirement benefits are recognised as assets or expenses, and actuarial gains or losses arising from re-measurement of net defined benefit obligation is recognised as other comprehensive income.

(c) Termination benefits

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

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

(20) Employee benefits (continued)

(c) Termination benefits (continued)

Early retirement benefits

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

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

(21) Dividends distribution

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

(22) Revenue recognition

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

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

(a) Sale of goods

The Group manufactures and sells beer products to the regional distributors. The products will be delivered by carriers to the specific location agreed or will be picked up by the distributors themselves. If the goods are transported by carriers, the relevant risk of damage in transit will be taken by the carriers and settled to the distributors. Revenue is recognised once the goods are picked up by the distributors or carriers.

(b) Rendering of services

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

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

(23) Government Grants

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

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

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

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

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

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.

(24) Deferred tax assets and deferred tax liabilities

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

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

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

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

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

Deferred tax assets and liabilities are offset when:

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

(25) Leases

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

(a) Operating leases

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

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

(b) Finance leases

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

(26) Held for sale and discontinued operations

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

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

Such non-current assets and assets/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.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

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

(27) Segment information

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

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

(28) Critical accounting estimates and judgments

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

(a) Critical accounting estimates and key assumptions

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

(i) Accounting estimates on impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates (Note 4(16)).

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

(ii) Accounting estimates on impairment of fixed assets

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

For the year ended 31 December 2016, the Group recognised impairment losses of 5,638,040 (2015: 3,140,390) for fixed assets based on such evaluation. As at 31 December 2016, the Group recognised the cumulative provision for fixed assets impairment amounting to 391,192,662 (31 December 2015: 413,382,183) (Note 4(12)).

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

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

(28) Critical accounting estimates and judgments (continued)

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

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

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.

(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 2016, deferred tax assets of 1,042,209,554 have been recognised in the Group's balance sheet. As stated in Note 4(18), the Group has unrecognised deferred tax assets aggregated to approximately 731,236,000 as at 31 December 2016, which mainly attributable to accumulated tax losses and impairment losses of certain subsidiaries. Deferred tax assets have not been recognised due to the fact that there is no certainty of obtaining approval from local tax authorities or there is no certainty of their respective realization of these tax benefits through available future taxable profits of those subsidiaries concerned. In cases where the actual future assessable profits are more or less than expected or approval from local tax authorities are obtained, a recognition or reversal of deferred tax assets may arise accordingly.

(iv) Post-retirement benefits Actuary

As stated in Note 2(20)(b), the present value of the post-retirement obligation estimated on an actuarial basis using a number of assumptions. The actuarial valuations, in which discount rate was determined by government bonds of China and the mortality rate was based on published statistics by China Life Annuitant Mortality Table 2010-2013, are the best estimation on the post-retirement obligation on balance sheet date. Any changes in these assumptions will have impact on the carrying amount of post-employment obligations, which will be recognized as other comprehensive income in the future.

Notes to Financial Statements

For the Year Ended 31 December 2016

(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 | Taxable income | 3% to 25% |
| Value added tax (“VAT”) | Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period) | 17%, 11% and 6% |
| Business tax (“BT”) | Taxable turnover amount | 3% and 5% |
| Consumption tax | 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, business tax and consumption tax paid | 5% and 7% |
| Education surcharge | Amount of VAT, business tax and consumption tax paid | 3% |

(2) Preferential tax treatment

Enterprise income tax of the Company

In accordance with an approval document dated 18 April 1994 issued by the State Administration for Taxation (“SAT”) of the PRC, net profit earned by the Company was subject to enterprise income tax at 15%, which was effective from the date of establishment of the Company until there is further changes of the relevant laws and regulations. The Company also received a confirmation from the Finance Bureau of Qingdao on 23 March 1997 that this preferential tax treatment would not be terminated until further notice.

On 5 July 2007, the Company became aware of a notice (Guoshuihan [2007] No.664) which was issued by SAT (the “Notice”) regarding the preferential tax treatment granted to nine state-owned enterprises listed on the Stock Exchange of Hong Kong Limited in 1993 (including the Company). According to the Notice, the relevant local tax authorities were required to immediately rectify the expired preferential tax treatments adopted by the Company and take appropriate action on the differences of income taxes collected in prior years arising therefore in accordance with the applicable rules and provisions under the promulgated Law on Tax Collection and Administration of the PRC. For this purpose, the Company issued an announcement in relation to such matter on the websites of stock exchanges in the PRC and overseas, and in domestic newspapers on 6 July 2007. In April 2008, the Company was informed by the local tax bureau that the applicable enterprise income tax rate for the year ended 31 December 2007 was adjusted from 15% to 33%. As there was no final conclusion for how to resolve the tax difference arising from applying the expired preferential tax rate for the years before 2007, the Company has disclosed this contingent event in the financial statement of the previous years.

Notified by the tax authority of Qingdao recently, the Company is required to pay the income tax difference of 338,876,455 resulted from the application of the expired preferential tax rate in the years prior to 2007. Hence the Company has recognised income tax expenses in the financial statement of the current year.

The applicable enterprise income tax rate of the Company for the current year is 25%.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

3 Taxation (continued)

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

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

(4) VAT & BT

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

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

(5) Consumption tax

Beers production, manufacturing consignment and beer product importation activities undertaken by the Group are subject to consumption tax in the PRC. For beer with an ex-factory price (including packaging materials and related deposits) of 3,000 or above per ton, the consumption tax is 250 per ton. For all other beer sold below that price, 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 outstanding consumption balances in respect of prior years amounting to approximately 41,883,000. The consumption tax was held over according to the preferential treatment provided by local governments.

(6) Withholding Tax

According to Circular Guoshuihan [2008] No. 897 “Notice on the issue about withholding Enterprise Income Tax on the dividends paid by Chinese resident enterprises to overseas non-resident enterprises H-share holders” issued by State Administration of Taxation on 6 November 2008, where a Chinese resident enterprise pays dividends to its H-share holders which are overseas non-resident enterprises, it shall withhold the enterprise income tax on the basis of 10% of the dividends.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements

(1) Cash at bank and on hand

| | 31 December 2016 | 31 December 2015 |
|---|----------------------|----------------------|
| Cash on hand | 411,137 | 424,497 |
| Bank deposits | 567,807,084 | 389,464,333 |
| Interbank deposits (i) | 7,362,521,925 | 7,185,485,353 |
| Deposit in central bank (ii) | 601,010,000 | 489,020,000 |
| Other cash balances (iii) | 40,935,099 | 337,357,454 |
| | <u>8,572,685,245</u> | <u>8,401,751,637</u> |
| Including: cash at bank and on hand overseas (iv) | <u>98,097,375</u> | <u>79,939,295</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 2016, the statutory deposit reserves ratio of Finance Company is 7% (31 December 2015: 7.5%).

(iii) As at 31 December 2016, 31,588,099 (31 December 2015: 31,504,108) represent housing maintenance fund in the bank; 8,647,000 (31 December 2015: 4,057,894) are pledged as collateral for issuance of bank acceptance (Note 4(22)); the remains are other deposits of 700,000 (31 December 2015: the remains are other deposits of 1,795,452 and structured deposits of 300,000,000).

(iv) As at 31 December 2016, cash at bank and on hand overseas represents the cash and bank deposits of Tsingtao Brewery Hong Kong Trading Co., Ltd. ("Hong Kong Company") and Asia Brewery (Macau) Co., Ltd. ("Macau Company") held in Hong Kong and Macau respectively.

Cash and cash equivalents presented in cash flow statements

| | 31 December 2016 | 31 December 2015 |
|---|----------------------|----------------------|
| Cash at bank and on hand | 8,572,685,245 | 8,401,751,637 |
| Other receivables – due from non-financial institutions | 92,885 | — |
| Less: Restricted bank deposit | (1,360,000) | — |
| Restricted deposit in central bank | (601,010,000) | (489,020,000) |
| Other restricted cash balances | (40,935,099) | (337,357,454) |
| | <u>7,929,473,031</u> | <u>7,575,374,183</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(2) Notes receivable

| | 31 December 2016 | 31 December 2015 |
|-----------------------|-------------------|-------------------|
| Bank acceptance notes | <u>26,400,000</u> | <u>22,770,000</u> |

As at 31 December 2016, the Group's notes receivable which have been endorsed but not yet matured are derecognised amounting to 149,575,200 (31 December 2015: 228,139,434), and there are no discounted bank acceptance notes that are not yet matured (31 December 2015: nil).

As at 31 December 2016, there are no pledged notes receivable, or no endorsed or discounted trade acceptance notes that are not yet matured (31 December 2015: nil).

(3) Accounts receivable

| | 31 December 2016 | 31 December 2015 |
|-------------------------------|----------------------|----------------------|
| Accounts receivable | <u>317,973,385</u> | 313,868,670 |
| Less: Provision for bad debts | <u>(193,326,345)</u> | <u>(195,877,683)</u> |
| | <u>124,647,040</u> | <u>117,990,987</u> |

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

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

| | 31 December 2016 | 31 December 2015 |
|--------------------|--------------------|--------------------|
| Within 6 months | 122,294,348 | 117,065,349 |
| 6 months to 1 year | 2,413,781 | 545,871 |
| 1 to 2 years | 119,200 | 814,122 |
| 2 to 3 years | 757,264 | 110,102 |
| 3 to 4 years | 110,102 | — |
| 4 to 5 years | — | 605,020 |
| Over 5 years | <u>192,278,690</u> | <u>194,728,206</u> |
| | <u>317,973,385</u> | <u>313,868,670</u> |

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(3) Accounts receivable (continued)

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

As at 31 December 2016, accounts receivable of 14,837,330 (31 December 2015: 13,591,154) were past due, but based on the analysis of the customers' financial position and credit record, the Group was of the view that the overdue amount could be fully or partially recovered, thus no provision for bad debts are individually or fully provided. The past-due ageing of these accounts receivables is analysed as follows:

| | 31 December 2016 | 31 December 2015 |
|--------------------|-------------------|-------------------|
| Within 6 months | 13,709,044 | 12,532,805 |
| 6 months to 1 year | 1,104,627 | 444,980 |
| 1 to 2 years | 23,659 | 613,369 |
| | <u>14,837,330</u> | <u>13,591,154</u> |

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

| | 31 December 2016 | | | | 31 December 2015 | | | |
|---|--------------------|-----------------------|-------------------------|---------------|--------------------|-----------------------|-------------------------|---------------|
| | Ending balance | | Provision for bad debts | | Ending balance | | Provision for bad debts | |
| | Amount | % of total balance | Amount | Ratio | Amount | % of total balance | Amount | Ratio |
| Individually significant and subject to separate assessment for provision | 28,851,710 | 9.07% | (28,851,710) | 100% | 30,201,710 | 9.62% | (30,201,710) | 100% |
| Subject to provision on the grouping basis | | | | | | | | |
| Group C | 289,121,675 | 90.93% | (164,474,635) | 56.89% | 283,666,960 | 90.38% | (165,675,973) | 58.41% |
| | <u>317,973,385</u> | <u>100%</u> | <u>(193,326,345)</u> | <u>60.80%</u> | <u>313,868,670</u> | <u>100%</u> | <u>(195,877,683)</u> | <u>62.41%</u> |

(c) As at 31 December 2016, accounts receivable with amounts that are individually significant and subject to separate assessment for provision are analysed as follows:

| | Ending balance | Provision for bad debts | Ratio | Reason |
|--|-------------------|----------------------------|-------|--------|
| Gansu Nongken Brewery Co., Ltd. ("Nongken Brewery Company") | 14,996,236 | (14,996,236) | 100% | (i) |
| Beijing Tsingtao Brewery Sales Co., Ltd. ("Beijing Sales Company") | 11,245,784 | (11,245,784) | 100% | (ii) |
| Tsingtao Brewery (Guangzhou) General Agency Co., Ltd. ("Guangzhou General Agency") | 2,609,690 | (2,609,690) | 100% | (iii) |
| | <u>28,851,710</u> | <u>(28,851,710)</u> | | |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(3) Accounts receivable (continued)

- (c) As at 31 December 2016, accounts receivable with amounts that are individually significant and subject to separate assessment for provision are analysed as follows: (continued)
- (i) As the Group has ceased all business transactions with Nongken Brewery Company, the management of the Group is of the view that it is difficult to collect the receivable amount, therefore full bad debt provision has been made accordingly.
- (ii) As the Company has ceased all business transactions with Beijing Sales Company, the management of the Company is of the view that it is difficult to collect the receivable amount, therefore full bad debt provision has been made accordingly.
- (iii) As Guangzhou General Agency has been ceased operation years ago, the management of the Company is of the view that it is difficult to collect the receivable amount, therefore full bad debt provision has been made accordingly.
- (d) Accounts receivable that are subject to provision for bad debts on the grouping basis (Group C) using the ageing analysis method are analysed as follows:

| | 31 December 2016 | | | 31 December 2015 | | |
|--------------------|--------------------|-------------------------|---------------|--------------------|-------------------------|---------------|
| | Ending balance | Provision for bad debts | | Ending balance | Provision for bad debts | |
| | | Amount | Ratio | | Amount | Ratio |
| Within 6 months | 122,294,348 | — | — | 117,065,349 | — | — |
| 6 months to 1 year | 2,413,781 | (120,689) | 5% | 545,871 | (27,294) | 5% |
| 1 to 2 years | 119,200 | (59,600) | 50% | 814,122 | (407,061) | 50% |
| 2 to 3 years | 757,264 | (757,264) | 100% | 110,102 | (110,102) | 100% |
| 3 to 4 years | 110,102 | (110,102) | 100% | — | — | — |
| 4 to 5 years | — | — | — | 605,020 | (605,020) | 100% |
| Over 5 years | 163,426,980 | (163,426,980) | 100% | 164,526,496 | (164,526,496) | 100% |
| | 289,121,675 | (164,474,635) | 56.89% | 283,666,960 | (165,675,973) | 58.41% |

- (e) The provisions for bad debts increased in the current year are 563,261, the increase amount of bad debts due to currency translation differences are 5,320, and the reversal of provisions for bad debts are 1,796,627. The significant reversal of provision for bad debts is as follows:

| | Reason for collecting or reversal | Rationality of provision basis | Amount of collecting or reversal | Collecting way |
|--------------------------|-----------------------------------|--|----------------------------------|----------------|
| Guangzhou General Agency | Partially collected | The collecting probability is low in the management's view | 1,350,000 | By cash |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(3) Accounts receivable (continued)

(f) In the current year, accounts receivable of 1,323,292 (2015: nil) are receivables of beer sales that cannot be collected and are written off with approval.

(g) As at 31 December 2016, 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 | 52,323,667 | (34,583,754) | 16.46% |

(h) As at 31 December 2016, there are no accounts receivable derecognised due to the transfer of financial assets (31 December 2015: nil).

(4) Advances to suppliers

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

| | 31 December 2016 | | 31 December 2015 | |
|---------------|-------------------|-----------------------|------------------|-----------------------|
| | Amount | % of total balance | Amount | % of total balance |
| Within 1 year | 46,527,120 | 89.81% | 40,244,046 | 90.65% |
| 1 to 2 years | 112,760 | 0.22% | 791,721 | 1.78% |
| 2 to 3 years | 1,804,909 | 3.48% | 3,311,707 | 7.46% |
| Over 3 years | 3,361,470 | 6.49% | 45,347 | 0.11% |
| | 51,806,259 | 100% | 44,392,821 | 100% |

As at 31 December 2016, advances to suppliers over 1 year with carrying amount of 5,279,139 (31 December 2015: 4,148,775) are mainly advances paid for materials, which have not been required to deliver yet due to production plan.

(b) As at 31 December 2016, 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 | 16,578,019 | 32.00% |

(5) Interests receivable

| | 31 December 2016 | 31 December 2015 |
|----------------------|------------------|------------------|
| Interests receivable | 71,557,290 | 148,581,416 |

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(6) Other receivables

| | 31 December 2016 | 31 December 2015 |
|--|---------------------|------------------|
| Government bonds reverse repo investment (i) | 79,900,000 | — |
| Payment on behalf for recycling bottles | 42,144,059 | 45,814,654 |
| Receivables on construction and equipment (ii) | 26,238,208 | 56,248,785 |
| Staff advance | 22,053,131 | 24,388,135 |
| Guarantee deposits | 19,750,335 | 27,900,032 |
| Refund for prepayment of land use rights | 17,441,647 | 17,441,647 |
| Dealer credit (iii) | 7,100,000 | — |
| VAT refund | 5,598,156 | 5,545,370 |
| Brand royalty | — | 15,381,998 |
| Others | 87,742,140 | 79,358,957 |
| | 307,967,676 | 272,079,578 |
| | (74,123,790) | (71,403,624) |
| <i>Less:</i> Provision for bad debts | 233,843,886 | 200,675,954 |

- (i) It represents the Government bonds reverse repo investment of Finance Company (a subsidiary of the Company), which will be matured in January 2017.
- (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").
- (iii) It represents the loans to the customers by Finance Company (a subsidiary of the Company), which will be overdue in June 2017.
- (a) The ageing of other receivables is analysed below:

| | 31 December 2016 | 31 December 2015 |
|--------------------|--------------------|------------------|
| Within 6 months | 222,358,023 | 150,182,199 |
| 6 months to 1 year | 4,687,350 | 3,059,079 |
| 1 to 2 years | 5,115,624 | 48,854,292 |
| 2 to 3 years | 5,056,572 | 978,016 |
| 3 to 4 years | 2,053,816 | 737,691 |
| 4 to 5 years | 432,609 | 9,277,730 |
| Over 5 years | 68,263,682 | 58,990,571 |
| | 307,967,676 | 272,079,578 |

The Group has no specific credit terms for other receivables. Therefore, the Group has no other receivables that were past due but not individually provided for impairment as at 31 December 2016 and 31 December 2015.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(6) Other receivables (continued)

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

| | 31 December 2016 | | | | 31 December 2015 | | | |
|---|--------------------|-------------|-------------------------|---------------|--------------------|-------------|-------------------------|---------------|
| | Ending balance | | Provision for bad debts | | Ending balance | | Provision for bad debts | |
| | % of total | | Amount | Ratio | % of total | | Amount | Ratio |
| | Amount | balance | | | Amount | balance | | |
| Individually significant and subject to separate assessment for provision | 17,441,647 | 5.66% | (17,441,647) | 100% | 17,441,647 | 6.41% | (17,441,647) | 100% |
| Subject to provision on the grouping basis | | | | | | | | |
| Group A | 10,115,864 | 3.29% | — | — | 8,821,351 | 3.24% | — | — |
| Group B (i) | — | — | — | — | 62,899,286 | 23.12% | — | — |
| Group C | 280,410,165 | 91.05% | (56,682,143) | 20.21% | 182,917,294 | 67.23% | (53,961,977) | 29.50% |
| | <u>307,967,676</u> | <u>100%</u> | <u>(74,123,790)</u> | <u>24.07%</u> | <u>272,079,578</u> | <u>100%</u> | <u>(71,403,624)</u> | <u>26.24%</u> |

(i) As at 31 December 2015, it represented the construction and equipment receivables and brand royalty receivables of the Group due from the former associates, including Tsingtao Brewery Shanghai Songjiang Manufacturing Co., Ltd. (“New Songjiang Manufacturing”), Tsingtao Brewery (Suqian) Co., Ltd. (“Suqian Company”), Yangzhou Company, Tsingtao Brewery (Xuzhou) Pengcheng Co., Ltd. (“Pengcheng Company”), Xuzhou Company and Tsingtao Brewery (Lianyungang) Co., Ltd. (“Lianyungang Company”). As stated in Note 12, the associates above have become subsidiaries of the Company in the current year.

(c) As at 31 December 2016, other receivables that are individually significant and subject to separate assessment for provision are analysed as follows:

| | Ending balance | Provision for bad debts | Ratio | Reason |
|--|-------------------|-------------------------|-------|--------|
| Refund for prepayment of land use rights | <u>17,441,647</u> | <u>(17,441,647)</u> | 100% | (i) |

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(6) Other receivables (continued)

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

| | 31 December 2016 | | | 31 December 2015 | | |
|--------------------|--------------------|-------------------------|---------------|--------------------|-------------------------|---------------|
| | Ending balance | Provision for bad debts | | Ending balance | Provision for bad debts | |
| | | Amount | Ratio | | Amount | Ratio |
| Within 6 months | 219,841,914 | — | — | 123,121,531 | — | — |
| 6 months to 1 year | 3,010,220 | (150,511) | 5% | 3,059,079 | (152,954) | 5% |
| 1 to 2 years | 2,052,798 | (1,026,399) | 50% | 5,855,323 | (2,927,662) | 50% |
| 2 to 3 years | 5,056,572 | (5,056,572) | 100% | 978,016 | (978,016) | 100% |
| 3 to 4 years | 965,016 | (965,016) | 100% | 737,691 | (737,691) | 100% |
| 4 to 5 years | 432,609 | (432,609) | 100% | 7,616,730 | (7,616,730) | 100% |
| Over 5 years | 49,051,036 | (49,051,036) | 100% | 41,548,924 | (41,548,924) | 100% |
| | <u>280,410,165</u> | <u>(56,682,143)</u> | <u>20.21%</u> | <u>182,917,294</u> | <u>(53,961,977)</u> | <u>29.50%</u> |

- (e) The provisions for bad debts increased in the current year are 3,949,682, and the reversal of provision for bad debts are 512,318.
- (f) In the current year, other receivables of 717,198 were written off.
- (g) As at 31 December 2016, the top five other receivables are analysed as follows:

| Nature | Amount | Ageing | % of total balance | provision for bad debts |
|--|--------------------|-----------------|--------------------|-------------------------|
| No.1 Government bonds reverse repo investment | 79,900,000 | within 6 months | 25.94% | — |
| No.2 Payment on behalf for recycling bottles | 36,379,013 | within 6 months | 11.81% | — |
| No.3 Receivables on construction and equipment | 26,238,208 | within 6 months | 8.52% | — |
| No.4 Refund for prepayment of land use rights | 8,584,437 | over 5 years | 2.79% | (8,584,437) |
| No.5 Payment on behalf for recycling bottles | 5,765,046 | within 6 months | 1.87% | — |
| | <u>156,866,704</u> | | <u>50.93%</u> | <u>(8,584,437)</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(7) Inventories

(a) Classification of inventories is as follows:

| | 31 December 2016 | | | 31 December 2015 | | |
|---|----------------------|--------------------|----------------------|----------------------|---------------------|----------------------|
| | Ending balance | Provision | Carrying amount | Ending balance | Provision | Carrying amount |
| Raw materials | 526,264,352 | (1,629,861) | 524,634,491 | 644,183,244 | (2,487,995) | 641,695,249 |
| Packaging materials | 751,529,177 | (4,100,245) | 747,428,932 | 609,947,904 | (8,736,698) | 601,211,206 |
| Low-value consumables | 47,281,048 | — | 47,281,048 | 51,139,719 | — | 51,139,719 |
| Materials on consignment for further processing | 11,485,076 | — | 11,485,076 | 80,187,035 | — | 80,187,035 |
| Work in progress | 402,043,549 | — | 402,043,549 | 389,693,337 | — | 389,693,337 |
| Finished goods | 679,569,684 | — | 679,569,684 | 418,508,590 | — | 418,508,590 |
| | 2,418,172,886 | (5,730,106) | 2,412,442,780 | 2,193,659,829 | (11,224,693) | 2,182,435,136 |

(b) The movements of inventories is as follows:

| | 31 December 2015 | Increase in the current year | Business combinations involving enterprises not under common control | Decrease in the current year | 31 December 2016 |
|--|----------------------|------------------------------|--|------------------------------|----------------------|
| Raw materials | 644,183,244 | 3,812,364,469 | 50,479,835 | (3,980,763,196) | 526,264,352 |
| Packaging materials | 609,947,904 | 6,602,686,868 | 237,402,614 | (6,698,508,209) | 751,529,177 |
| Low-value consumables | 51,139,719 | 401,084,323 | — | (404,942,994) | 47,281,048 |
| Material on consignment for further processing | 80,187,035 | 51,059,225 | — | (119,761,184) | 11,485,076 |
| Work in progress | 389,693,337 | 5,197,030,200 | 47,381,503 | (5,232,061,491) | 402,043,549 |
| Finished goods | 418,508,590 | 15,544,301,734 | 46,276,835 | (15,329,517,475) | 679,569,684 |
| | 2,193,659,829 | 31,608,526,819 | 381,540,787 | (31,765,554,549) | 2,418,172,886 |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(7) Inventories (continued)

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

| | 31 December 2015 | Increase in the current year | Decrease in the current year | | 31 December 2016 |
|---------------------|---------------------|---------------------------------|------------------------------|------------------|---------------------|
| | | | Reversal | Write-off | |
| Raw materials | (2,487,995) | — | — | 858,134 | (1,629,861) |
| Packaging materials | (8,736,698) | — | — | 4,636,453 | (4,100,245) |
| | <u>(11,224,693)</u> | <u>—</u> | <u>—</u> | <u>5,494,587</u> | <u>(5,730,106)</u> |

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

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

(8) Other current assets

| | 31 December 2016 | 31 December 2015 |
|---|----------------------|--------------------|
| Available-for-sale financial assets (Note 4(9)) | 720,000,000 | — |
| Prepaid enterprise income tax | 155,807,742 | 571,276,009 |
| VAT input to be deducted | 158,747,492 | 75,851,493 |
| VAT input to be verified | 81,133,475 | 121,482,755 |
| Others | 493,177 | 130,852 |
| | <u>1,116,181,886</u> | <u>768,741,109</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(9) Available-for-sale financial assets

| | 31 December 2016 | 31 December 2015 |
|--|----------------------|--------------------|
| Measured at fair value — wealth management products | 720,000,000 | — |
| Measured at cost — available-for-sale equity instruments | 9,261,821 | 9,261,821 |
| Less: Impairment allowance | <u>(8,653,179)</u> | <u>(8,653,179)</u> |
| | 720,608,642 | 608,642 |
| Less: Available-for-sale financial assets listed in other current assets (Note 4(8)) | <u>(720,000,000)</u> | — |
| | <u>608,642</u> | <u>608,642</u> |

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

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

As at 31 December 2016, the available-for-sale financial assets measured at fair value represent the non-principal guaranteed wealth management products with floating income purchased by Finance Company (a subsidiary of the Company), in which wealth management products to be matured within one year are included in other current assets (31 December 2015: nil). As at 31 December 2016, the carrying amount approximated the fair value. The fair values are based on cash flow discounted using the expected return based on management's judgment and are within level 3 of the fair value hierarchy.

As at 31 December 2016, the maximum exposure to credit risk of the wealth management products classified as available-for-sale is its carrying value.

None of these available-for-sale financial assets are either past due or impaired.

Available-for-sale financial assets measured at cost:

| | 31 December 2015 | Changes in the current year | 31 December 2016 | Dividends distribution in the current year |
|---|---------------------|--------------------------------|---------------------|---|
| Cost of available-for-sale equity instruments | | | | |
| — Qingdao Yingxiao Club | 3,985,261 | — | 3,985,261 | — |
| — Guangxi Beihai Real Estate Co., Ltd. | 3,610,000 | — | 3,610,000 | — |
| — Others | <u>1,666,560</u> | <u>—</u> | <u>1,666,560</u> | 158,905 |
| | <u>9,261,821</u> | <u>—</u> | <u>9,261,821</u> | <u>158,905</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

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

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

| | 31 December 2015 | Changes in the current year | 31 December 2016 |
|---|--------------------|--------------------------------|---------------------------|
| Impairment allowance of available-for-sale equity instruments | | | |
| — Qingdao Yingxiao Club | (3,985,261) | — | (3,985,261) |
| — Guangxi Beihai Real Estate Co., Ltd. | (3,610,000) | — | (3,610,000) |
| — Others | (1,057,918) | — | (1,057,918) |
| | <u>(8,653,179)</u> | <u>—</u> | <u>(8,653,179)</u> |

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

(10) Long-term equity investments

| | 31 December 2016 | 31 December 2015 |
|--|--------------------|------------------|
| Joint Venture (a) | 226,219,372 | 225,462,073 |
| Associates (b) | 154,531,543 | 1,283,503,022 |
| | 380,750,915 | 1,508,965,095 |
| Less: Provision for impairment of long-term equity investments | (1,220,000) | (1,220,000) |
| | 379,530,915 | 1,507,745,095 |

(a) Joint Venture

| | Movements in the current period | | | | 31 December 2016 | Balance of provision for impairment at end of year |
|--|---------------------------------|---|---|-------------------------|---------------------|---|
| | 31 December 2015 | Share of net profit or loss using the equity method | Share of other comprehensive income | Other equity changes | | |
| Hebei Jiahe Beer Co.,Ltd. ("Hebei Jiahe Company") | <u>225,462,073</u> | <u>757,299</u> | <u>—</u> | <u>—</u> | <u>226,219,372</u> | <u>—</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(10) Long-term equity investments (continued)

(a) Joint Venture (continued)

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) Associates

| | 31 December 2015 | Movements in the current year | | | | | 31 December 2016 | 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 | Other decreases | | |
| Shanghai Investing Company (i) | 1,127,813,513 | (22,516,599) | — | — | — | (1,105,296,914) | — | — |
| Yantai Brewery Tsingtao Asahi Co., Ltd. ("Yantai Asahi") | 133,456,185 | 13,360,028 | — | — | (14,098,054) | — | 132,718,159 | — |
| Qingdao Zhaoshang Logistics Company Limited. ("Zhaoshang Logistics") | 17,058,242 | 3,467,783 | — | 4,912 | (3,660,912) | — | 16,870,025 | — |
| Liaoning Shenqing Tsingtao Brewery Company Limited. ("Liaoning Shenqing") | 2,197,360 | (427,269) | — | — | — | — | 1,770,091 | — |
| Tsingtao Brewery Import & Export S.A.R.L ("European Company") | 1,757,722 | 143,994 | 51,552 | — | — | — | 1,953,268 | — |
| Others | 1,220,000 | — | — | — | — | — | 1,220,000 | (1,220,000) |
| | <u>1,283,503,022</u> | <u>(5,972,063)</u> | <u>51,552</u> | <u>4,912</u> | <u>(17,758,966)</u> | <u>(1,105,296,914)</u> | <u>154,531,543</u> | <u>(1,220,000)</u> |

- (i) As stated in Note 12, Shanghai Investing Company became a subsidiary of the Company since 28 March 2016. During the period from 1 January 2016 to 28 March 2016, the Group's share of net losses using the equity method in Shanghai Investing Company was 22,516,599, including investment loss of 22,249,087 arising from the share of net loss adjusted at the fair value and investment loss of 267,512 arising from the unrealised profit in internal transaction of Shanghai Investing Company offsetting long-term equity investments.

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(11) Investment properties

| | Buildings |
|---|---------------------|
| Original cost | |
| 31 December 2015 | 52,026,111 |
| Increase in the current year — transfer from fixed assets (i) | 2,060,793 |
| Decrease in the current year — transfer to fixed assets (ii) | (656,858) |
| 31 December 2016 | 53,430,046 |
| Accumulated depreciation | |
| 31 December 2015 | (25,661,216) |
| Increase in the current year | (2,460,981) |
| Accrual | (1,604,720) |
| Transfer from fixed assets (i) | (856,261) |
| Decrease in the current year — transfer to fixed assets (ii) | 244,758 |
| 31 December 2016 | (27,877,439) |
| Provision for impairment | |
| 31 December 2015 | (852,747) |
| Decrease in the current year — transfer to fixed assets (ii) | 246,160 |
| 31 December 2016 | (606,587) |
| Carrying amount | |
| 31 December 2016 | 24,946,020 |
| 31 December 2015 | 25,512,148 |

- (i) For the year ended 31 December 2016, the fixed assets with the carrying amount of 1,204,532 (cost: 2,060,793) are reclassified to investment properties as they are used for leasing instead of self-use.
- (ii) For the year ended 31 December 2016, the investment properties with the carrying amount of 165,940 (cost: 656,858) are reclassified to fixed assets as they are used for self-use.

For the year ended 31 December 2016, there is no investment property measured at fair value in the Group (2015: nil).

As at 31 December 2016, there is no investment property without ownership certificates (31 December 2015: nil).

Notes to Financial Statements

For the Year Ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(12) Fixed assets

| | Buildings | Machinery and equipment | Vehicles | Other equipment | Total |
|--|------------------------|-------------------------|----------------------|----------------------|------------------------|
| Original cost | | | | | |
| As at 31 December 2015 | 6,123,673,099 | 10,194,261,003 | 350,324,541 | 773,301,752 | 17,441,560,395 |
| Increase in the current year | 1,262,672,618 | 1,358,802,539 | 33,612,051 | 125,253,235 | 2,780,340,443 |
| Purchase | — | 76,693,389 | 11,625,830 | 59,358,209 | 147,677,428 |
| Transfer from construction in progress | 408,628,102 | 410,124,680 | — | 30,899,772 | 849,652,554 |
| Transfer from investment properties | 656,858 | — | — | — | 656,858 |
| Business combinations involving enterprises not under common control | 853,387,658 | 871,984,470 | 21,986,221 | 34,995,254 | 1,782,353,603 |
| Decrease in the current year | (285,551,732) | (556,243,357) | (20,049,878) | (49,056,000) | (910,900,967) |
| Disposal | (188,054,204) | (319,149,693) | (20,049,878) | (47,481,268) | (574,735,043) |
| Transfer to construction in progress(i) | (95,436,735) | (237,093,664) | — | (1,574,732) | (334,105,131) |
| Transfer to investment properties | (2,060,793) | — | — | — | (2,060,793) |
| As at 31 December 2016 | 7,100,793,985 | 10,996,820,185 | 363,886,714 | 849,498,987 | 19,310,999,871 |
| Accumulated depreciation | | | | | |
| As at 31 December 2015 | (1,442,584,826) | (5,021,385,384) | (192,837,568) | (474,464,550) | (7,131,272,328) |
| Increase in the current year | (189,044,853) | (586,207,603) | (30,989,036) | (101,226,333) | (907,467,825) |
| Accrual | (188,800,095) | (586,207,603) | (30,989,036) | (101,226,333) | (907,223,067) |
| Transfer from investment properties | (244,758) | — | — | — | (244,758) |
| Decrease in the current year | 112,623,604 | 392,920,824 | 16,398,722 | 44,601,334 | 566,544,484 |
| Disposal | 90,059,525 | 238,004,519 | 16,398,722 | 43,764,747 | 388,227,513 |
| Transfer to construction in progress(i) | 21,707,818 | 154,916,305 | — | 836,587 | 177,460,710 |
| Transfer to investment properties | 856,261 | — | — | — | 856,261 |
| As at 31 December 2016 | (1,519,006,075) | (5,214,672,163) | (207,427,882) | (531,089,549) | (7,472,195,669) |
| Provision for impairment | | | | | |
| As at 31 December 2015 | (61,457,546) | (349,186,841) | (2,543,820) | (193,976) | (413,382,183) |
| Increase in the current year | (1,285,017) | (4,367,622) | (54,819) | (176,742) | (5,884,200) |
| Accrual | (1,038,857) | (4,367,622) | (54,819) | (176,742) | (5,638,040) |
| Transfer from investment properties | (246,160) | — | — | — | (246,160) |
| Decrease in the current year- | | | | | |
| disposal | 1,364,550 | 26,094,696 | 293,442 | 321,033 | 28,073,721 |
| As at 31 December 2016 | (61,378,013) | (327,459,767) | (2,305,197) | (49,685) | (391,192,662) |
| Carrying amount | | | | | |
| As at 31 December 2016 | 5,520,409,897 | 5,454,688,255 | 154,153,635 | 318,359,753 | 11,447,611,540 |
| As at 31 December 2015 | 4,619,630,727 | 4,823,688,778 | 154,943,153 | 298,643,226 | 9,896,905,884 |

- (i) For the year ended 31 December 2016, fixed assets of the Group with the carrying amount of 156,644,421 (cost: 334,105,131; accumulated depreciation: 177,460,710) were transferred to construction in progress to be upgraded due to the plant overall planning or technology renewal.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(12) Fixed assets (continued)

As at 31 December 2016, there are no fixed assets pledged as collateral for borrowings (31 December 2015: nil).

As at 31 December 2016, the fixed assets of Shandong Xin Immense Brewery Co., Ltd. (“Immense Brewery Company”), which were acquired through business combination not under common control in the previous years, with carrying amount of 271,937,727 and no provision of impairment.

For the year ended 31 December 2016, accrued depreciation are 907,223,067 (2015: 744,771,311), of which 799,870,619, 13,260,749 and 94,091,699 (2015: 652,563,182, 12,605,248 and 79,602,881) have been charged to cost of sales, selling and distribution expenses and general and administrative expenses respectively.

The cost of fixed assets transferred from construction in progress amounts to 849,652,554 (2015: 1,638,908,254).

(a) Temporarily idle fixed assets

As at 31 December 2016, the buildings and the machinery and equipment with carrying amount of 80,756,169 (cost: 193,706,174) are temporarily idle due to products update (31 December 2015: carrying amount of 56,228,495, cost: 102,660,465). The management planned to reallocate these assets among the Group. The detailed analysis of these assets is as follows:

| | Cost | Accumulated depreciation | Provision for impairment | Carrying amount |
|-------------------------|--------------------|--------------------------|--------------------------|-------------------|
| Machinery and equipment | 176,280,966 | (97,958,891) | (4,045,669) | 74,276,406 |
| Buildings | 17,425,208 | (10,833,999) | (111,446) | 6,479,763 |
| | <u>193,706,174</u> | <u>(108,792,890)</u> | <u>(4,157,115)</u> | <u>80,756,169</u> |

(b) Fixed assets held under finance leases

As at 31 December 2016, there are no fixed assets held under finance leases (31 December 2015: nil).

(c) Provision for impairment

According to the accounting policies stated in Note2(19), the Group performs impairment testing on fixed assets with impairment indicator at the balance sheet date, and impairment of 5,638,040 has been provided during the year 2016.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(12) Fixed assets (continued)

(d) Fixed assets without ownership certificates

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

| Reason | Carrying amount | |
|----------------------------|--------------------|--------------------|
| | 31 December 2016 | 31 December 2015 |
| In the application process | 486,110,000 | 590,092,000 |
| Unable to obtain | 48,633,000 | 49,321,000 |
| | 534,743,000 | 639,413,000 |

Per consultation with the Company's legal adviser, the Company's directors are of the view that this situation will not prevent the Group from legal possession of such facilities as there is no legal restriction for the Group to apply for and obtain the building ownership certificates, and there are no significant adverse impact on the operations of the Group, therefore, no provision for 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(15)).

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(13) Construction in progress

| | 31 December 2016 | | | 31 December 2015 | | |
|--|--------------------|--------------------------|--------------------|--------------------|--------------------------|--------------------|
| | Ending balance | Provision for impairment | Carrying amount | Ending balance | Provision for impairment | Carrying amount |
| Relocation project of Suizhou Company | 71,104,298 | — | 71,104,298 | 3,749,476 | — | 3,749,476 |
| Production line improvement of No. | | | | | | |
| 1 Factory | 17,950,454 | — | 17,950,454 | 28,698,168 | — | 28,698,168 |
| New factory project of Zhangjiakou Company | 16,344,643 | — | 16,344,643 | 15,998,126 | — | 15,998,126 |
| Relocation project of Langfang Company | 13,484,798 | — | 13,484,798 | 8,028,093 | — | 8,028,093 |
| Production line improvement of | | | | | | |
| No. 2 Factory | 12,755,649 | — | 12,755,649 | 12,277,670 | — | 12,277,670 |
| New factory building project of Shanghai | | | | | | |
| Investing Company | 7,409,926 | — | 7,409,926 | — | — | — |
| Production line improvement of | | | | | | |
| Xi'an Company | 7,361,887 | — | 7,361,887 | 1,121,538 | — | 1,121,538 |
| Relocation project of Xingkaihu Company | 6,151,982 | — | 6,151,982 | 45,645,690 | — | 45,645,690 |
| Production line improvement of | | | | | | |
| Xuecheng Company | 3,893,518 | — | 3,893,518 | — | — | — |
| Production line improvement of No. 5 Factory | 3,465,804 | — | 3,465,804 | 2,601,576 | — | 2,601,576 |
| New office building project of | | | | | | |
| Shanghai Sales Company | 3,258,376 | — | 3,258,376 | 3,258,376 | — | 3,258,376 |
| Relocation project of Weinan Company | 2,928,903 | — | 2,928,903 | 11,363,320 | — | 11,363,320 |
| Production line improvement of | | | | | | |
| Fuzhou Company | 2,733,661 | — | 2,733,661 | 3,595,846 | — | 3,595,846 |
| Production line improvement of | | | | | | |
| Hanzhong Company | 2,528,524 | — | 2,528,524 | — | — | — |
| Production line improvement of No. 3 Factory | 2,182,747 | — | 2,182,747 | — | — | — |
| Production line improvement of Three Ring | | | | | | |
| Company | 1,920,598 | — | 1,920,598 | — | — | — |
| Production line improvement of New | | | | | | |
| Songjiang Manufacturing | 1,686,760 | — | 1,686,760 | — | — | — |
| Production line improvement of | | | | | | |
| Taiyuan Company | 1,659,786 | — | 1,659,786 | 1,268,376 | — | 1,268,376 |
| Production line improvement of | | | | | | |
| Luzhou Company | 1,238,185 | — | 1,238,185 | 115,441 | — | 115,441 |
| Production line improvement of | | | | | | |
| Kunshan Company | 1,051,931 | — | 1,051,931 | — | — | — |
| Relocation project of Malt Company | — | — | — | 108,143,961 | — | 108,143,961 |
| Other projects | 12,334,296 | — | 12,334,296 | 41,604,077 | — | 41,604,077 |
| | <u>193,446,726</u> | <u>—</u> | <u>193,446,726</u> | <u>287,469,734</u> | <u>—</u> | <u>287,469,734</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(13) Construction in progress (continued)

(a) Movement in significant construction in progress

| Name | Budget | 31 December 2015 | Increase in the current year | Business combinations involving enterprises not under common control | Transfer to fixed assets | 31 December 2016 | Expenditures percentage of budget | Completion percentage | Source of funds |
|--|-------------|------------------|------------------------------|--|--------------------------|------------------|-----------------------------------|-----------------------|--|
| Relocation project of Suizhou Company | 268,000,000 | 3,749,476 | 145,460,686 | — | (78,105,864) | 71,104,298 | 58% | 56% | Self-funding |
| Production line improvement of No. 1 Factory | 110,611,181 | 28,698,168 | 32,224,602 | — | (42,972,316) | 17,950,454 | 75% | 68% | Self-funding |
| New factory project of Zhangjiakou Company | 400,000,000 | 15,998,126 | 346,517 | — | — | 16,344,643 | 4% | 4% | Self-funding |
| Relocation project of Langfang Company | 299,220,000 | 8,028,093 | 8,579,523 | — | (3,122,818) | 13,484,798 | 11% | 6% | Self-funding |
| Production line improvement of No. 2 Factory | 183,080,060 | 12,277,670 | 58,581,343 | — | (58,103,364) | 12,755,649 | 91% | 91% | Self-funding |
| New factory building project of Shanghai Investing Company | 10,887,500 | — | 6,447,193 | 1,471,361 | (508,628) | 7,409,926 | 73% | 73% | Self-funding |
| Production line improvement of Xi'an Company | 25,656,000 | 1,121,538 | 19,975,333 | — | (13,734,984) | 7,361,887 | 83% | 83% | Self-funding |
| Relocation project of Xingkaihu Company | 255,000,000 | 45,645,690 | 131,005,173 | — | (170,498,881) | 6,151,982 | 90% | 86% | Self-funding |
| Production line improvement of Xuecheng Company | 8,880,000 | — | 6,391,534 | — | (2,498,016) | 3,893,518 | 95% | 72% | Self-funding |
| Production line improvement of No. 5 Factory | 22,681,065 | 2,601,576 | 14,904,834 | — | (14,040,606) | 3,465,804 | 81% | 81% | Self-funding |
| New office building project of Shanghai Sales Company | 140,000,000 | 3,258,376 | — | — | — | 3,258,376 | 2% | 2% | Self-funding |
| Relocation project of Weinan Company | 308,330,000 | 11,363,320 | 20,770,350 | — | (29,204,767) | 2,928,903 | 77% | 75% | Self-funding |
| Production line improvement of Fuzhou Company | 42,846,285 | 3,595,846 | 11,921,124 | — | (12,783,309) | 2,733,661 | 36% | 36% | Self-funding |
| Production line improvement of Hanzhong Company | 3,717,437 | — | 2,640,914 | — | (112,390) | 2,528,524 | 71% | 71% | Self-funding |
| Production line improvement of No. 3 Factory | 2,492,609 | — | 2,278,444 | — | (95,697) | 2,182,747 | 91% | 91% | Self-funding |
| Production line improvement of Three Ring Company | 14,792,099 | — | 13,509,158 | — | (11,588,560) | 1,920,598 | 91% | 91% | Self-funding |
| Production line improvement of New Songjiang Manufacturing | 10,822,000 | — | 4,203,240 | 20,513 | (2,536,993) | 1,686,760 | 55% | 55% | Self-funding |
| Production line improvement of Taiyuan Company | 12,352,651 | 1,268,376 | 9,944,061 | — | (9,552,651) | 1,659,786 | 91% | 91% | Self-funding |
| Production line improvement of Luzhou Company | 10,065,000 | 115,441 | 8,487,605 | — | (7,364,861) | 1,238,185 | 96% | 86% | Self-funding |
| Production line improvement of Kunshan Company | 11,082,650 | — | 4,426,782 | 418,803 | (3,793,654) | 1,051,931 | 47% | 47% | Self-funding |
| Relocation project of Malt Company | 422,500,000 | 108,143,961 | 24,286,435 | — | (132,430,396) | — | 100% | 100% | Funding from convertible bond and self-funding |
| Other projects | | 41,604,077 | 224,967,487 | 2,366,531 | (256,603,799) | 12,334,296 | | | |
| | | 287,469,734 | 751,352,338 | 4,277,208 | (849,652,554) | 193,446,726 | | | |

For the year ended 31 December 2016, there are no new increased borrowing costs capitalised (2015: nil).

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(13) Construction in progress (continued)

(b) Provision for impairment

For the year ended 31 December 2016, the Group did not provide or write off provision for impairment of construction in progress (2015: nil).

(14) Fixed assets pending for disposal

| | 31 December 2016 | 31 December 2015 |
|-------------------------|------------------|------------------|
| Machinery and equipment | <u>1,158,936</u> | <u>6,571,007</u> |

(15) Intangible assets

| | Land use rights | Trademarks | Technology known-how | Marketing networks | Others | Total |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|------------------------|
| Original cost | | | | | | |
| 31 December 2015 | 2,099,783,750 | 419,977,212 | 18,629,100 | 974,935,670 | 335,529,178 | 3,848,854,910 |
| Increase in the current year | 516,459,328 | 29,766,400 | — | — | 38,353,537 | 584,579,265 |
| Purchase | 6,334,767 | — | — | — | 35,399,374 | 41,734,141 |
| Business combinations involving enterprises not under common control | 510,124,561 | 29,766,400 | — | — | 2,954,163 | 542,845,124 |
| Decrease in the current year — disposal | (104,421,959) | — | — | — | (679,576) | (105,101,535) |
| 31 December 2016 | 2,511,821,119 | 449,743,612 | 18,629,100 | 974,935,670 | 373,203,139 | 4,328,332,640 |
| Accumulated amortisation | | | | | | |
| 31 December 2015 | (345,466,592) | (206,567,718) | (18,629,100) | (444,655,746) | (126,436,137) | (1,141,755,293) |
| Increase in the current year — accrual | (56,466,810) | (36,390,555) | — | (98,144,804) | (33,561,846) | (224,564,015) |
| Decrease in the current year — disposal | 12,088,045 | — | — | — | 645,396 | 12,733,441 |
| 31 December 2016 | (389,845,357) | (242,958,273) | (18,629,100) | (542,800,550) | (159,352,587) | (1,353,585,867) |
| Carrying amount | | | | | | |
| 31 December 2016 | 2,121,975,762 | 206,785,339 | — | 432,135,120 | 213,850,552 | 2,974,746,773 |
| 31 December 2015 | 1,754,317,158 | 213,409,494 | — | 530,279,924 | 209,093,041 | 2,707,099,617 |

For the year ended 31 December 2016, the amortisation amount of intangible assets is 224,564,015 (2015: 204,182,200).

As at 31 December 2016, there are no intangible assets pledged as collateral for borrowings (31 December 2015: nil).

As at 31 December 2016, the intangible assets of Immense Brewery Company, which were acquired through business combination not under common control in the previous years, with carrying amount of 356,156,031 and no provision of impairment.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(15) Intangible assets (continued)

As at 31 December 2016, the relevant legal procedures for certificates application of the Group's land use rights with carrying amount of approximately 839,000 (31 December 2015: 51,683,000) are still in process. According to the legal adviser's opinion, the directors of the Company are of the view that, there is no substantial legal restriction for the acquisition of the certificates, which does not have significant impact on the Group's operation and no provision for impairment of intangible assets is considered necessary. In addition, as at 31 December 2016, 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 31,105,000 as at 31 December 2016 (31 December 2015: 31,782,000). 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 2015 | Increase in the current year | Decrease in the current year | | 31 December 2016 |
|--|---------------------|---------------------------------|------------------------------|---------------------------------------|---------------------|
| | | | Charged to profit or loss | Recognised as intangible assets | |
| Beer technology improvement project | — | 14,613,302 | 14,613,302 | — | — |

For the year ended 31 December 2016, development expenditures of 14,613,302 (2015: 12,878,657) are recognised in profit or loss.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(16) Goodwill

| | 31 December 2015 | Increase in the current year | Decrease in the current year | 31 December 2016 |
|--|----------------------|---------------------------------|---------------------------------|-----------------------------|
| Goodwill — | | | | |
| Immense Brewery Company | 958,868,617 | — | — | 958,868,617 |
| Shandong Lulansa Brewery Co., Ltd. ("Lulansa Brewery") | 227,026,482 | — | — | 227,026,482 |
| Huanan Region — Nanning Company | 130,895,740 | — | — | 130,895,740 |
| Dongnan Region — Fuzhou Company/ Xiamen Company/Zhangzhou Company/ Dongnan Sales Company | 114,031,330 | — | — | 114,031,330 |
| Huabei Region — Three Ring Company/ Beifang Sales Company | 24,642,782 | — | — | 24,642,782 |
| Other Regions | 49,049,770 | — | — | 49,049,770 |
| | <u>1,504,514,721</u> | <u>—</u> | <u>—</u> | <u>1,504,514,721</u> |
| Less: Provision for impairment (a) — | | | | |
| Immense Brewery Company | — | — | — | — |
| Lulansa Brewery | — | — | — | — |
| Huanan Region — Nanning Company | (130,895,740) | — | — | (130,895,740) |
| Dongnan Region — Fuzhou Company/ Xiamen Company/Zhangzhou Company/ Dongnan Sales Company | — | — | — | — |
| Huabei Region — Three Ring Company/ Beifang Sales Company | (24,642,782) | — | — | (24,642,782) |
| Other Regions | (41,872,217) | — | — | (41,872,217) |
| | <u>(197,410,739)</u> | <u>—</u> | <u>—</u> | <u>(197,410,739)</u> |
| | <u>1,307,103,982</u> | <u>—</u> | <u>—</u> | <u>1,307,103,982</u> |

(a) Impairment

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

| | 31 December 2016 | 31 December 2015 |
|---------------|-----------------------------|----------------------|
| Huanan Region | (130,895,740) | (130,895,740) |
| Huabei Region | (24,642,782) | (24,642,782) |
| Other Regions | (41,872,217) | (41,872,217) |
| | <u>(197,410,739)</u> | <u>(197,410,739)</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(16) Goodwill (continued)

(a) Impairment (continued)

The recoverable amounts of asset groups and groups of asset groups are calculated using the estimated cash flows determined according to the five-year financial budgets approved by management. Cash flows beyond the five-year period are calculated using the estimated growth rate of 3% which is by reference to the long-term average growth rate of the brewery industry in the PRC.

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

| | Immense Brewery Company | Lulansa Brewery | Dongnan Region | Other Regions |
|------------------------|-------------------------------|--------------------|-------------------|------------------|
| Gross margin | 37.7% | 28.9% | 32.0% | 27.0% |
| Pre-tax discount rate | 16.5% | 16.2% | 16.1% | 16.2% |
| Post-tax discount rate | 13.3% | 13.3% | 13.3% | 13.3% |

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

(17) Long-term prepaid expenses

| | 31 December 2015 | Increase in the current year | Business combinations involving enterprises not under common control | Amortisation in the current year | 31 December 2016 |
|---------------------------------------|---------------------|------------------------------------|---|--|---------------------|
| Decoration and renovation expenses | 17,431,686 | 7,643,668 | 163,600 | (6,375,207) | 18,863,747 |
| Factory hardening expenses | 7,116,896 | 3,750,026 | 708,639 | (2,532,052) | 9,043,509 |
| Gardening expenses | 6,637,194 | 1,256,763 | 1,400,000 | (5,248,238) | 4,045,719 |
| Site and vehicle leasing expenses | 4,802,284 | 45,806 | — | (1,476,913) | 3,371,177 |
| Others | 3,873,800 | 3,013,228 | 716,828 | (3,007,008) | 4,596,848 |
| | <u>39,861,860</u> | <u>15,709,491</u> | <u>2,989,067</u> | <u>(18,639,418)</u> | <u>39,921,000</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(18) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets without offsetting

| | 31 December 2016 | | 31 December 2015 | |
|---|--|----------------------|--|---------------------|
| | Deductible temporary differences and deductible losses | Deferred tax assets | Deductible temporary differences and deductible losses | Deferred tax assets |
| Deductible losses | 293,541,748 | 73,385,437 | 281,250,744 | 70,312,686 |
| Provision for asset impairment | 11,420,660 | 2,855,165 | 10,759,220 | 2,689,805 |
| Deferred income | 444,044,664 | 111,011,166 | 34,102,432 | 8,525,608 |
| Elimination of intra-group unrealised profit | 97,366,116 | 24,341,529 | 85,554,512 | 21,388,628 |
| Accruals of expenses | 3,381,791,780 | 845,447,945 | 2,732,546,792 | 683,136,698 |
| | 4,228,164,968 | 1,057,041,242 | 3,144,213,700 | 786,053,425 |
| Including: | | | | |
| Expected to reverse within one year (inclusive) | | 819,084,034 | | 666,210,087 |
| Expected to reverse after one year | | 237,957,208 | | 119,843,338 |
| | | 1,057,041,242 | | 786,053,425 |

(b) Deferred tax liabilities without offsetting

| | 31 December 2016 | | 31 December 2015 | |
|---|-------------------------------|--------------------------|-------------------------------|--------------------------|
| | Taxable temporary differences | Deferred tax liabilities | Taxable temporary differences | Deferred tax liabilities |
| Business combinations not under common control | 987,300,452 | 246,825,113 | 533,864,420 | 133,466,105 |
| Depreciation of fixed assets | 17,254,456 | 4,313,614 | 17,963,676 | 4,490,919 |
| The difference between carrying amount and tax base resulted from government grants charged in profit or loss in the current period | 51,051,664 | 12,762,916 | 51,224,260 | 12,806,065 |
| | 1,055,606,572 | 263,901,643 | 603,052,356 | 150,763,089 |
| Including: | | | | |
| Expected to reverse within one year (inclusive) | | 32,779,311 | | 26,610,652 |
| Expected to reverse after one year | | 231,122,332 | | 124,152,437 |
| | | 263,901,643 | | 150,763,089 |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(18) 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 2016 | 31 December 2015 |
|----------------------------------|----------------------|----------------------|
| Deductible temporary differences | 494,788,360 | 345,082,076 |
| Deductible losses | 2,430,156,260 | 1,769,750,774 |
| | <u>2,924,944,620</u> | <u>2,114,832,850</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 607,539,000 (31 December 2015: 442,438,000) arising from the accumulated losses that can set off against taxable incomes under tax laws in the five-year period from 2017 to 2021. 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 123,697,000 (31 December 2015: 86,271,000) 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 2016 | 31 December 2015 |
|------|----------------------|----------------------|
| 2016 | — | 281,111,059 |
| 2017 | 334,602,827 | 336,857,590 |
| 2018 | 448,241,230 | 357,741,607 |
| 2019 | 388,955,990 | 329,760,124 |
| 2020 | 569,085,697 | 464,280,394 |
| 2021 | 689,270,516 | — |
| | <u>2,430,156,260</u> | <u>1,769,750,774</u> |

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

| | 31 December 2016 | | 31 December 2015 | |
|--------------------------|-------------------|---------------|-------------------|-------------|
| | Offsetting amount | Net amounts | Offsetting amount | Net amounts |
| Deferred tax assets | 14,831,688 | 1,042,209,554 | 16,894,708 | 769,158,717 |
| Deferred tax liabilities | 14,831,688 | 249,069,955 | 16,894,708 | 133,868,381 |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(19) Provision for asset impairment

| | 31 December 2015 | Increase in the current year | Decrease in the current year | | Others | 31 December 2016 |
|---|---------------------|---------------------------------|------------------------------|---------------------|--------------|---------------------|
| | | | Reversal | Write-off | | |
| Provision for bad debts | 267,281,307 | 4,512,943 | (2,308,945) | (2,040,490) | 5,320 | 267,450,135 |
| Including: Provision for bad debts of accounts receivable | 195,877,683 | 563,261 | (1,796,627) | (1,323,292) | 5,320 | 193,326,345 |
| Provision for bad debts of other receivables | 71,403,624 | 3,949,682 | (512,318) | (717,198) | — | 74,123,790 |
| Provision for decline in value of inventories | 11,224,693 | — | — | (5,494,587) | — | 5,730,106 |
| Provision for impairment of available-for- sale financial assets | 8,653,179 | — | — | — | — | 8,653,179 |
| Provision for impairment of long-term equity investments | 1,220,000 | — | — | — | — | 1,220,000 |
| Provision for impairment of investment properties | 852,747 | — | — | — | (246,160) | 606,587 |
| Provision for impairment of fixed assets | 413,382,183 | 5,638,040 | — | (28,073,721) | 246,160 | 391,192,662 |
| Provision for impairment of goodwill | 197,410,739 | — | — | — | — | 197,410,739 |
| | <u>900,024,848</u> | <u>10,150,983</u> | <u>(2,308,945)</u> | <u>(35,608,798)</u> | <u>5,320</u> | <u>872,263,408</u> |

(20) Other non-current assets

| | 31 December 2016 | 31 December 2015 |
|--|-------------------|-------------------|
| Prepayments for construction and equipment | <u>56,310,013</u> | <u>65,214,382</u> |

(21) Short-term borrowings

| | Currency | 31 December 2016 | 31 December 2015 |
|--------------------------|----------|--------------------|--------------------|
| Unsecured loan (i) | HKD | 302,341,000 | 301,942,672 |
| Interbank borrowing (ii) | RMB | — | 300,000,000 |
| Entrusted loan (iii) | RMB | — | 208,444,610 |
| | | <u>302,341,000</u> | <u>810,387,282</u> |

(i) As at 31 December 2016, it represents the borrowing of RMB302,341,000 (Original foreign currency: HKD338,000,000) to Hong Kong Company, a subsidiary of the Company, provided by Macau branch of the Bank of China (31 December 2015: borrowing of RMB283,176,400 (Original foreign currency: HKD338,000,000)). As at 31 December 2015, unsecured loan included the borrowing of RMB18,766,272 (Original foreign currency: HKD22,399,465) provided by the Bank of Tokyo-Mitsubishi UFJ (China), Ltd. to Shenzhen Tsingtao Brewery Asahi Co., Ltd. ("Shenzhen Asahi").

(ii) As at 31 December 2015, it represents the interbank borrowing of Finance Company from Agricultural Bank of China. It has been repaid in January 2016 when matured.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(21) Short-term borrowings (continued)

(iii) As at 31 December 2015, it represents borrowings of Tsingtao Brewery (Shanghai) market service Co., Ltd. (“Shanghai Market Service”) and Tsingtao Brewery (Lianyungang) Sales Co., Ltd. (“Lianyungang Sales”), subsidiaries of the Company, from Suntory (China) Holding Co., Ltd. (“Suntory Company”) through banks, amounting to 124,661,317 and 63,783,293 respectively, and the borrowings amounting to 20,000,000 of Lulansa Company (a subsidiary of the Company) from Shandong Huashi Beer Co., Ltd. (the Group’s minority shareholder) through banks. These entrusted loans mentioned above have all been repaid in the current year.

As at 31 December 2016, the interest rate of short-term borrowings is 1.53% (31 December 2015: range from 1.48% to 5.60%).

(22) Notes payable

| | 31 December 2016 | 31 December 2015 |
|------------------------|--------------------|--------------------|
| Trade acceptance notes | 82,625,504 | 32,119,311 |
| Bank acceptance notes | 224,891,416 | 68,022,320 |
| | <u>307,516,920</u> | <u>100,141,631</u> |

Other cash balances of 8,647,000 (31 December 2015: 4,057,894) are pledged as collateral for the bank acceptance notes of the Group (Note 4(1)).

(23) Accounts payable

| | 31 December 2016 | 31 December 2015 |
|--|----------------------|----------------------|
| Payable for materials purchase | 1,928,984,313 | 1,692,948,348 |
| Payable for beer purchase due to related parties (Note 8(5)) | 103,908,631 | 879,652,889 |
| Payable for promotional goods | 13,441,767 | 16,975,251 |
| Others | 2,894,648 | 1,410,368 |
| | <u>2,049,229,359</u> | <u>2,590,986,856</u> |

(a) As at 31 December 2016, accounts payable over 1 year with carrying amount of 44,836,080 (31 December 2015: 53,746,030) are mainly payables for materials purchase, for which final settlement has not yet been completed.

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

| | 31 December 2016 | 31 December 2015 |
|---------------|----------------------|----------------------|
| Within 1 year | 2,004,393,279 | 2,537,240,826 |
| 1 to 2 years | 19,396,936 | 32,294,411 |
| 2 to 3 years | 8,170,856 | 4,354,162 |
| Over 3 years | 17,268,288 | 17,097,457 |
| | <u>2,049,229,359</u> | <u>2,590,986,856</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(24) Advances from customers

| | 31 December 2016 | 31 December 2015 |
|---------------------------|----------------------|----------------------|
| Advances on sales of beer | <u>1,320,882,187</u> | <u>1,000,313,388</u> |

As at 31 December 2016, advances from customers over 1 year with carrying amount of 14,808,190 (31 December 2015: 13,766,714) are mainly deposits received from customers. The amount has not been settled as the Group still maintains cooperative relationship with these customers.

(25) Employee benefits payable

| | 31 December 2016 | 31 December 2015 |
|----------------------------------|---------------------------|--------------------|
| Short-term employee benefits (a) | 849,670,462 | 788,693,683 |
| Defined contribution plans (b) | 24,177,787 | 22,745,678 |
| Termination benefits (c) | 97,832,721 | 98,978,948 |
| Defined benefit plans (d) | 16,735,992 | 15,211,459 |
| | <u>988,416,962</u> | <u>925,629,768</u> |

(a) Short-term employee benefits

| | 31 December 2015 | Increase in the current year | Business combinations involving enterprises not under common control | Decrease in the current year | 31 December 2016 |
|--|---------------------|---------------------------------|--|---------------------------------|-----------------------------|
| Wages and salaries, bonus, allowances and subsidies | 521,462,427 | 2,975,142,972 | 17,113,226 | (2,952,911,773) | 560,806,852 |
| Staff welfare | — | 225,639,353 | 1,082,355 | (225,630,658) | 1,091,050 |
| Social security contributions | 14,914,382 | 229,746,956 | 1,059,949 | (230,619,872) | 15,101,415 |
| Including: | | | | | |
| Medical insurance | 11,635,024 | 197,043,831 | 836,600 | (197,917,034) | 11,598,421 |
| Work injury insurance | 1,686,122 | 16,024,185 | 85,758 | (16,033,299) | 1,762,766 |
| Maternity insurance | 1,593,236 | 16,678,940 | 137,591 | (16,669,539) | 1,740,228 |
| Housing funds | 16,699,563 | 242,190,406 | 509,303 | (242,965,696) | 16,433,576 |
| Labour union funds and employee education funds | 235,617,311 | 104,866,417 | 5,908,125 | (90,154,284) | 256,237,569 |
| | <u>788,693,683</u> | <u>3,777,586,104</u> | <u>25,672,958</u> | <u>(3,742,282,283)</u> | <u>849,670,462</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(25) Employee benefits payable (continued)

(b) Defined contribution plans

| | 31 December 2015 | Increase in the current year | Business combinations involving enterprises not under common control | Decrease in the current year | 31 December 2016 |
|------------------------|---------------------|---------------------------------|--|---------------------------------|--------------------------|
| Basic pension | 18,765,809 | 448,701,985 | 1,598,231 | (449,130,764) | 19,935,261 |
| Unemployment insurance | 3,979,869 | 23,955,009 | 119,045 | (23,811,397) | 4,242,526 |
| | <u>22,745,678</u> | <u>472,656,994</u> | <u>1,717,276</u> | <u>(472,942,161)</u> | <u>24,177,787</u> |

(c) Termination benefits

| | 31 December 2016 | 31 December 2015 |
|--|--------------------------|-------------------|
| Early retirement benefits (Note 4(32)) | 96,813,803 | 98,470,798 |
| Other termination benefits (i) | 1,018,918 | 508,150 |
| | <u>97,832,721</u> | <u>98,978,948</u> |

(i) For the year ended 31 December 2016, the Group has paid termination benefit of 18,378,013, mainly due to certain subsidiaries' relocation. As at 31 December 2016, the termination benefits of 1,018,918 has not been paid yet.

(d) Defined benefit plans

| | 31 December 2016 | 31 December 2015 |
|---|-------------------|------------------|
| Supplemental retirement benefits (Note 4(32)) | 16,735,992 | 15,211,459 |

(26) Taxes payable

| | 31 December 2016 | 31 December 2015 |
|---------------------------------------|---------------------------|--------------------|
| Enterprise income tax | 130,342,186 | 122,496,662 |
| Consumption tax | 109,597,442 | 58,051,366 |
| Unpaid VAT | 77,885,966 | 23,863,186 |
| City maintenance and construction tax | 8,650,180 | 7,208,969 |
| Education surcharge | 8,154,050 | 5,967,324 |
| BT | 1,380,399 | 3,303,668 |
| Others | 60,456,420 | 40,997,977 |
| | <u>396,466,643</u> | <u>261,889,152</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(27) Other payables

| | 31 December 2016 | 31 December 2015 |
|--|----------------------|----------------------|
| Accruals for marketing expenses | 2,689,962,189 | 1,948,497,991 |
| Guarantee deposits | 684,183,068 | 648,667,909 |
| Payables to vendors of construction, machinery and equipment | 668,721,848 | 600,398,710 |
| Accruals for transportation expenses | 202,591,950 | 138,921,466 |
| Accruals for advertising expenses | 118,266,763 | 140,129,568 |
| Accruals for labour expenses | 58,817,147 | 51,706,889 |
| Accruals for general and administrative expenses | 55,547,351 | 53,494,182 |
| Accruals for water, electricity and steam expenses | 46,649,608 | 30,112,147 |
| Investment payable (i) | 37,000,000 | 20,000,000 |
| Absorbed deposits from related parties and interests payables (ii) | 18,530,087 | 84,107,852 |
| Withholding social expenses for staff | 12,130,599 | 11,727,176 |
| Others | 326,418,695 | 333,534,514 |
| | <u>4,918,819,305</u> | <u>4,061,298,404</u> |

(i) As at 31 December 2016, investment payable includes unpaid payment of 27,000,000, which arise from the acquisitions of Shanghai Investing Company and Tsingtao Brewery (Shanghai) industrial Co., Ltd. ("Shanghai Industrial Company", previously named Tsingtao Brewery Suntory (Shanghai) Sales Co., Ltd.), and the unpaid payment of 10,000,000, which arise from the acquisition of Lulansa Company.

(ii) 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 2016, other payables over 1 year with carrying amount of 575,145,948 (31 December 2015: 475,844,128) are mainly liabilities due to acquisition of subsidiaries, payables to vendors of construction, machinery and equipment, and investment payable.

(28) Current portion of non-current liabilities

| | 31 December 2016 | 31 December 2015 |
|--|------------------|------------------|
| Current portion of long-term borrowings (Note 4(29)) | <u>376,372</u> | <u>856,189</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(29) Long-term borrowings

| | Currency | 31 December 2016 | 31 December 2015 |
|---|----------|-------------------------|-------------------------|
| Guaranteed (i) | EUR | — | 490,368 |
| Guaranteed (ii) | DKK | <u>1,752,852</u> | <u>2,077,621</u> |
| | | 1,752,852 | 2,567,989 |
| <i>Less: Current portion of guaranteed Borrowing (Note 4(28))</i> | | | |
| Guaranteed (i) | EUR | — | (490,368) |
| Guaranteed (ii) | DKK | <u>(376,372)</u> | <u>(365,821)</u> |
| | | <u>(376,372)</u> | <u>(856,189)</u> |
| | | <u>1,376,480</u> | <u>1,711,800</u> |

- (i) The borrowing had been repaid, on the maturity date before 31 December 2016.
- (ii) Bank borrowing of RMB1,752,852 (Original foreign currency: DKK1,723,382) (31 December 2015: RMB2,077,621 (Original foreign currency: DKK2,184,670)), 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 376,372 (31 December 2015: 365,821).

As at 31 December 2016 and 2015, the long-term borrowings are interest-free borrowings.

(30) Payables for specific projects

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(31) Deferred income

| | 31 December 2015 | Increase in the current year | Business combinations involving enterprises not under common control | Decrease in the current year | 31 December 2016 | Reason |
|--|---------------------|---------------------------------|---|---------------------------------------|---------------------|---|
| Government grants | 1,656,652,129 | 332,248,055 | 320,847,511 | (360,933,135) | 1,948,814,560 | Grants for relocation and technology improvement projects |
| Items | 31 December 2015 | Increase in the current year | Business combinations involving enterprises not under common control | Charged to non-operating income | 31 December 2016 | Related to assets or income |
| Relocation projects | | | | | | |
| Tengzhou Company relocation project | 194,623,891 | — | — | (11,763,907) | 182,859,984 | Assets |
| Wuwei Company relocation project | 180,662,792 | 8,279 | — | (10,880,719) | 169,790,352 | Assets |
| Rizhao Company relocation project | 169,782,864 | — | — | (11,154,677) | 158,628,187 | Assets |
| Zhuhai Company relocation project | 163,475,093 | — | — | (12,641,401) | 150,833,692 | Assets |
| Gansu nongken Company relocation project | 159,164,684 | — | — | (11,661,023) | 147,503,661 | Assets/Income |
| Suqian Company relocation project | — | — | 154,545,341 | (7,975,724) | 146,569,617 | Assets |
| Yangzhou Company relocation project | — | — | 137,660,882 | (8,311,836) | 129,349,046 | Assets |
| Xingkaihu Company relocation project | 40,392,771 | 94,410,826 | — | (5,631,652) | 129,171,945 | Assets/Income |
| Suizhou Company relocation project | 45,983,867 | 82,167,510 | — | (1,543,587) | 126,607,790 | Assets/Income |
| Fuzhou Company relocation project | 136,622,799 | — | — | (12,470,318) | 124,152,481 | Assets |
| Weinan Company relocation project | 109,123,851 | 61,166,220 | — | (75,607,179) | 94,682,892 | Assets/Income |
| Harbin Company relocation project | 95,465,286 | — | — | (25,586,689) | 69,878,597 | Assets/Income |
| Langfang Company relocation project | 45,692,325 | 305,840 | — | (1,329,600) | 44,668,565 | Assets |
| Heze Company relocation projec | 33,562,651 | — | — | (3,726,607) | 29,836,044 | Assets |
| Malt Factory relocation project | 6,300,001 | 33,222,482 | — | (15,786,196) | 23,736,287 | Assets/Income |
| Hansi Baoji relocation project | 118,986,235 | 10,000,052 | — | (106,351,896) | 22,634,391 | Assets/Income |
| No. 3 Factory relocation project | 23,724,680 | — | — | (3,780,709) | 19,943,971 | Assets |
| Pengcheng Company relocation project | — | — | 17,113,253 | (2,368,133) | 14,745,120 | Assets |
| Mishan Company relocation project | — | 13,890,176 | — | (13,890,176) | — | Income |
| Technology improvement projects | | | | | | |
| Technology improvement projects of Luzhou Company | 11,519,933 | 420,000 | — | (1,143,933) | 10,796,000 | Assets |
| Technology improvement projects of Five Star Company | — | 11,140,000 | — | (1,457,143) | 9,682,857 | Assets |
| Technology improvement projects of Shijiazhuang Company | 10,549,116 | — | — | (2,542,966) | 8,006,150 | Assets |
| Other projects | 111,019,290 | 25,516,670 | 11,528,035 | (13,327,064) | 134,736,931 | |
| | 1,656,652,129 | 332,248,055 | 320,847,511 | (360,933,135) | 1,948,814,560 | |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(32) Long-term employee benefits payable

| | 31 December 2016 | 31 December 2015 |
|--|----------------------|------------------|
| Early retirement benefits (a) | 361,011,072 | 391,090,281 |
| Supplemental retirement benefits (b) | 291,496,239 | 260,317,941 |
| | 652,507,311 | 651,408,222 |
| Less: Early retirement benefits within one year | (96,813,803) | (98,470,798) |
| Supplemental retirement benefits within one year | (16,735,992) | (15,211,459) |
| | (113,549,795) | (113,682,257) |
| | 538,957,516 | 537,725,965 |

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 2016 | 31 December 2015 |
|---|------------------|------------------|
| Discount rate (yield-to-maturity of the government bond with the same term) | 2.65%-3.01% | 2.30%-3.51% |

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

| | 2016 | 2015 |
|-------------------------------------|------------|-------------|
| General and administrative expenses | 62,506,414 | 111,946,056 |
| Finance expenses | 10,515,976 | 13,753,955 |

(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 Company. The benefits they can receive depend on their positions and seniorities at the time of retirement. Such defined benefit obligations were calculated by the external independent actuary, Towers Watson & Co., using the projected unit credit method.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

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

(b) Supplemental retirement benefits (continued)

(i) Supplemental retirement benefits obligations of the Group:

| | 31 December 2016 | 31 December 2015 |
|---------------------------------|--------------------|--------------------|
| Defined benefit obligations | 291,496,239 | 260,317,941 |
| Less: Fair value of plan assets | — | — |
| Defined benefit liabilities | <u>291,496,239</u> | <u>260,317,941</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 2016 | 260,317,941 |
| Amount charged to profit or loss in the current period | |
| — Service cost | 21,805,000 |
| — Interest expense on the net defined benefit obligations | 7,572,000 |
| Re-measurement amount | |
| — Actuarial loss (Note 4(35)) | 18,142,000 |
| Payment | <u>(16,340,702)</u> |
| As at 31 December 2016 | <u>291,496,239</u> |
| | Present value of the defined benefit obligation |
| As at 1 January 2015 | 228,356,138 |
| Amount charged to profit or loss in the current period | |
| — Service cost | 20,566,000 |
| — Interest expense on the net defined benefit obligations | 8,279,000 |
| Re-measurement amount | |
| — Actuarial loss (Note 4(35)) | 18,513,000 |
| Payment | <u>(15,396,197)</u> |
| As at 31 December 2015 | <u>260,317,941</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(32) 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 2016 | 31 December 2015 |
|---------------|------------------|------------------|
| Discount rate | 3.25% | 3.00% |

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 2.85% | Increase by 2.99% |

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 2015: nil).
- (vi) The weighted average duration of the defined benefit obligations is 11.7 years (31 December 2015: 11.1 years).
- (vii) Supplemental retirement benefits caused many risks to the Group, and the primary risk is the fluctuation of the interest rates of government bonds. Decreasing in interest rates of government bonds results in increasing in the defined benefit obligation.
- (viii) The expected maturity of undiscounted defined benefit obligations is analysed as below:

| | Within 1 year | 1 to 5 years | More than 5 years | Total |
|----------------------------------|---------------|--------------|----------------------|-------------|
| Supplemental retirement benefits | 16,735,992 | 68,478,616 | 395,290,719 | 480,505,327 |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(33) Share capital

| | 31 December 2015 | Movements in the current year | 31 December 2016 |
|---------------------------------|----------------------|----------------------------------|-----------------------------|
| RMB-denominated ordinary shares | 695,913,617 | — | 695,913,617 |
| Foreign shares listed overseas | 655,069,178 | — | 655,069,178 |
| | <u>1,350,982,795</u> | <u>—</u> | <u>1,350,982,795</u> |
| | 31 December 2014 | Movements in the current year | 31 December 2015 |
| 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> |

(34) Capital surplus

| | 31 December 2015 | Increase in the current year | Decrease in the current year | 31 December 2016 |
|---|----------------------|---------------------------------|---------------------------------|-----------------------------|
| Share premium (i) | 3,987,557,061 | — | (630,894,091) | 3,356,662,970 |
| Other capital surplus — | 87,521,818 | 4,912 | — | 87,526,730 |
| Share of changes in equity other than comprehensive income and profit distribution of investees accounted for using the equity method | (10,206,170) | 4,912 | — | (10,201,258) |
| Transfer from capital surplus recognised under the previous accounting system | 93,338,214 | — | — | 93,338,214 |
| Others | 4,389,774 | — | — | 4,389,774 |
| | <u>4,075,078,879</u> | <u>4,912</u> | <u>(630,894,091)</u> | <u>3,444,189,700</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(34) Capital surplus (continued)

| | 31 December 2014 | Increase in the current year | Decrease in the current year | 31 December 2015 |
|--|----------------------|---------------------------------|---------------------------------|----------------------|
| Share premium | 3,992,428,160 | 59,485 | (4,930,584) | 3,987,557,061 |
| Other capital surplus — | 86,970,991 | 550,827 | — | 87,521,818 |
| Share of changes of equity other than comprehensive income and profit distribution of investees accounted for using the equity method | (10,756,997) | 550,827 | — | (10,206,170) |
| Transfer from capital surplus recognised under the previous accounting system | 93,338,214 | — | — | 93,338,214 |
| Others | 4,389,774 | — | — | 4,389,774 |
| | <u>4,079,399,151</u> | <u>610,312</u> | <u>(4,930,584)</u> | <u>4,075,078,879</u> |

- (i) As stated in Note 12(3), the Company acquired the remaining 50% equity interests of Shanghai Industrial Company, a subsidiary of the Company, from Suntory Company in the current year. The difference of RMB630,894,091 between the consideration allocated to the acquisition of non-controlling interests and the share of net assets of the Shanghai Industrial Company calculated continuously from the acquisition date based on the newly shareholding has been adjusted against the capital surplus.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(35) Other comprehensive income

| | Other comprehensive income in the balance sheet | | | Other comprehensive income in the income statement of 2016 | | | | |
|--|---|---|------------------|--|---|--------------------------|---|---|
| | 31 December 2015 | Attributable to shareholders of the Company, net of tax | 31 December 2016 | The pre-tax amount in the current year | Less: Transfer out from which were recognised in other comprehensive income in the previous periods | Less: Income tax expense | Attributable to shareholders of the Company, net of tax | Attributable to the non-controlling interests, net of tax |
| Items that will not be subsequently reclassified to profit or loss | | | | | | | | |
| Changes arising from re-measurement of defined benefit plan liabilities (Note 4 (32)(b)(ii)) | (33,280,000) | (18,142,000) | (51,422,000) | (18,142,000) | — | — | (18,142,000) | — |
| Items that will be subsequently reclassified to profit or loss | | | | | | | | |
| Shares of other comprehensive income of investees accounted for using the equity method that will be subsequently reclassified to profit or loss | (841,632) | 51,552 | (790,080) | 51,552 | — | — | 51,552 | — |
| Currency translation differences | 13,795,473 | (11,732,815) | 2,062,658 | (11,732,815) | — | — | (11,732,815) | — |
| | (20,326,159) | (29,823,263) | (50,149,422) | (29,823,263) | — | — | (29,823,263) | — |
| | | | | | | | | |
| | Other comprehensive income in the balance sheet | | | Other comprehensive income in the income statement of 2015 | | | | |
| | 31 December 2014 | Attributable to shareholders of the Company, net of tax | 31 December 2015 | 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 | (14,767,000) | (18,513,000) | (33,280,000) | (18,513,000) | — | — | (18,513,000) | — |
| 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 | (764,679) | (76,953) | (841,632) | (76,953) | — | — | (76,953) | — |
| Currency translation differences | 25,572,023 | (11,776,550) | 13,795,473 | (11,776,550) | — | — | (11,776,550) | — |
| | 10,040,344 | (30,366,503) | (20,326,159) | (30,366,503) | — | — | (30,366,503) | — |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(36) Surplus reserve

| | 31 December 2015 | Appropriation in the current year | Decrease in the current year | 31 December 2016 |
|---------------------------|---------------------|--------------------------------------|---------------------------------|---------------------|
| Statutory surplus reserve | 1,400,704,380 | — | — | 1,400,704,380 |
| | 31 December 2014 | Appropriation in the current year | Decrease in the current year | 31 December 2015 |
| Statutory surplus reserve | 1,216,339,469 | 184,364,911 | — | 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. Since the accumulated statutory surplus reserves have exceeded 50% of the registered capital, the Company didn't appropriate surplus reserve for the year ended 31 December 2016 (2015: appropriated of 184,364,911 (10% of net profit)), according to the resolution of the Board of Directors.

(37) General reserve

| | 31 December 2015 | Appropriation in the current year | Decrease in the current year | 31 December 2016 |
|-----------------|---------------------|--------------------------------------|---------------------------------|---------------------|
| General reserve | 106,025,418 | 36,470,991 | — | 142,496,409 |
| | 31 December 2014 | Appropriation in the current year | Decrease in the current year | 31 December 2015 |
| General reserve | 66,981,927 | 39,043,491 | — | 106,025,418 |

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 36,470,991 according to 1.5% of the ending balance of the risk assets at 31 December 2016 based on its risk consideration (2015: appropriation of 39,043,491 according to 1.3% of the ending balance of the risk assets).

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(38) Undistributed profits

| | 2016 | 2015 |
|---|-----------------------|----------------------|
| Undistributed profits at beginning of year | 9,545,596,720 | 8,663,818,498 |
| Add: Net profit attributable to shareholders of the Company in the current year | 1,043,486,428 | 1,713,128,882 |
| Less: Appropriation to statutory surplus reserve | — | (184,364,911) |
| Appropriation to general reserve | (36,470,991) | (39,043,491) |
| Ordinary shares dividends payable (a) | (526,883,290) | (607,942,258) |
| Undistributed profits at end of year | <u>10,025,728,867</u> | <u>9,545,596,720</u> |

- (a) Pursuant to the resolution at the Annual General Meeting dated 16 June 2016, the Company approved a cash dividend 0.39 per share (pre-tax) to the shareholders of the Company with 526,883,290 for the year of 2015, based on a total number of 1,350,982,795 shares (2015: cash dividend 0.45 per share (pre-tax) to the shareholders of the Company with 607,942,258 for the year of 2014, based on a total number of 1,350,982,795 shares).

Pursuant to the resolution at the meeting of the Board dated 30 March 2017, the Board proposed a cash dividend of RMB472,843,978 (RMB0.35 per share (pre-tax)) based on a total number of 1,350,982,795 shares. Such dividend distribution is subject to the approval at the forthcoming Annual General Meeting (Note 10(1)).

(39) Revenue and cost of sales

| | 2016 | 2015 |
|-----------------------------------|-------------------------|-------------------------|
| Revenue from main operation (a) | 25,818,250,498 | 27,208,444,414 |
| Revenue from other operations (b) | 288,093,240 | 426,241,626 |
| | <u>26,106,343,738</u> | <u>27,634,686,040</u> |
| | 2016 | 2015 |
| Cost of main operation (a) | (15,077,843,363) | (16,923,832,300) |
| Cost of other operations (b) | (187,436,179) | (268,269,395) |
| | <u>(15,265,279,542)</u> | <u>(17,192,101,695)</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(39) Revenue and cost of sales (continued)

(a) Revenue and cost of main operation

| | 2016 | | 2015 | |
|---------------|-----------------------------|------------------------|-----------------------------|------------------------|
| | Revenue from main operation | Cost of main operation | Revenue from main operation | Cost of main operation |
| Sales of beer | 25,818,250,498 | (15,077,843,363) | 27,208,444,414 | (16,923,832,300) |

(b) Revenue and cost of other operations

| | 2016 | | 2015 | |
|--|-------------------------------|--------------------------|-------------------------------|--------------------------|
| | Revenue from other operations | Cost of other operations | Revenue from other operations | Cost of other operations |
| Sale of packaging materials | 46,534,419 | (38,047,537) | 94,620,023 | (40,579,508) |
| Transportation services | 41,527,421 | (37,309,474) | 35,439,554 | (32,757,342) |
| Sale of raw materials | 25,080,271 | (25,061,745) | 68,466,438 | (67,281,933) |
| Construction and equipment installations | 11,275,146 | (6,845,669) | 60,376,960 | (53,781,031) |
| Others | 163,675,983 | (80,171,754) | 167,338,651 | (73,869,581) |
| | 288,093,240 | (187,436,179) | 426,241,626 | (268,269,395) |

(40) Taxes and surcharges

| | 2016 | 2015 | Tax base |
|---------------------------------------|---------------|---------------|----------|
| Consumption tax | 1,674,008,091 | 1,612,404,507 | Note 3 |
| City maintenance and construction tax | 244,743,638 | 234,423,796 | Note 3 |
| Education surcharges | 186,905,531 | 176,805,013 | Note 3 |
| Land use tax (i) | 48,662,811 | — | |
| Real estate tax (i) | 39,219,747 | — | |
| Stamp duty (i) | 18,219,672 | — | |
| Others | 19,605,445 | 6,761,030 | |
| | 2,231,364,935 | 2,030,394,346 | |

- (i) According to the “Regulations on Accounting Treatment of Value-added Tax” (Cai Kuai [2016] No. 22) issued by the Ministry of Finance in December 2016, taxes (including land use tax, real estate tax, stamp duty) occurred from May 2016 to December 2016 were reclassified as taxes and surcharges, while related taxes occurred from January 2016 to April 2016 are still presented in general and administrative expenses. The comparative data of 2015 were not restated retrospectively.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(41) Selling and distribution expenses

| | 2016 | 2015 |
|---------------------------------------|----------------------|----------------------|
| Employee benefits expenses | 1,828,020,185 | 1,844,633,352 |
| Promotion related expenses | 1,750,331,937 | 1,645,987,361 |
| Handling and transportation expenses | 1,202,902,607 | 1,225,097,171 |
| Advertising related expenses | 742,242,481 | 644,707,221 |
| Administrative expenses | 168,107,888 | 191,322,990 |
| Depreciation and amortisation charges | 124,382,821 | 123,727,320 |
| Operating lease payments | 90,389,202 | 93,840,716 |
| Low-value consumables | 62,569,906 | 73,007,373 |
| Other expenses | 60,492,206 | 62,215,732 |
| | <u>6,029,439,233</u> | <u>5,904,539,236</u> |

(42) General and administrative expenses

| | 2016 | 2015 |
|---------------------------------------|----------------------|----------------------|
| Employee benefits expenses | 656,715,149 | 672,515,677 |
| Depreciation and amortisation charges | 201,371,465 | 167,740,997 |
| Administrative expenses | 103,545,719 | 106,844,292 |
| Agency fees | 54,854,729 | 58,899,534 |
| Tax expenses | 52,870,736 | 169,169,138 |
| Repair expenses | 38,426,202 | 34,149,143 |
| Handling and transportation expenses | 27,624,483 | 11,836,699 |
| Fire control expenses to guards | 26,464,288 | 22,812,921 |
| Operating lease payments | 21,136,637 | 18,983,365 |
| Insurance expenses | 20,675,957 | 20,807,399 |
| Disabled security fund | 15,190,308 | 9,663,615 |
| Other expenses | 121,667,538 | 119,012,748 |
| | <u>1,340,543,211</u> | <u>1,412,435,528</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(43) Expenses by nature

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

| | 2016 | 2015 |
|--|-----------------------|-----------------------|
| Raw materials and consumables used | 10,477,880,080 | 10,695,849,751 |
| Employee benefits expenses | 4,352,932,525 | 4,180,557,669 |
| Promotion related expenses | 1,750,331,937 | 1,665,754,246 |
| Finished goods purchased from outside | 1,525,389,128 | 3,349,368,312 |
| Handling and transportation expenses | 1,395,706,223 | 1,397,436,781 |
| Depreciation and amortisation charges | 1,152,031,220 | 965,348,209 |
| Advertising related expenses | 742,242,481 | 644,707,221 |
| Repair expenses | 394,047,649 | 371,475,184 |
| Administrative expenses | 280,001,926 | 306,160,636 |
| Service charges | 160,150,850 | 171,156,163 |
| Amortisation expenses of packaging materials | 139,991,638 | 104,749,429 |
| Operating lease payments | 127,708,687 | 127,208,736 |
| Tax expenses | 52,870,736 | 169,169,138 |
| Auditors' remuneration — audit services | 8,580,000 | 8,580,000 |
| Changes in inventories of finished goods and work in progress | (179,752,968) | 76,507,317 |
| Other expenses | 255,149,874 | 275,047,667 |
| | <u>22,635,261,986</u> | <u>24,509,076,459</u> |
| Cost of sales, selling and distribution expenses, and general and administrative expenses in total | | |

(44) Finance expenses — net

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Interest expense | 13,462,188 | 8,983,686 |
| Less: Interest income | (282,731,127) | (336,573,133) |
| Exchange gains | (13,043,435) | (1,132,310) |
| Discounting impact of the long-term employee benefits payable | 18,087,976 | 22,032,955 |
| Others | 6,816,053 | 7,091,281 |
| | <u>(257,408,345)</u> | <u>(299,597,521)</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(45) Investment income

| | 2016 | 2015 |
|---|--------------------|--------------------|
| Losses from long-term equity investments accounted for using the equity method | (5,214,764) | (4,562,375) |
| Gains from disposal of a subsidiary (i) | — | 444,819,948 |
| Income from available-for-sale financial assets (Note 4(9)(a)) | 158,905 | 153,492 |
| Income from transactions with Suntory Company (Note 12(2)(b)) | 129,787,586 | — |
| Income from wealth management products and government bonds reverse repo agreements | 26,238,005 | 21,701,751 |
| Others | — | 299,998 |
| | <u>150,969,732</u> | <u>462,412,814</u> |

- (i) The income is because the Company disposed 100% equity interests of Qingdao Hongjiweiye Investment Co., Ltd. in year 2015.

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

(46) Asset impairment losses

| | 2016 | 2015 |
|--|------------------|------------------|
| Losses/(reversals) of bad debts | 2,203,998 | (567,133) |
| Losses/(reversals) of decline in the values of inventories | — | (510,882) |
| Impairment losses of fixed assets | 5,638,040 | 3,140,390 |
| | <u>7,842,038</u> | <u>2,062,375</u> |

(47) Non-operating income

| | 2016 | 2015 |
|---|--------------------|--------------------|
| Government grants (a) | 517,095,475 | 511,057,423 |
| Effect of transactions with Suntory Company on non-operating income (Note 12(2)(a)) | 177,701,522 | — |
| Gains on unpaid debts | 5,047,551 | 6,313,169 |
| Penalty gains | 4,736,486 | 1,150,588 |
| Gains on disposal of non-current assets | 1,460,219 | 29,048,431 |
| Including: Gains on disposal of fixed assets | 1,460,219 | 29,048,431 |
| Others | 15,451,070 | 11,247,880 |
| | <u>721,492,323</u> | <u>558,817,491</u> |

For the year ended 31 December 2016, all non-operating income has been regard as non-recurring profit or loss in the current year.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(47) Non-operating income (continued)

(a) Details of government grants

| | 2016 | 2015 | Related to assets/income |
|---|--------------------|--------------------|-----------------------------|
| Relocation compensations | 342,462,029 | 212,541,722 | Assets/Income |
| Funds for enterprises development and projects supporting | 96,456,352 | 224,959,994 | Assets/Income |
| Others | 78,177,094 | 73,555,707 | |
| | <u>517,095,475</u> | <u>511,057,423</u> | |

(48) Non-operating expenses

| | 2016 | 2015 |
|---|--------------------|--------------------|
| Losses on disposal of non-current assets | 225,003,832 | 130,560,143 |
| Including: Losses on disposal of fixed assets | 132,635,738 | 94,980,905 |
| Losses on disposal of intangible assets | 92,368,094 | 35,579,238 |
| Compensations, defaults and overdue fines | 1,517,369 | 1,311,162 |
| Donations | 613,655 | 858,051 |
| Penalty losses | 393,495 | 1,191,933 |
| Others | 10,775,063 | 5,236,995 |
| | <u>238,303,414</u> | <u>139,158,284</u> |

For the year ended 31 December 2016, all non-operating expenses have been regard as non-recurring profit or loss in the current year.

(49) Income tax expense

| | 2016 | 2015 |
|--|----------------------|--------------------|
| Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax | 1,305,461,851 | 733,633,312 |
| Current profits tax calculated according to tax law and related regulations in Hong Kong — Hong Kong profits tax | 3,540,729 | 3,018,132 |
| Current profits supplemental tax calculated according to tax law and related regulations in Macau — Macau profits supplemental tax | 865,372 | 1,099,448 |
| Deferred income tax | (292,124,639) | (74,972,004) |
| | <u>1,017,743,313</u> | <u>662,778,888</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(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:

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Total profit | <u>2,123,441,765</u> | <u>2,274,822,402</u> |
| Income tax expense calculated at applicable tax rates | 529,064,666 | 566,309,444 |
| Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose | 53,437,240 | 4,218,971 |
| Income tax payment of the expired preferential tax rate difference for previous years (Note 3(2)) | 338,876,455 | — |
| Income not subject to tax | (90,343,163) | (13,549,529) |
| Utilisation of previously unrecognised deferred tax assets | (28,430,550) | (53,594,226) |
| Deductible temporary differences for which no deferred tax assets were recognised | 42,821,036 | 43,324,129 |
| Deductible tax losses for which no deferred tax assets were recognised | <u>172,317,629</u> | <u>116,070,099</u> |
| Income tax expense | <u>1,017,743,313</u> | <u>662,778,888</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:

| | 2016 | 2015 |
|--|----------------------|----------------------|
| Consolidated net profit attributable to ordinary shareholders of the Company | 1,043,486,428 | 1,713,128,882 |
| Weighted average numbers of ordinary shares outstanding | <u>1,350,982,795</u> | <u>1,350,982,795</u> |
| Basic earnings per share | <u>0.772</u> | <u>1.268</u> |
| Including: | | |
| — Basic earnings per share from continuing operations | 0.772 | 1.268 |

(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 2016 (2015: nil), diluted earnings per share equals to basic earnings per share.

Notes to Financial Statements

For the Year Ended 31 December 2016

(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

| | 2016 | 2015 |
|---|--------------------|----------------------|
| Deposits | 347,494,716 | 334,184,303 |
| Disposal of scraps and sales of packaging materials | 231,101,862 | 250,665,383 |
| Government grants | 159,332,846 | 272,863,019 |
| Others | 249,284,361 | 266,868,930 |
| | <u>987,213,785</u> | <u>1,124,581,635</u> |

(b) Cash paid relating to other operating activities

| | 2016 | 2015 |
|--------------------------------------|----------------------|----------------------|
| Handling and transportation expenses | 1,459,651,932 | 1,524,484,852 |
| Advertising related expenses | 786,885,710 | 648,500,751 |
| Marketing and promotion expenses | 679,499,125 | 703,864,523 |
| Administrative expenses | 356,937,939 | 337,407,997 |
| Deposits | 190,164,318 | 283,477,241 |
| Others | 376,540,136 | 429,453,244 |
| | <u>3,849,679,160</u> | <u>3,927,188,608</u> |

(c) Cash received relating to other investing activities

| | 2016 | 2015 |
|--|--------------------|--------------------|
| Interest income of Finance Company's deposits | 345,613,954 | 343,125,632 |
| Government compensations for relocation and expansion projects | 240,806,620 | 292,535,223 |
| Interest income of structured deposit | 11,732,055 | — |
| Biding deposits collected | 9,304,850 | 23,633,112 |
| Deposit in central bank collected by Finance Company | — | 305,290,000 |
| | <u>607,457,479</u> | <u>964,583,967</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(51) Notes to consolidated cash flow statement (continued)

(d) Cash paid relating to other investing activities

| | 2016 | 2015 |
|---|--------------------|-------------------|
| Deposit in central bank paid by Finance Company | 111,990,000 | — |
| Biding deposits paid | 14,031,221 | 23,941,227 |
| | <u>126,021,221</u> | <u>23,941,227</u> |

(e) Cash received relating to other financing activities

| | 2016 | 2015 |
|--|----------|--------------------|
| Guarantee deposits for loan collected | — | 291,000,000 |
| Interest of the guarantee deposits for loan received | — | 13,095,000 |
| | <u>—</u> | <u>304,095,000</u> |

(f) Cash received from disposal of investment

| | 2016 | 2015 |
|---|----------------------|--------------------|
| The principal of wealth management products collected when matured | 2,460,000,000 | 900,000,000 |
| The principal of structured deposit collected when matured (Note 4 (1)(iii)) | 300,000,000 | — |
| Entrusted loans collected when matured (i) | 210,467,515 | — |
| | <u>2,970,467,515</u> | <u>900,000,000</u> |

(i) The entrusted loans represent borrowings provided by the subsidiaries of Shanghai Investing Company to Suntory Company through banks. As stated in Note 12, Shanghai Investing Company, a former associate, became a subsidiary of the Company on 28 March 2016 and the loans were recovered in April 2016.

(g) Cash paid to acquire investments

| | 2016 | 2015 |
|--|----------------------|----------------------|
| Payment for wealth management products | 3,180,000,000 | 880,000,000 |
| Government bonds reverse repo investment | 79,900,000 | — |
| Structured deposit | — | 300,000,000 |
| Payment for purchasing non-controlling interests of subsidiaries | — | 26,507,900 |
| Payment for acquiring equity interests of Hebei Jiahe Company | — | 5,000,000 |
| | <u>3,259,900,000</u> | <u>1,211,507,900</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(52) Supplementary information to consolidated cash flow statements

(a) Supplementary information to consolidated cash flow statements

Reconciliation from net profit to cash flows from operating activities:

| | 2016 | 2015 |
|--|------------------------|------------------------|
| Net profit | 1,105,698,452 | 1,612,043,514 |
| Add: Provision for asset impairment | 7,842,038 | 2,062,375 |
| Depreciation of fixed assets and investment properties | 908,827,787 | 746,208,711 |
| Amortisation of intangible assets | 224,564,015 | 204,182,200 |
| Amortisation of long-term prepaid expenses | 18,639,418 | 14,957,298 |
| Losses on disposal of fixed assets and intangible assets | 223,543,613 | 101,511,712 |
| Finance expenses | (273,373,126) | (304,983,006) |
| Investment income | (150,969,732) | (462,412,814) |
| Increase in deferred tax assets | (264,646,253) | (50,372,645) |
| Amortisation of deferred income | (358,790,743) | (219,770,692) |
| Decrease in deferred tax liabilities | (27,478,386) | (24,599,359) |
| Decrease in inventories | 149,859,706 | 293,405,212 |
| Decrease in operating receivables | 365,522,647 | 149,806,072 |
| Increase in operating payables | 1,041,651,768 | 512,527,182 |
| Net cash flows from operating activities | <u>2,970,891,204</u> | <u>2,574,565,760</u> |
| Net increase in cash and cash equivalents | | |
| | 2016 | 2015 |
| Cash and cash equivalents at end of year | 7,929,473,031 | 7,575,374,183 |
| Less: Cash and cash equivalents at beginning of year | <u>(7,575,374,183)</u> | <u>(5,266,389,764)</u> |
| Net increase in cash and cash equivalents | <u>354,098,848</u> | <u>2,308,984,419</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(52) Supplementary information to consolidated cash flow statements (continued)

(b) Acquisition of subsidiaries

| | 2016 | 2015 |
|--|--------------------|----------------------|
| Cash paid for acquisition in the current year — Shanghai Investing Company (i) | 648,311,059 | — |
| Less: Cash held by subsidiaries on acquisition date — Shanghai Investing Company | (86,251,081) | — |
| Add: Cash paid in the current year for acquisition in the prior year — Lulansa Brewery | 10,000,000 | 100,000,000 |
| Net cash outflows on acquisition of subsidiaries | <u>572,059,978</u> | <u>100,000,000</u> |
| Considerations for acquisition of a subsidiary in 2016 — Shanghai Investing Company | <u>877,627,011</u> | |
| Net assets of the subsidiaries acquired | | 2016 |
| Current assets | | 1,787,749,796 |
| Non-current assets | | 2,345,356,529 |
| Current liabilities | | (1,357,460,191) |
| Non-current liabilities | | (466,777,240) |
| | | <u>2,308,868,894</u> |

- (i) As stated in Note 12, the Company acquired 50% equity interests of Shanghai Investing Company and 50% equity interests of Shanghai Industrial Company from Suntory company, which was considered as a package deal, including business combination not under common control and acquisition of non-controlling interests of subsidiaries, with a total consideration of 675,311,059. The payment of 648,311,059, which has been paid by the Company, was presented as cash paid to acquire subsidiaries in the cash flow statement.

(c) Cash and cash equivalents

| | 31 December 2016 | 31 December 2015 |
|---|----------------------|----------------------|
| Cash and cash equivalents (Note 4(1)) | 7,929,473,031 | 7,575,374,183 |
| Including: Cash on hand | 411,137 | 424,497 |
| Cash at bank that can be readily drawn on demand | 7,928,969,009 | 7,574,949,686 |
| Cash at non-financial institution that can be readily drawn on demand | 92,885 | — |
| Cash and cash equivalents at end of year | <u>7,929,473,031</u> | <u>7,575,374,183</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(53) Foreign currency items

| | 31 December 2016 | | |
|--|-----------------------------------|------------------------------|--------------------|
| | Balance in foreign currency | Currency exchange rate | Balance in RMB |
| Cash at bank and cash on hand — | | | |
| USD | 28,582,353 | 6.9370 | 198,275,783 |
| EUR | 11,875,206 | 7.3068 | 86,769,755 |
| HKD | 80,490,241 | 0.8945 | 71,998,521 |
| MOP | 28,576,947 | 0.8708 | 24,884,805 |
| | | | <u>381,928,864</u> |
| Accounts receivable — | | | |
| HKD | 46,448,912 | 0.8945 | 41,548,552 |
| USD | 3,951,318 | 6.9370 | 27,410,293 |
| EUR | 927,746 | 7.3068 | 6,778,854 |
| MOP | 5,823,297 | 0.8708 | 5,070,927 |
| CAD | 256,755 | 5.1406 | 1,319,875 |
| | | | <u>82,128,501</u> |
| Other receivables — | | | |
| HKD | 2,142,768 | 0.8945 | 1,916,706 |
| MOP | 508,383 | 0.8708 | 442,700 |
| | | | <u>2,359,406</u> |
| Short-term borrowings — | | | |
| HKD | 338,000,000 | 0.8945 | 302,341,000 |
| Other payables — | | | |
| HKD | 7,623,391 | 0.8945 | 6,819,123 |
| USD | 400,285 | 6.9370 | 2,776,777 |
| MOP | 614,983 | 0.8708 | 535,527 |
| | | | <u>10,131,427</u> |
| Current portion of non-current liabilities — | | | |
| DKK | 370,044 | 1.0171 | 376,372 |
| Long-term borrowings — | | | |
| DKK | 1,353,338 | 1.0171 | 1,376,480 |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

5 Changes in consolidation scope

(1) Business combination not under common control that are realised by stages

| Acquiree | Date of acquisition | | Cost of acquisition | | Equity acquired | | Method of acquisition | | Date of acquisition | Basis of acquisition | Revenue of the acquiree from the date of acquisition to end of year | Net profit of the acquiree from the date of acquisition to end of year | Cash flows from operating activities of the acquiree from the date of acquisition to end of year | Net cash flows of the acquiree from the date of acquisition to end of year |
|----------------------------|---------------------|---------------|---------------------|-------------|-----------------|--------|-----------------------|---------------|---------------------|-----------------------------|---|--|--|--|
| | First | Second | First | Second | First | Second | First | Second | | | | | | |
| Shanghai Investing Company | 28 April 2013 | 28 March 2016 | 1,141,123,402 | 877,627,011 | 50% | 50% | Equity transfer | Cash purchase | 28 March 2016 | Property delivery completed | 1,676,308,315 | 32,448,915 | (35,702,085) | 63,978,979 |

For details of the business combination not under common control that are realised by stages, please refer to Note 12(2).

(2) Consolidation scope changes arising from other reasons

The Company has completed deregistration process of Sifang Sales Company at 7 April 2016. The net assets of Sifang Sales Company was 97,361,998 at the date of deregistration.

The Company has completed deregistration process of Hainan Company at 20 May 2016. The net assets of Hainan Company was 213,637,439 at the date of deregistration.

Notes to Financial Statements

For the Year Ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)

6 Interests in other entities

(1) Interests in subsidiaries

(a) The structure of the Group

| Name | Category of legal entity | Place of operation | Place of incorporation | Principal activities | Share proportion | | Acquisition method |
|---|---------------------------|--------------------|------------------------|---|------------------|------------|-----------------------------|
| | | | | | Directly | Indirectly | |
| Shenzhen Tsingtao Brewery Huanan Holding Co., Ltd. ("Huanan Holding Company") | Limited liability company | Shenzhen, the PRC | Shenzhen, the PRC | Financing | 100% | — | Establishment or investment |
| Tsingtao Brewery (Zhuhai) Co., Ltd. ("Zhuhai Company") | Limited liability company | Zhuhai, the PRC | Zhuhai, the PRC | Manufacturing | — | 100% | Establishment or investment |
| Tsingtao Brewery (Huangshi) Co., Ltd. ("Huangshi Company") | Limited liability company | Huangshi, the PRC | Huangshi, the PRC | Manufacturing | 97.18% | 2.82% | Establishment or investment |
| Tsingtao Brewery (Yingcheng) Co., Ltd. ("Yingcheng Company") | Limited liability company | Yingcheng, the PRC | Yingcheng, the PRC | Manufacturing | 89.91% | 10.09% | Establishment or investment |
| Shenzhen Huanan Tsingtao Brewery Sales Co., Ltd. ("Huanan Sales Company") | Limited liability company | Guangdong, the PRC | Shenzhen, the PRC | Wholesale and retail sale | 100% | — | Establishment or investment |
| Tsingtao Brewery (Changsha) Co., Ltd. ("Changsha Company") | Limited liability company | Changsha, the PRC | Changsha, the PRC | Manufacturing | 70% | 30% | Establishment or investment |
| Shanghai Tsingtao Brewery Huadong (Holding) Co., Ltd. ("Huadong Holding Company") | Limited liability company | Shanghai, the PRC | Shanghai, the PRC | Wholesale and retail sale | 100% | — | Establishment or investment |
| Tsingtao Brewery Huadong Shanghai Sales Co., Ltd. ("Shanghai Sales Company") | Limited liability company | Shanghai, the PRC | Shanghai, the PRC | Wholesale and retail sale | 97.01% | 2.99% | Establishment or investment |
| Nanjing Tsingtao Brewery Huadong Sales Co., Ltd. ("Nanjing Sales Company") (i) | Limited liability company | Jiangsu, the PRC | Nanjing, the PRC | Wholesale and retail sale | — | 100% | Establishment or investment |
| Tsingtao Brewery (Wuhu) Co., Ltd. ("Wuhu Company") | Limited liability company | Wuhu, the PRC | Wuhu, the PRC | Manufacturing | 89.04% | 10.96% | Establishment or investment |
| Tsingtao Brewery (Maanshan) Co., Ltd. ("Maanshan Company") | Limited liability company | Maanshan, the PRC | Maanshan, the PRC | Manufacturing | 94.12% | 5.58% | Establishment or investment |
| Tsingtao Brewery (Shouguang) Co., Ltd. ("Shouguang Company") | Limited liability company | Shouguang, the PRC | Shouguang, the PRC | Manufacturing | 99% | — | Establishment or investment |
| Tsingtao Brewery (Weifang) Co., Ltd. ("Weifang Company") | Limited liability company | Weifang, the PRC | Weifang, the PRC | Manufacturing | 100% | — | Establishment or investment |
| Tsingtao Brewery (Xuzhou) Huaihai Sales Co., Ltd. ("Huaihai Sales Company") (i) | 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 |
| 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 |

Notes to Financial Statements

For the Year Ended 31 December 2016

(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 (Mishan) Co., Ltd. ("Mishan Company") | Limited liability company | Mishan, the PRC | Mishan, the PRC | Manufacturing | 100% | — | Establishment or investment |
| Tsingtao Brewery (Harbin) Co., Ltd. ("Harbin Company") | Limited liability company | Harbin, the PRC | Harbin, the PRC | Manufacturing | 100% | — | Establishment or investment |
| Tsingtao Brewery Import/Export Co., Ltd. ("Import/Export Company") | Limited liability company | Qingdao, the PRC | Qingdao, the PRC | Wholesale and retail sale | 100% | — | Establishment or investment |
| Tsingtao Brewery (Pingyuan) Co., Ltd. ("Pingyuan Company") | Limited liability company | Pingyuan, the PRC | Pingyuan, the PRC | Manufacturing | 100% | — | Establishment or investment |
| Tsingtao Brewery (Rizhao) Co., Ltd. ("Rizhao Company") | Limited liability company | Rizhao, the PRC | Rizhao, the PRC | Manufacturing | 100% | — | Establishment or investment |
| Tsingtao Brewery (Luzhou) Co., Ltd. ("Luzhou Company") | Limited liability company | Luzhou, the PRC | Luzhou, the PRC | Manufacturing | 95% | — | Establishment or investment |
| Tsingtao Brewery (Taizhou) Co., Ltd. ("Taizhou Company") | Limited liability company | Taizhou, the PRC | Taizhou, the PRC | Manufacturing | 86.43% | 13.57% | Establishment or investment |
| Hong Kong Company | Limited liability company | Hong Kong, the PRC | Hong Kong, the PRC | Wholesale and retail sale | 100% | — | Establishment or investment |
| Tsingtao Brewery (Hanzhong) Co., Ltd. ("Hanzhong Company") | Limited liability company | Hanzhong, the PRC | Hanzhong, the PRC | Manufacturing | 34% | 66% | Establishment or investment |
| Beijing Tsingtao Brewery Beifang Sales Co., Ltd. ("Beifang Sales Company") | Limited liability company | Beijing, the PRC | Beijing, the PRC | Wholesale and retail sale | 95% | 5% | Establishment or investment |
| Qingdao Guangrunlong Logistics Co., Ltd. ("Guangrunlong Logistics") | Limited liability company | Shandong, the PRC | Qingdao, the PRC | Logistics | 100% | — | Establishment or investment |
| Tsingtao Brewery (Xiamen) Co., Ltd. ("Xiamen Company") | Limited liability company | Xiamen, the PRC | Xiamen, the PRC | Manufacturing | — | 100% | Establishment or investment |
| Xiamen Tsingtao Brewery Dongnan Sales Co., Ltd. ("Dongnan Sales Company") | Limited liability company | Fujian, the PRC | Xiamen, the PRC | Wholesale and retail sale | 100% | — | Establishment or investment |
| Tsingtao Brewery (Jinan) Co., Ltd. ("Jinan Company") | Limited liability company | Jinan, the PRC | Jinan, the PRC | Manufacturing | 100% | — | Establishment or investment |
| Tsingtao Brewery (Chengdu) Co., Ltd. ("Chengdu Company") | Limited liability company | Chengdu, the PRC | Chengdu, the PRC | Manufacturing | 100% | — | Establishment or investment |
| Tsingtao Brewery (Yulin) Co., Ltd. ("Yulin Company") | Limited liability company | Yulin, the PRC | Yulin, the PRC | Manufacturing | — | 100% | Establishment or investment |
| Tsingtao Brewery Chengyang Sales Co., Ltd. ("Chengyang Sales Company") | Limited liability company | Qingdao, the PRC | Qingdao, the PRC | Wholesale and retail sale | 100% | — | Establishment or investment |
| Tsingtao Brewery Chenzhou Sales Co., Ltd. ("Chenzhou Sales Company") | Limited liability company | Chenzhou, the PRC | Chenzhou, the PRC | Wholesale and retail sale | — | 100% | Establishment or investment |
| Machinery and Equipment Company | Limited liability company | Qingdao, the PRC | Qingdao, the PRC | Construction | — | 100% | Establishment or investment |
| Tsingtao Brewery (Shijiazhuang) Co., Ltd. ("Shijiazhuang Company") | Limited liability company | Shijiazhuang, the PRC | Shijiazhuang, the PRC | Manufacturing | 100% | — | Establishment or investment |
| Tsingtao Brewery (Taiyuan) Co., Ltd. ("Taiyuan Company") | Limited liability company | Taiyuan, the PRC | Taiyuan, the PRC | Manufacturing | 100% | — | Establishment or investment |
| Finance Company | Limited liability company | Qingdao, the PRC | Qingdao, the PRC | Financing | 100% | — | Establishment or investment |
| Tsingtao Brewery (Jieyang) Co., Ltd. ("Jieyang Company") | Limited liability company | Jieyang, the PRC | Jieyang, the PRC | Manufacturing | 75% | — | Establishment or investment |
| Tsingtao Brewery (Shaoguan) Co., Ltd. ("Shaoguan Company") | Limited liability company | Shaoguan, the PRC | Shaoguan, the PRC | Manufacturing | 100% | — | Establishment or investment |

Notes to Financial Statements

For the Year Ended 31 December 2016
(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 Shibe Sales Co., Ltd. ("Shibe Sales 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. ("New Shanghai Sales") (i) | 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 |
| Shanghai Industrial Company (i) | 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 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 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 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 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 |
| 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 |

Notes to Financial Statements

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(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 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 |
| Shanghai Market Service (i) | Limited liability company | Shanghai, the PRC | Shanghai, the PRC | Wholesale and retail sale | — | 100% | Business combination not under common control |
| Lianyungang Sales (i) | Limited liability company | Jiangsu, the PRC | Lianyungang, the PRC | Wholesale and retail sale | — | 100% | Business combination not under common control |
| Lulansa Brewery | Limited liability company | Zibo, the PRC | Zibo, the PRC | Manufacturing | 55% | — | Business combination not under common control |
| Equipment Manufacture | Limited liability company | Qingdao, the PRC | Qingdao, the PRC | Manufacturing | — | 100% | Business combination not under common control |
| Shanghai Investing Company (ii) | Limited liability company | Shanghai, the PRC | Shanghai, the PRC | Financing | 100% | — | Business combination not under common control |
| New Songjiang Manufacturing (ii) | Limited liability company | Shanghai, the PRC | Shanghai, the PRC | Manufacturing | — | 100% | Business combination not under common control |
| Suqian Company (ii) | Limited liability company | Suqian, the PRC | Suqian, the PRC | Manufacturing | — | 100% | Business combination not under common control |
| Pengcheng Company (ii) | Limited liability company | Xuzhou, the PRC | Xuzhou, the PRC | Manufacturing | — | 100% | Business combination not under common control |
| Xuzhou Company (ii) | Limited liability company | Xuzhou, the PRC | Xuzhou, the PRC | Manufacturing | — | 100% | Business combination not under common control |
| Yangzhou Company (ii) | Limited liability company | Yangzhou, the PRC | Yangzhou, the PRC | Manufacturing | — | 100% | Business combination not under common control |
| Tsingto Brewery(Kunshan) Co.,Ltd. ("Kunshan Company") (ii) | Limited liability company | Kunshan, the PRC | Kunshan, the PRC | Manufacturing | — | 100% | Business combination not under common control |
| Tsingto Brewery(Huai'an)Co.,Ltd. ("Huai'an Company") (ii) | Limited liability company | Huai'an, the PRC | Huai'an, the PRC | Manufacturing | — | 100% | Business combination not under common control |
| Lianyungang Company (ii) | Limited liability company | Lianyungang, the PRC | Lianyungang, the PRC | Manufacturing | — | 100% | Business combination not under common control |
| Tsingto Brewery(Yangpu)Co.,Ltd. ("Yangpu Company") (ii) | Limited liability company | Shanghai, the PRC | Shanghai, the PRC | Manufacturing | — | 100% | Business combination not under common control |
| Tsingto Brewery(Minhang)Co.,Ltd. ("Minhang Company") (ii) | Limited liability company | Shanghai, the PRC | Shanghai, the PRC | Manufacturing | — | 96.50% | Business combination not under common control |

(i) Nanjing Sales Company, Huaihai Sales Company, New Shanghai Sales, Shanghai Market Service and Lianyungang Sales, are all wholly-owned subsidiaries of the Shanghai Industrial Company.

(ii) New Songjiang Manufacturing, Suqian Company, Pengcheng Company, Xuzhou Company, Yangzhou Company, Kunshan Company, Huai'an Company, Lianyungang Company, Yangpu Company, Minhang Company are all subsidiaries of Shanghai Investing Company.

As at 31 December 2016, no share capital or debt securities are issued by the subsidiaries of the Company.

There are no restrictions on using the assets of the Group or settling the liabilities of the Group.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 Interests in other entities (continued)

(1) Interests in subsidiaries (continued)

(b) Subsidiaries with significant non-controlling interests

| Name of subsidiaries | Share proportion of non-controlling interests | Non-controlling interests for the year ended 31 December 2016 | Total dividends distributed to the minority shareholders in 2016 | Non-controlling interests as at 31 December 2016 |
|----------------------|---|---|--|--|
| Shenzhen Asahi | 49% | 45,274,460 | (45,276,000) | 227,848,327 |

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

| | As at 31 December 2016 | | | | | |
|----------------|------------------------|--------------------|--------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Shenzhen Asahi | 106,845,941 | 551,611,342 | 658,457,283 | (186,376,308) | (6,422,606) | (192,798,914) |

| | As at 31 December 2015 | | | | | |
|----------------|------------------------|--------------------|--------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Shenzhen Asahi | 94,885,314 | 587,167,299 | 682,052,613 | (210,633,354) | (6,233,681) | (216,867,035) |

| | Year ended 31 December 2016 | | | |
|----------------|-----------------------------|------------|----------------------------|--------------------------------------|
| | Revenue | Net profit | Total comprehensive income | Cash flows from operating activities |
| Shenzhen Asahi | 839,643,629 | 92,872,791 | 92,872,791 | 127,403,862 |

| | Year ended 31 December 2015 | | | |
|----------------|-----------------------------|-------------|----------------------------|--------------------------------------|
| | Revenue | Net profit | Total comprehensive income | Cash flows from operating activities |
| Shenzhen Asahi | 955,037,753 | 102,423,390 | 102,423,390 | 133,996,040 |

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 Interests in other entities (continued)

(2) Interests in the Joint Venture and Associates

(a) Fundamental information of the significant Joint Venture and Associates

| | Place of operation | Place of incorporation | Principal activities | Strategic impact on the Group | Share proportion | |
|---------------------|-----------------------|------------------------|---------------------------|-------------------------------|------------------|------------|
| | | | | | Directly | Indirectly |
| Joint Venture — | | | | | | |
| Hebei Jiahe Company | Shijiazhuang, the PRC | Shijiazhuang, the PRC | Manufacturing | Yes | 50% | — |
| Associates — | | | | | | |
| Yantai Asahi | Yantai, the PRC | Yantai, the PRC | Manufacturing | Yes | 39% | — |
| Zhaoshang Logistics | Qingdao, the PRC | Qingdao, the PRC | Logistics | Yes | 30% | — |
| Liaoning Shenqing | Shenyang, the PRC | Shenyang, the PRC | Wholesale and retail sale | Yes | 30% | — |
| European Company | France | France | Wholesale and retail sale | Yes | — | 40% |

The equity investments above are accounted for using the equity method.

(b) Summarised financial information of the joint venture

| | Hebei Jiahe Company | |
|---|---------------------|------------------|
| | 31 December 2016 | 31 December 2015 |
| Current assets | 32,486,995 | 37,608,985 |
| Including: cash and cash equivalents | 5,565,690 | 4,394,803 |
| Non-current assets | 109,818,901 | 118,821,650 |
| Total assets | 142,305,896 | 156,430,635 |
| Current liabilities | (27,131,803) | (56,500,419) |
| Total liabilities | (27,131,803) | (56,500,419) |
| Total equity attributable to shareholders of the company | 115,174,093 | 99,930,216 |
| Adjusted fair value of the identifiable net assets when obtained | 109,407,433 | 123,136,711 |
| Adjusted total equity attributable to shareholders of the company | 224,581,526 | 223,066,927 |
| The share of net assets calculated based on the shareholding proportion (i) | 112,290,763 | 111,533,464 |
| Adjusting item — goodwill | 113,928,609 | 113,928,609 |
| Book value of investment on the joint venture | 226,219,372 | 225,462,073 |

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 Interests in other entities (continued)

(2) Interests in the Joint Venture and Associates (continued)

(b) Summarised financial information of the joint venture (continued)

| | Hebei Jiahe Company | |
|---|--|---|
| | For the year ended 31 December 2016 | From the acquisition date to 31 December 2015 |
| Revenue | 277,070,370 | 325,255,910 |
| Finance expenses — net | 453,927 | 1,492,628 |
| Income tax expense | 5,128,897 | 2,902,104 |
| Net profit | 15,243,877 | 21,350,150 |
| Total comprehensive income | 15,243,877 | 21,350,150 |
| Adjusted fair value of the identifiable net assets when obtained | (13,729,278) | (13,762,378) |
| Adjusted total comprehensive income attributable to shareholders of the Company | 1,514,599 | 7,587,772 |
| Dividends received from the joint venture in the current year | — | — |

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 Interests in other entities (continued)

(2) Interests in the Joint Venture and Associates (continued)

(c) Summarised financial information of associates

| | 28 March | 31 December | 31 December 2016 | | | | 31 December 2015 | | | | | |
|---|-----------------|-----------------|----------------------------------|----------------------------------|--------------|------------------------|----------------------|---------------------|-----------------|------------------------|----------------------|---------------------|
| | 2016 | 2015 | Shanghai Investing Company | Shanghai Investing Company | Yantai Asahi | Zhaoshang Logistics | Liaoning Shenqing | European Company | Yantai Asahi | Zhaoshang Logistics | Liaoning Shenqing | European Company |
| Current assets | 1,865,776,498 | 1,787,207,614 | 228,383,254 | 134,043,419 | 48,588,253 | 16,927,437 | 230,208,045 | 133,747,718 | 43,381,314 | 21,926,025 | | |
| Including: cash and cash equivalents | 112,161,502 | 127,606,056 | 27,246,774 | 1,305,196 | 7,601,198 | 2,086,654 | 18,329,398 | 1,324,943 | 5,392,240 | 6,939,318 | | |
| Non-current assets | 2,041,295,687 | 2,090,694,051 | 271,442,287 | 4,266,724 | 5,053,723 | 123,952 | 235,744,650 | 4,471,033 | 5,548,121 | 140,059 | | |
| Total assets | 3,907,072,185 | 3,877,901,665 | 499,825,541 | 138,310,143 | 53,641,976 | 17,051,389 | 465,952,695 | 138,218,751 | 48,929,435 | 22,066,084 | | |
| Current liabilities | (1,447,460,191) | (1,367,318,381) | (177,803,357) | (82,076,728) | (47,741,672) | (12,168,219) | (182,023,878) | (81,357,946) | (41,604,901) | (17,671,780) | | |
| Non-current liabilities | (387,751,930) | (393,752,504) | (32,044,508) | — | — | — | — | — | — | — | | |
| Total liabilities | (1,835,212,121) | (1,761,070,885) | (209,847,865) | (82,076,728) | (47,741,672) | (12,168,219) | (182,023,878) | (81,357,946) | (41,604,901) | (17,671,780) | | |
| Non-controlling interests | 16,319,611 | 17,238,991 | — | — | — | — | — | — | — | — | | |
| Total equity attributable to shareholders of the Company | 2,055,540,453 | 2,099,591,789 | 289,977,676 | 56,233,415 | 5,900,304 | 4,883,170 | 283,928,817 | 56,860,805 | 7,324,534 | 4,394,304 | | |
| Adjusted fair value of the identifiable net assets when obtained | 95,621,885 | 96,068,723 | 37,748,498 | — | — | — | 41,608,497 | — | — | — | | |
| Adjusted total equity attributable to shareholders of the Company | 2,151,162,338 | 2,195,660,512 | 327,726,174 | 56,233,415 | 5,900,304 | 4,883,170 | 325,537,314 | 56,860,805 | 7,324,534 | 4,394,304 | | |
| The share of net assets calculated based on the shareholding proportion (i) | 1,075,581,169 | 1,097,830,256 | 127,813,207 | 16,870,025 | 1,770,091 | 1,953,268 | 126,959,552 | 17,058,242 | 2,197,360 | 1,757,722 | | |
| Adjusting items | | | | | | | | | | | | |
| — Goodwill | 38,540,092 | 38,540,092 | 9,640,679 | — | — | — | 9,640,679 | — | — | — | | |
| — Unrealised profits of internal transaction | (8,824,347) | (8,556,835) | (4,735,727) | — | — | — | (3,144,046) | — | — | — | | |
| Book value of investments on Associates | 1,105,296,914 | 1,127,813,513 | 132,718,159 | 16,870,025 | 1,770,091 | 1,953,268 | 133,456,185 | 17,058,242 | 2,197,360 | 1,757,722 | | |

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

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 Interests in other entities (continued)

(2) Interests in the Joint Venture and Associates (continued)

(c) Summarised financial information of associates (continued)

| | From 1 January 2016 to 28 March 2016 | | 2015 | | | | 2016 | | | |
|--|---|----------------------------------|-----------------|------------------------|----------------------|---------------------|-----------------|------------------------|----------------------|---------------------|
| | Shanghai Investing Company | Shanghai Investing Company | Yantai Asahi | Zhaoshang Logistics | Liaoning Shenqing | European Company | Yantai Asahi | Zhaoshang Logistics | Liaoning Shenqing | European Company |
| Revenue | 451,587,695 | 2,205,194,668 | 658,130,480 | 305,968,136 | 103,695,337 | 66,280,900 | 656,940,745 | 286,732,365 | 127,819,132 | 57,146,965 |
| Net profits/(loss) | (44,970,716) | (53,279,484) | 42,197,715 | 11,559,277 | (1,424,230) | 359,985 | 40,165,391 | 15,435,356 | (1,365,424) | 376,899 |
| Other comprehensive income | — | — | — | — | — | 128,881 | — | — | — | (192,383) |
| Total comprehensive income | (44,970,716) | (53,279,484) | 42,197,715 | 11,559,277 | (1,424,230) | 488,866 | 40,165,391 | 15,435,356 | (1,365,424) | 184,516 |
| Non-controlling interests | (919,380) | (5,041,938) | — | — | — | — | — | — | — | — |
| Total comprehensive income attributable to shareholders of the Company | (44,051,336) | (48,237,546) | 42,197,715 | 11,559,277 | (1,424,230) | 488,866 | 40,165,391 | 15,435,356 | (1,365,424) | 184,516 |
| Adjusted fair value of the identifiable net assets when obtained | (446,838) | (2,854,464) | (3,859,999) | — | — | — | (3,860,001) | — | — | — |
| Adjusted total comprehensive income attributable to shareholders | (44,498,174) | (51,092,010) | 38,337,716 | 11,559,277 | (1,424,230) | 488,866 | 36,305,390 | 15,435,356 | (1,365,424) | 184,516 |
| Dividends received from the associates in the current year | — | — | 14,098,054 | 3,660,912 | — | — | 15,310,781 | 7,785,990 | — | — |

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

(d) As at 31 December 2016, the Group's joint venture and associates have no excess losses.

(e) In accordance with "Equity Transferring Contract" signed on 29 October 2016 between the Company and Shijiazhuang Zhongshuo Management Co., Ltd. ("Shijiazhuang Zhongshuo"), the Company planned to acquire the remaining 50% equity interests of Hebei Jiahe Company, a joint venture of the Company, from Shijiazhuang Zhongshuo with a consideration of 300,000,000. After the completion of the equity transferring, Hebei Jiahe Company would become a wholly-owned subsidiary of the Company. As at 31 December 2016, the Equity Transferring Contract was not performed and the equity transferring payment has not been paid by the Company.

Notes to Financial Statements

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(All amounts in RMB Yuan unless otherwise stated)

7 Segment information

As the Group is mainly engaged in the production and distribution of beer, the reportable segments of the Group are business units operating in different regions. Different regions require different marketing strategies, and the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions on resources allocation and to assess their performance.

Finance Company is principally engaged in the financial businesses of wealth management and agency collection and payment for its members. Due to the unique business characteristics of Finance Company, the Group manages its operation independently and evaluates its operating results separately, to determine its resources allocation and assess its performance.

The Group identified 7 reportable segments as follows:

- Shandong region, responsible for the production and distribution of beer in Shandong region and surrounding regions
- Huanan region, responsible for the production and distribution of beer in South China region
- Huabei region, responsible for the production and distribution of beer in North China region
- Huadong region, responsible for the production and distribution of beer in East China region
- Dongnan region, responsible for the production and distribution of beer in Southeast China region
- Hong Kong, Macau and other overseas, responsible for the distribution of beer in Hong Kong, Macau and other overseas
- Finance Company, engaged in the financial businesses of wealth management and agency collection and payment for its members.

Inter-segment transfer pricing is based on mutually-agreed prices.

Assets are allocated based on the operation of the segments and the physical location of the assets. Liabilities are allocated based on the operation of the segments. Expenses indirectly attributable to each segment are allocated among segments based on the proportion of each segment's revenue.

Notes to Financial Statements

For the Year Ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)

7 Segment information (continued)

(a) Segment information as at and for the year ended 31 December 2016 is as follows:

| | Shandong Region | Huanan Region | Huabei Region | Huadong Region | Dongnan Region | Hong Kong, Macau and other overseas | Finance Company | Unallocated | Elimination | Total |
|---|--------------------|------------------|------------------|-------------------|-------------------|---|--------------------|---------------|------------------|------------------|
| Revenue from external customers | 13,779,050,791 | 3,292,461,433 | 4,214,930,052 | 2,770,479,695 | 1,445,523,051 | 598,725,462 | 3,193,069 | 1,980,185 | — | 26,106,343,738 |
| Inter-segment revenue | 2,636,349,130 | 480,840,888 | 1,074,508,734 | 123,303,372 | 10,726,493 | 162,899,924 | 50,707,579 | 600,767 | (4,539,936,887) | — |
| Cost of sales | (10,148,236,962) | (2,349,822,819) | (3,481,106,499) | (2,167,456,124) | (1,080,653,200) | (515,735,035) | (169,974) | (875,877) | 4,478,776,948 | (15,265,279,542) |
| Selling and distribution expenses | (3,130,174,462) | (989,476,948) | (612,762,597) | (757,345,302) | (392,689,500) | (146,990,424) | — | — | — | (6,029,439,233) |
| Interest income | 29,428,851 | 13,675,992 | 29,069,916 | 3,766,645 | 2,966,845 | 961,861 | 275,588,083 | 52,699,071 | (125,426,137) | 282,731,127 |
| Interest expense | (19,751,768) | (8,988,909) | (19,081,692) | (22,040,172) | — | (4,486,100) | (128,787,053) | — | 189,673,506 | (13,462,188) |
| Share of losses of associates and a joint venture | — | — | — | — | — | — | — | (5,214,764) | — | (5,214,764) |
| Asset impairment losses | (3,715,222) | (609,801) | (591,117) | (1,194,755) | (1,574,628) | (46,191) | (5,162,637) | (839,324) | 5,891,637 | (7,842,038) |
| Depreciation and amortisation | (508,693,828) | (189,647,728) | (211,147,018) | (143,945,087) | (39,587,042) | (2,469,808) | (971,323) | (55,569,386) | — | (1,152,031,220) |
| Total profit/(losses) | 1,808,922,020 | (8,801,225) | 759,884,607 | (414,949,521) | (83,030,366) | 105,633,444 | 217,741,254 | (272,965,859) | 11,007,411 | 2,123,441,765 |
| Income tax expense | (717,643,220) | (12,464,386) | (208,345,993) | (5,443,280) | (1,050,755) | (24,135,293) | (54,556,246) | — | 5,895,860 | (1,017,743,313) |
| Net profit/(losses) | 1,091,278,800 | (21,265,611) | 551,538,614 | (420,392,801) | (84,081,121) | 81,498,151 | 163,185,008 | (272,965,859) | 16,903,271 | 1,105,698,452 |
| Total assets | 11,498,978,803 | 4,439,575,889 | 5,776,346,339 | 3,327,587,133 | 900,114,749 | 680,624,013 | 10,170,188,267 | 5,390,162,109 | (12,106,418,815) | 30,077,158,487 |
| Total liabilities | 6,452,698,020 | 1,821,713,586 | 4,051,904,558 | 2,294,101,058 | 464,505,353 | 819,257,630 | 8,850,070,106 | 498,294,745 | (12,054,526,138) | 13,198,018,918 |
| Non-cash expenses other than depreciation and amortisation | 10,694,200 | 438,716 | 6,640,832 | 298,704 | 15,524 | — | — | — | — | 18,087,976 |
| Long-term equity investments in associates and a joint venture | — | — | — | — | — | — | — | 379,530,915 | — | 379,530,915 |
| Additions of non-current assets (i) | 220,754,582 | 194,250,727 | 279,331,059 | 2,373,501,817 | 33,210,980 | 1,929,235 | 308,715 | 49,792,327 | (29,689,832) | 3,123,389,610 |

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

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For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

7 Segment information (continued)

(b) Segment information as at and for the year ended 31 December 2015 is as follows:

| | Shandong Region | Huanan Region | Huabei Region | Huadong Region | Dongnan Region | Hong Kong, Macau and other overseas | Finance Company | Unallocated | Elimination | Total |
|--|--------------------|------------------|------------------|-------------------|-------------------|---|--------------------|---------------|-----------------|------------------|
| Revenue from external customers | 13,879,320,963 | 3,897,629,068 | 4,175,305,898 | 2,791,751,756 | 2,361,332,805 | 521,019,539 | 7,090,439 | 1,235,572 | — | 27,634,686,040 |
| Inter-segment revenue | 2,409,239,282 | 367,148,144 | 1,230,524,967 | 158,795,127 | 96,647,998 | 136,623,354 | 44,333,105 | 522,386 | (4,443,834,363) | — |
| Cost of sales | (10,422,223,784) | (2,731,461,698) | (3,753,714,890) | (2,580,654,489) | (1,647,398,764) | (466,551,547) | (857,223) | (980,273) | 4,411,740,973 | (17,192,101,695) |
| Selling and distribution expenses | (2,903,216,351) | (896,675,114) | (515,609,310) | (771,367,698) | (685,431,043) | (132,239,720) | — | — | — | (5,904,539,236) |
| Interest income | 32,471,846 | 17,051,525 | 38,341,478 | 1,423,945 | 8,453,697 | 1,282,409 | 312,677,989 | 63,002,048 | (138,131,804) | 336,573,133 |
| Interest expense | (16,247,266) | (7,416,500) | (23,983,522) | (11,201,897) | (9,412,213) | (5,167,345) | (143,050,534) | — | 207,495,591 | (8,983,686) |
| Share of losses of associates and a joint venture | — | — | — | — | — | — | — | (4,562,375) | — | (4,562,375) |
| Asset impairment reversals/(losses) | 410,047 | (1,704,329) | (144,128) | 116,575 | (1,246,431) | 20,861 | (1,919,763) | 26,634,189 | (24,229,396) | (2,062,375) |
| Depreciation and amortisation | (426,915,496) | (201,828,380) | (192,373,441) | (20,141,897) | (71,774,863) | (2,559,829) | (1,160,002) | (48,594,301) | — | (965,348,209) |
| Total profit/(losses) | 1,642,093,566 | 119,959,379 | 568,188,479 | (477,140,939) | (39,215,938) | 54,573,287 | 234,462,433 | 157,522,512 | 14,379,623 | 2,274,822,402 |
| Income tax expense | (430,127,308) | (52,102,265) | (135,177,876) | 14,864,093 | 13,436,339 | (11,891,193) | (58,720,749) | — | (3,059,929) | (662,778,888) |
| Net profit/(losses) | 1,211,966,258 | 67,857,114 | 433,010,603 | (462,276,846) | (25,779,599) | 42,682,094 | 175,741,684 | 157,522,512 | 11,319,694 | 1,612,043,514 |
| Total assets | 11,275,923,045 | 4,369,906,866 | 5,253,710,545 | 472,166,928 | 1,850,291,719 | 639,489,966 | 8,640,128,102 | 5,730,710,815 | (9,731,737,858) | 28,500,590,128 |
| Total liabilities | 5,245,399,475 | 1,678,424,615 | 3,602,888,045 | 1,961,942,945 | 862,107,223 | 771,626,167 | 7,484,780,186 | 431,515,081 | (9,704,104,659) | 12,334,579,078 |
| Non-cash expenses other than depreciation and amortisation | 12,212,909 | 699,196 | 8,710,344 | 130,964 | 279,542 | — | — | — | — | 22,032,955 |
| Long-term equity investments in associates and a joint venture | — | — | — | — | — | — | — | 1,507,745,095 | — | 1,507,745,095 |
| Additions of non-current assets | 395,236,305 | 167,527,198 | 421,095,932 | 12,373,385 | 80,489,739 | 2,199,444 | 502,400 | 59,582,307 | (51,946,886) | 1,087,059,824 |

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

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 | 2016 | 2015 |
|---------------------------------|-----------------------|-----------------------|
| Domestic | 25,462,663,314 | 27,079,863,084 |
| Hong Kong and Macau | 259,073,170 | 256,705,161 |
| Other overseas | 384,607,254 | 298,117,795 |
| | 26,106,343,738 | 27,634,686,040 |
| | 31 December | 31 December |
| Total non-current assets | 2016 | 2015 |
| Domestic | 16,413,141,266 | 15,832,510,231 |
| Hong Kong and Macau | 11,634,639 | 10,973,478 |
| | 16,424,775,905 | 15,843,483,709 |

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(All amounts in RMB Yuan unless otherwise stated)

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 |
|----------------------------------|--|
| Previous Associates (i) — | |
| New Songjiang Manufacturing | A subsidiary of Shanghai Investing Company, the Group's previous associate |
| Pengcheng Company | A subsidiary of Shanghai Investing Company, the Group's previous associate |
| Yangzhou Company | A subsidiary of Shanghai Investing Company, the Group's previous associate |
| Xuzhou Company | A subsidiary of Shanghai Investing Company, the Group's previous associate |
| Suqian Company | A subsidiary of Shanghai Investing Company, the Group's previous associate |
| Kunshan Company | A subsidiary of Shanghai Investing Company, the Group's previous associate |
| Minhang Company | A subsidiary of Shanghai Investing Company, the Group's previous associate |
| Yangpu Company | A subsidiary of Shanghai Investing Company, the Group's previous associate |
| Lianyungang Company | A subsidiary of Shanghai Investing Company, the Group's previous associate |

- (i) As stated in Note 12, Shanghai Investing Company and its subsidiaries as mentioned above became subsidiaries of the Company on 28 March 2016. The amount of related transactions between the companies above and the Group, as presented in Note 8(4), was amount occurred from 1 January 2016 to 28 March 2016.

(3) Information of other related parties

| | Relationship with the Group |
|--|---|
| Tsingtao Brewery Group Co., Ltd. ("TB Group Company") | Majority shareholder of the Company |
| Asahi Breweries, Ltd. ("Asahi Breweries") | Same shareholder of the Company |
| Asahi Beer (China) Investment Co., Ltd. ("Asahi Investment") | Same shareholder of the Company |
| Suntory Company | Previous minority shareholder of the Subsidiary |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

8 Related parties and related party transactions (continued)

(4) Related party transactions

(a) Purchases of goods and receiving services

| Name of related party | Nature of transaction | Pricing policies | 2016 | 2015 |
|-----------------------------|---|---|----------------------|----------------------|
| Yantai Asahi | Purchase of beer | Mutually-agreed prices and approval by Board of Directors | 655,107,526 | 652,574,835 |
| Zhaoshang Logistics | Receiving logistics service (including payment on behalf) | Mutually-agreed prices | 290,048,274 | 252,517,226 |
| Hebei Jiahe Company | Purchase of beer | Mutually-agreed prices | 276,699,271 | 321,850,749 |
| New Songjiang Manufacturing | Purchase of beer and materials | Mutually-agreed prices and approval by Board of Directors | 165,705,582 | 704,024,383 |
| Kunshan Company | Purchase of beer and materials | Mutually-agreed prices and approval by Board of Directors | 63,114,083 | 354,175,704 |
| Minhang Comapny | Purchase of beer and materials | Mutually-agreed prices and approval by Board of Directors | 51,914,619 | 354,107,541 |
| Pengcheng Company | Purchase of beer and materials | Mutually-agreed prices and approval by Board of Directors | 39,975,253 | 215,468,796 |
| Lianyungang Company | Purchase of beer and materials | Mutually-agreed prices and approval by Board of Directors | 35,024,313 | 148,510,929 |
| Yangzhou Company | Purchase of beer and materials | Mutually-agreed prices and approval by Board of Directors | 30,759,529 | 128,913,295 |
| Suqian Company | Purchase of beer and materials | Mutually-agreed prices and approval by Board of Directors | 30,081,498 | 108,501,880 |
| Xuzhou Company | Purchase of beer | Mutually-agreed prices and approval by Board of Directors | 27,411,879 | 144,064,484 |
| Yangpu Comapny | Purchase of beer | Mutually-agreed prices and approval by Board of Directors | 2,017,144 | 13,013,005 |
| | | | 1,667,858,971 | 3,397,722,827 |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

8 Related parties and related party transactions (continued)

(4) Related party transactions (continued)

(b) Sales of goods and providing services

| Name of related party | Nature of transaction | Pricing policies | 2016 | 2015 |
|------------------------------------|--|---|--------------------|--------------------|
| Liaoning Shenqing European Company | Sale of beer | Mutually-agreed prices | 97,508,124 | 115,460,864 |
| Asahi Breweries | Sale of beer | Mutually-agreed prices | 54,617,664 | 45,303,670 |
| Asahi Investment | Sale of beer | Mutually-agreed prices and approval by Board of Directors | 36,455,148 | 26,190,227 |
| New Songjiang Manufacturing | Sale of beer | Mutually-agreed prices and approval by Board of Directors | 8,499,815 | 7,613,190 |
| Yantai Asahi Minhang Company | Sale of materials | Mutually-agreed prices | 786,153 | 9,058,981 |
| Yangzhou Company | Sale of materials | Mutually-agreed prices | 98,253 | 1,027,882 |
| New Songjiang Manufacturing | Sale of materials | Mutually-agreed prices | 61,046 | 60,554 |
| Pengcheng Company | Providing construction and equipment installation services | Mutually-agreed prices | 1,496 | 45,925 |
| Pengcheng Company | Providing construction and equipment installation services | Mutually-agreed prices | — | 1,820,085 |
| Suqian Company | Sale of materials | Mutually-agreed prices | — | 1,806,911 |
| Lianyungang Company | Providing construction and equipment installation services | Mutually-agreed prices | — | 270,085 |
| Kunshan Company | Providing construction and equipment installation services | Mutually-agreed prices | — | 49,060 |
| Xuzhou Company | Sale of materials | Mutually-agreed prices | — | 17,298 |
| Xuzhou Company | Sale of materials | Mutually-agreed prices | — | 8,139 |
| Xuzhou Company | Providing construction and equipment installation services | Mutually-agreed prices | — | 5,983 |
| Xuzhou Company | Sale of materials | Mutually-agreed prices | — | 4,615 |
| | | | 198,027,699 | 208,743,469 |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

8 Related parties and related party transactions (continued)

(4) Related party transactions (continued)

(c) Brand royalty

| Name of related party | Nature of transaction | Pricing policies | 2016 | 2015 |
|-----------------------------|-----------------------|------------------------|-------------------------|-------------------|
| New Songjiang Manufacturing | Brand royalty | Mutually-agreed prices | 2,063,593 | 8,796,834 |
| Pengcheng Company | Brand royalty | Mutually-agreed prices | 379,345 | 1,985,814 |
| Yangzhou Company | Brand royalty | Mutually-agreed prices | 347,350 | 1,432,035 |
| Suqian Company | Brand royalty | Mutually-agreed prices | 311,151 | 1,023,779 |
| Xuzhou Company | Brand royalty | Mutually-agreed prices | 237,982 | 1,267,679 |
| Lianyungang Company | Brand royalty | Mutually-agreed prices | 75,087 | 183,945 |
| | | | <u>3,414,508</u> | <u>14,690,086</u> |

(d) Entrusted loan from related parties

| | 2016 | 2015 |
|-----------------------------------|---------------------------|--------------------|
| Suntory Company (Note 4(21)(iii)) | <u>542,964,875</u> | <u>788,646,845</u> |

(e) Loan repayments to related parties

| | 2016 | 2015 |
|-----------------------------------|---------------------------|--------------------|
| Suntory Company (Note 4(21)(iii)) | <u>731,409,485</u> | <u>708,162,272</u> |

(f) Absorbed deposits from related parties

| | 2016 | 2015 |
|-----------------------------|-----------------------------|----------------------|
| Yantai Asahi | 737,870,750 | 739,061,937 |
| New Songjiang Manufacturing | 160,724,669 | 609,691,239 |
| Shanghai Investing Company | 60,717,198 | 177,641,865 |
| Pengcheng Company | 39,257,665 | 239,216,089 |
| Suqian Company | 35,657,531 | 141,149,662 |
| Xuzhou Company | 27,611,514 | 163,382,367 |
| Yangzhou Company | 25,057,104 | 150,275,185 |
| | <u>1,086,896,431</u> | <u>2,220,418,344</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

8 Related parties and related party transactions (continued)

(4) Related party transactions (continued)

(g) Interest expense paid to related parties

| | 2016 | 2015 |
|-----------------------------|------------------|------------------|
| Suntory Company | 2,002,640 | 2,479,313 |
| Yantai Asahi | 80,501 | 229,335 |
| New Songjiang Manufacturing | 35,154 | 326,369 |
| Pengcheng Company | 30,170 | 154,793 |
| Xuzhou Company | 7,853 | 26,702 |
| Suqian Company | 7,020 | 21,728 |
| Yangzhou Company | 6,500 | 70,564 |
| Shanghai Investing Company | 2,776 | 27,732 |
| | <u>2,172,614</u> | <u>3,336,536</u> |

(h) Financial services fee received from related parties

| | 2016 | 2015 |
|-----------------------------|---------------|---------------|
| Yantai Asahi | 10,210 | 10,134 |
| New Songjiang Manufacturing | 3,998 | 15,924 |
| Pengcheng Company | 1,247 | 5,479 |
| Xuzhou Company | 1,219 | 3,228 |
| Suqian Company | 812 | 3,518 |
| Yangzhou Company | 335 | 1,533 |
| Shanghai Investing Company | — | 141 |
| | <u>17,821</u> | <u>39,957</u> |

(i) Transactions with Suntory Company

As stated in Note 12, the Company acquired 50% equity interests of Shanghai Investing Company and 50% equity interests of Shanghai Industrial Company from Suntory Company with a consideration of 675,311,059 in 2016.

(j) Key management compensation

| | 2016 | 2015 |
|-----------------------------|------------------|-------------------|
| Key management compensation | <u>6,058,890</u> | <u>12,576,482</u> |

(k) For the year ended 31 December 2016 and 2015, there is no loan provided to the key management from the Group.

Notes to Financial Statements

For the Year Ended 31 December 2016

(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 2016 | | 31 December 2015 | |
|-----------------------|--------------------------------|-------------------|----------------------------|---------------------|----------------------------|
| | | Ending balance | Provision for bad debts | Ending balance | Provision for bad debts |
| Accounts receivable | Beijing Sales Company | 11,245,784 | (11,245,784) | 11,245,784 | (11,245,784) |
| | Asahi Breweries | 8,600,891 | — | 2,345,825 | — |
| | European Company | 6,778,852 | — | 12,498,849 | — |
| | Guangzhou General Agency | 2,609,690 | (2,609,690) | 3,959,690 | (3,959,690) |
| | Asahi Investment | 692,118 | — | 862,511 | — |
| | | | <u>29,927,335</u> | <u>(13,855,474)</u> | <u>30,912,659</u> |
| Other receivables | Suqian Company | — | — | 25,398,906 | — |
| | Yangzhou Company | — | — | 19,421,507 | — |
| | New Songjiang Manufacturing | — | — | 11,448,059 | — |
| | Xuzhou Company | — | — | 2,241,990 | — |
| | Pengcheng Company | — | — | 2,195,963 | — |
| | Lianyungang Company | — | — | 2,192,861 | — |
| | | | <u>—</u> | <u>—</u> | <u>62,899,286</u> |
| Advances to suppliers | Lianyungang Company | — | — | 1,446,791 | — |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

8 Related parties and related party transactions (continued)

(5) Receivable and payable balances with related parties (continued)

Payables to related parties:

| | | 31 December 2016 | 31 December 2015 |
|-------------------------|------------------------------------|---------------------|---------------------|
| Accounts payable | Yantai Asahi | 102,352,747 | 91,317,028 |
| | Hebei jiahe Company | 1,555,884 | 3,657,847 |
| | New Songjiang Manufacturing | — | 431,183,207 |
| | Kunshan Company | — | 234,843,123 |
| | Pengcheng Company | — | 74,067,416 |
| | Minhang Company | — | 21,179,335 |
| | Lianyungang Company | — | 19,997,712 |
| | Yangzhou Company | — | 1,485,417 |
| | Suqian Company | — | 811,896 |
| | Xuzhou Company | — | 673,221 |
| | Yangpu Company | — | 436,687 |
| | | 103,908,631 | 879,652,889 |
| Other payables | Zhaoshang Logistics | 64,873,239 | 33,947,864 |
| | Yantai Asahi | 18,530,087 | 8,215,924 |
| | Liaoning Shenqing | 3,458,735 | 6,083,599 |
| | Minhang Company | — | 52,175,437 |
| | Kunshan Company | — | 44,431,093 |
| | Pengcheng Company | — | 25,597,994 |
| | Xuzhou Company | — | 14,033,356 |
| | Yangzhou Company | — | 13,461,796 |
| | New Songjiang Manufacturing | — | 13,306,619 |
| | Suqian Company | — | 9,589,096 |
| | Yangpu Company | — | 6,675,880 |
| | Shanghai Investing Company | — | 113,226 |
| | | 86,862,061 | 227,631,884 |
| Advances from customers | Liaoning Shenqing | 14,219,248 | 9,793,264 |
| Interests payable | Suntory Company | — | 440,749 |
| Short-term borrowings | Suntory Company (Notes 4(21)(iii)) | — | 188,444,610 |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

8 Related parties and related party transactions (continued)

(6) Benefits and interests of directors

(a) Directors' and CEO's emoluments

The remuneration of every director, supervisor and CEO for the year ended 31 December 2016 are set out below:

| Name | Emoluments in respect of a person's services as a director | | | | Emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking | Total |
|---------------------------------|--|------------------------------|----------------|----------------|--|------------------|
| | Fees | Salary, bonus, and allowance | Social pension | Housing funds | | |
| Directors: | | | | | | |
| Sun Mingbo | — | 832,752 | 47,857 | 20,568 | — | 901,177 |
| Huang Kexing (acting as CEO) | — | 691,268 | 47,857 | 20,568 | — | 759,693 |
| Jiang Hong (i) | — | 343,770 | 23,929 | 10,902 | — | 378,601 |
| Fan Wei (ii) | — | 540,140 | 47,857 | 20,568 | — | 608,565 |
| Yu Zhuming | — | 533,203 | 47,857 | 20,568 | — | 601,628 |
| Independent directors: | | | | | | |
| Ma Haitao (iii) | 10,000 | — | — | — | — | 10,000 |
| Yu Zengbiao (iv) | 110,000 | — | — | — | — | 110,000 |
| Wang Xuezheng | 120,000 | — | — | — | — | 120,000 |
| Ben Shenglin | 120,000 | — | — | — | — | 120,000 |
| Jiang Min | 120,000 | — | — | — | — | 120,000 |
| Supervisors: | | | | | | |
| Li Gang | 120,000 | — | — | — | — | 120,000 |
| Li Yan | 80,000 | — | — | — | — | 80,000 |
| Wang Yaping | 80,000 | — | — | — | — | 80,000 |
| Xue Chaoshan | — | 466,000 | 47,857 | 20,568 | — | 534,425 |
| Sun Lihong | — | 347,500 | 47,857 | 20,568 | — | 415,925 |
| Xing Jun | — | 317,700 | 47,857 | 20,568 | — | 386,125 |
| | <u>760,000</u> | <u>4,072,333</u> | <u>358,928</u> | <u>154,878</u> | <u>—</u> | <u>5,346,139</u> |

- (i) Resigned from director on 16 June 2016.
(ii) Appointed as director on 16 June 2016.
(iii) Resigned from director on 16 February 2016.
(iv) Appointed as director on 16 February 2016.

For the year ended 31 December 2016, the directors (including Sun Mingbo, Huang Kexing, Jiang Hong, Fan Wei and Yu Zhuming) and the supervisors (including Xue Chaoshan, Sun Lihong and Xing Jun) have provided management services in connection with the management of the affairs of the Company or its subsidiaries undertaking. As the emoluments as directors or supervisors and other services can't be distinguished from each other, emoluments as both of the roles are combined disclosed together.

Notes to Financial Statements

For the Year Ended 31 December 2016

(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 of every director, supervisor and CEO for the year ended 31 December 2015 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 | | |
| Directors: | | | | | | |
| Sun Mingbo | — | 1,693,236 | 43,719 | 20,508 | — | 1,757,463 |
| Huang Kexing (acting as CEO) | — | 1,387,266 | 43,719 | 20,508 | — | 1,451,493 |
| Jiang Hong | — | 1,024,151 | 43,719 | 20,508 | — | 1,088,378 |
| Yu Zhuming | — | 812,876 | 43,719 | 20,508 | — | 877,103 |
| Independent directors: | | | | | | |
| Ma Haitao | 120,000 | — | — | — | — | 120,000 |
| Wang Xuezheng | 120,000 | — | — | — | — | 120,000 |
| Ben Shenglin | 120,000 | — | — | — | — | 120,000 |
| Jiang Min | 120,000 | — | — | — | — | 120,000 |
| Supervisors: | | | | | | |
| Duan Jiajun (i) | 90,000 | — | — | — | — | 90,000 |
| Li Gang (ii) | 10,000 | — | — | — | — | 10,000 |
| Li Yan | 80,000 | — | — | — | — | 80,000 |
| Wang Yaping | 80,000 | — | — | — | — | 80,000 |
| Xue Chaoshan | — | 483,900 | 43,719 | 20,508 | — | 548,127 |
| Sun Lihong | — | 374,600 | 43,719 | 20,508 | — | 438,827 |
| Xing Jun | — | 344,700 | 43,719 | 20,508 | — | 408,927 |
| | 740,000 | 6,120,729 | 306,033 | 143,556 | — | 7,310,318 |

(i) Resigned from supervisor on 17 October 2015.

(ii) Appointed as supervisor on 4 December 2015.

For the year ended 31 December 2015, the directors (including Sun Mingbo, Huang Kexing, Jiang Hong and Yu Zhuming) and the supervisors (including Xue Chaoshan, Sun Lihong and Xing Jun) have provided management services in connection with the management of the affairs of the Company or its subsidiaries undertaking. As the emoluments as directors or supervisors and other services can't be distinguished from each other, emoluments as both of the roles are combined disclosed together.

Notes to Financial Statements

For the Year Ended 31 December 2016

(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 2016, there are no termination benefits for the directors (2015: nil).
- (c) For the year ended 31 December 2016, there is no consideration provided to third parties for obtaining available directors' services (2015: nil).
- (d) For the year ended 31 December 2016, 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 (2015: 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 2016 (2015: nil).

(7) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 4 (2015: 3) directors whose emoluments are reflected in the analysis shown in the table above. The emoluments payable to the remaining 1 (2015: 2) individuals during the year are as follows:

| | 2016 | 2015 |
|---|------------------------------|------------------|
| Salary, bonus and allowance | 567,000 | 4,402,400 |
| Social pension | 47,857 | 87,438 |
| Housing funds | 20,568 | 41,016 |
| | <u>635,425</u> | <u>4,530,854</u> |
| | Number of individuals | |
| | 2016 | 2015 |
| Emoluments bands: | | |
| HKD500,000-1,000,000 (equivalent to approximately RMB450,000-900,000) | 1 | 0 |
| HKD2,000,000-2,500,000 (equivalent to approximately RMB1,800,000-2,300,000) | 0 | 1 |
| HKD3,000,000-3,500,000 (equivalent to approximately RMB2,700,000-3,200,000) | 0 | 1 |

Notes to Financial Statements

For the Year Ended 31 December 2016

(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 2016 | 31 December 2015 |
|------------------------------------|--------------------|--------------------|
| Buildings, machinery and equipment | <u>142,242,441</u> | <u>353,124,460</u> |

(2) Operating lease commitments

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

| | 31 December 2016 | 31 December 2015 |
|-------------------|-------------------|-------------------|
| Within one year | 24,095,463 | 26,323,769 |
| 1 to 2 years | 1,369,406 | 4,149,753 |
| 2 to 3 years | 131,930 | 120,000 |
| More than 3 years | <u>248,667</u> | <u>—</u> |
| | <u>25,845,466</u> | <u>30,593,522</u> |

10 Events after the balance sheet date

(1) Dividends distribution after the balance sheet date

| | Amount |
|-----------------------------------|--------------------|
| Dividends proposed (a) | |
| — Dividends authorised to declare | <u>472,843,978</u> |

- (a) In accordance with the resolution at the Board of Directors' meeting dated on 30 March 2017, the Board of Directors proposed a dividend of 472,843,978 to the shareholders, which is not recorded as liability in the financial statements for the current year (Note 4(38)).

11 Lease

For the year ended 31 December 2016, there is no financing lease (2015: nil). Operating lease payments recognised in profit or loss for the current year amount to 127,708,687 (2015: 127,208,736).

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

12 Transactions with Suntory Company

(1) Background

According to the Framework Agreement of Transfer of Equity Interests and Permission for Use of Brand and Technologies (“Framework Agreement”) and the Supplementary Agreement to the Framework Agreement entered into by the Company and Suntory Company on 18 October 2015 and 27 October 2016 respectively, the Company acquired remaining 50% equity interests of Shanghai Investing Company, an associate of the Company, and remaining 50% equity interests of Shanghai Industrial Company, a subsidiary of the Company, from Suntory Company with a final cash consideration of 675,311,059.

The acquisition of 50% equity interests of Shanghai Investing Company and 50% equity interests of Shanghai Industrial Company were considered as a package deal, and both parties confirmed the completion date for each transaction is 28 March 2016. The total fair value of two newly acquired equity interests is 1,051,582,100, which is valued by the external valuer Qingdao Tianhe Assets Appraisal Co., Ltd. The cash consideration less than the total fair value of the two newly acquired equity interests, the bargain purchase amount, is 376,271,041.

Based on the judgement of a package deal, the total consideration was allocated to each of the company’s newly acquired 50% equity interests. The allocated consideration was calculated based on the fair value of each equity interests, adjusted by the allocated bargain purchase amount according to the relative proportion of the normalised enterprise value. Details are set out as follows:

| | Shanghai Investing Company | Shanghai Industrial Company | Total |
|---|----------------------------------|-----------------------------------|----------------------|
| Fair value of newly acquired 50% equity interests (i) | 1,235,084,500 | (183,502,400) | 1,051,582,100 |
| Less: Bargain purchase amount allocated (ii) | <u>(357,457,489)</u> | <u>(18,813,552)</u> | <u>(376,271,041)</u> |
| Allocated considerations | <u>877,627,011</u> | <u>(202,315,952)</u> | <u>675,311,059</u> |

- (i) According to the valuation report issued by Qingdao Tianhe Assets Appraisal Co., Ltd., the fair value of the 50% equity interests of Shanghai Investing Company and 50% equity interests of Shanghai Industrial Company at the completion date was calculated on the basis of five-year financial budgets approved by the management, using the method of discounted cash flow. The cash flows beyond the five-year period were calculated using an estimated growth rate of 3%, which is by reference to the long-term average growth rate of the Chinese beer industry.

The key assumptions applied in the discounted cash flows method are set out as follows:

| | Shanghai Investing Company | Shanghai Industrial Company |
|-------------------------|----------------------------------|-----------------------------------|
| Gross margin | 27.5% | 16.5% |
| Pre-tax discount rate | 13.7% | 15.8% |
| After-tax discount rate | 11.3% | 13.7% |

- (ii) The total bargain purchase amount of 376,271,041 was allocated among the acquisition of the two companies in proportion to their respective normalised enterprise values as calculated. The normalised enterprise value was calculated on the basis of the fair value of the equity interests, adjusted by interest-bearing liabilities and excess assets/liabilities.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

12 Transactions with Suntory Company (continued)

(2) Business combination not under common control achieved by stages

The Company previously held 50% equity interests of Shanghai Investing Company but only 44.44% voting rights, because the Company had the right to appoint 4 out of 9 directors in the Board which has the authority to make decisions for related activities. Therefore, the Company could exercise significant influence over Shanghai Investing Company and account for it using the equity method. On 28 March 2016, the Company acquired the remaining 50% equity interests of Shanghai Investing Company from Suntory Company, and then Shanghai Investing Company became a wholly-owned subsidiary of the Company.

(a) Combination cost and goodwill are set out as follows:

| | |
|---|--------------------|
| Fair value of 100% identifiable net assets (Note 12(2)(c)) | 2,290,413,033 |
| Less: Combination cost — | (2,112,711,511) |
| Allocated consideration (Note 12(1)) | (877,627,011) |
| Fair value of the former 50% equity interests at the acquisition date | (1,235,084,500) |
| Negative goodwill (non-operating income) (Note 4(47)) | <u>177,701,522</u> |

(b) Gains arising from remeasurement at fair value of the former 50% equity interests held before the acquisition date

| | |
|---|------------------------|
| Fair value of the former 50% equity interests at the acquisition date | 1,235,084,500 |
| Less: Carrying value of the former 50% equity interests (Note 4(10)(b)) | <u>(1,105,296,914)</u> |
| Gains arising from remeasurement (investment income) (Note 4(45)) | <u>129,787,586</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

12 Transactions with Suntory Company (continued)

(2) Business combination not under common control achieved by stages (continued)

(c) Assets and liabilities of Shanghai Investing Company at the acquisition date are as follows:

| | Acquisition date Fair value | Acquisition date Carrying amount | 31 December 2015 Carrying amount |
|-----------------------------|--------------------------------|-------------------------------------|-------------------------------------|
| Cash at bank and on hand | 112,161,502 | 112,161,502 | 127,606,056 |
| Accounts receivable | 946,103,604 | 946,103,604 | 785,873,525 |
| Other receivables | 331,769,671 | 331,769,671 | 454,433,365 |
| Inventories | 381,540,787 | 369,567,489 | 400,665,676 |
| Other current assets | 16,174,232 | 16,174,232 | 18,628,992 |
| Fixed assets | 1,782,353,603 | 1,671,664,595 | 1,711,050,925 |
| Intangible assets | 542,845,124 | 350,027,610 | 347,878,201 |
| Other non-current assets | 20,157,802 | 19,603,482 | 31,764,925 |
| Less: Short-term borrowings | (387,638,460) | (387,638,460) | (454,415,567) |
| Payables | (827,648,908) | (827,648,908) | (805,963,239) |
| Taxes payable | (111,333,603) | (111,333,603) | (67,762,206) |
| Deferred income | (320,847,511) | (320,847,511) | (327,330,653) |
| Deferred tax liabilities | (142,679,960) | (63,654,650) | (64,330,360) |
| Other liabilities | (34,088,989) | (34,088,989) | (41,268,860) |
| Net assets | 2,308,868,894 | 2,071,860,064 | 2,116,830,780 |
| Non-controlling interests | (18,455,861) | (16,319,611) | (17,238,991) |
| Net assets obtained | 2,290,413,033 | 2,055,540,453 | 2,099,591,789 |

In accordance with the valuation report issued by Qingdao Tianhe Assets Appraisal Co., Ltd., the Company determined the fair value of assets and liabilities of Shanghai Investing Company at the acquisition date by using valuation technique. The valuation methodology and key assumptions as adopted are as follows:

The valuation methodology used for fixed assets is Depreciated Replacement Cost Method, using the following critical assumptions:

Houses and buildings will continue to be used based on existing purposes. The ownership certificates can be obtained legally for properties without ownership certificates; machinery and equipment will continue to be used for the existing purpose.

The valuation methodology and key assumptions used for intangible assets are as follows:

The valuation methodology for land use rights include the Market Approach, the Benchmark Land Price Scale Method and the Cost Approach. The key assumption used is that land uses will not be changed.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

12 Transactions with Suntory Company (continued)

(3) Acquisition of non-controlling interests in a subsidiary

The Company previously held 50% equity interests of Shanghai Industrial Company but 55.56% voting rights, because the Company had the right to appoint 5 out of 9 directors in the Board which has the authority to make decisions for related activities. Therefore, the Company could exercise control over Shanghai Industrial Company and account for it as a subsidiary. On 28 March 2016, the Company acquired the remaining 50% equity interests of Shanghai Industrial Company from Suntory Company, and then Shanghai Industrial Company became a wholly-owned subsidiary of the Company. The impact of this transaction is set out as follows:

| | |
|---|--------------------|
| Acquisition cost — allocated consideration (Note 12(1)) | (202,315,952) |
| Less: Shares of the negative identifiable net assets at the transaction date calculated by the latter 50% equity interests continuously from the acquisition date | <u>833,210,043</u> |
| Adjustment against capital surplus (Note 4(34)(i)) | <u>630,894,091</u> |

13 Financial instrument and risk

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

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from business transactions denominated in foreign currencies, primarily with respect to USD, and from some sales receipts settled by EUR. As the balance of the borrowings denominated in foreign currencies and the business transactions settled in foreign currencies are not material, the directors of the Company are of the view that the Group's exposure to foreign exchange risk would be immaterial. The Group's 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 2016 and 2015, the Group did not enter into any forward exchange contracts or currency swap contracts.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

13 Financial instrument and risk (continued)

(1) Market risk (continued)

(a) Foreign exchange risk (continued)

As at 31 December 2016 and 2015, the carrying amounts in RMB equivalent to the Group's assets and liabilities denominated in foreign currencies are summarised as below:

| | 31 December 2016 | | |
|---|--------------------|--------------------------|--------------------|
| | USD | Other foreign currencies | Total |
| Financial assets denominated in foreign currency — | | | |
| Cash at bank and on hand | 198,275,783 | 87,616,956 | 285,892,739 |
| Accounts receivable | 27,410,293 | 8,098,726 | 35,509,019 |
| | <u>225,686,076</u> | <u>95,715,682</u> | <u>321,401,758</u> |
| Financial liabilities denominated in foreign currency — | | | |
| Other payables | 2,776,777 | — | 2,776,777 |
| Current portion of non-current liabilities | — | 376,372 | 376,372 |
| Long-term borrowings | — | 1,376,480 | 1,376,480 |
| | <u>2,776,777</u> | <u>1,752,852</u> | <u>4,529,629</u> |
| | | | |
| | 31 December 2015 | | |
| | USD | Other foreign currencies | Total |
| Financial assets denominated in foreign currency — | | | |
| Cash at bank and on hand | 48,235,636 | 18,274,588 | 66,510,224 |
| Accounts receivable | 28,625,489 | 14,127,473 | 42,752,962 |
| | <u>76,861,125</u> | <u>32,402,061</u> | <u>109,263,186</u> |
| Financial liabilities denominated in foreign currency — | | | |
| Short-term borrowings | — | 18,766,720 | 18,766,720 |
| Other payables | 2,884,226 | — | 2,884,226 |
| Current portion of non-current liabilities | — | 856,189 | 856,189 |
| Long-term borrowings | — | 1,711,800 | 1,711,800 |
| | <u>2,884,226</u> | <u>21,334,709</u> | <u>24,218,935</u> |

As at 31 December 2016, for various financial assets and liabilities denominated in USD, if USD had strengthened or weakened by 4% against the RMB while all other variables had been held constant, the Group's net profit for the year would have been approximately 6,687,000 (31 December 2015: 2,219,000) higher or lower.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

13 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 2016 and 2015, as the long-term bank borrowings are all interest-free and immaterial, there is no material interest rate risk in the view of the directors of the Group.

The Group's head office continuously monitors the interest rate position of the Group. Increase in interest rate will increase the cost of new interest-bearing borrowings and therefore could have an adverse impact on the Group's financial performance. The management of the Group makes decisions according to the latest market conditions. The directors of the Company are of the view that future interest rate changes will not have a material adverse impact on the Group's operating performance.

(c) Price risk

The Group's price risk arises from price fluctuation of the principal raw materials in beer production, while the rise of raw material prices will have adverse impact on the Group's financial performance. The purchasing department of the Group keeps analysing and monitoring the trend of raw materials prices, and considers entering into long-term purchase contracts with the suppliers to make sure that there is no material fluctuation of raw material prices. The directors of the Company are of the view that future price changes of principal raw materials will not have material adverse impact on the Group's operating performance.

(2) Credit risk

Credit risk is managed on a group basis. Credit risk mainly arises from cash at bank and on hand, accounts receivable, other receivables and notes receivable etc.

The Group expects that there is no significant credit risk associated with cash at bank considering they are deposited at state-owned banks and other medium or large size public-listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Sales are mainly settled by advances from customers, and accordingly, there is no significant credit risk related to customers.

In addition, the Group has policies to limit the credit exposure on accounts receivable and notes receivable. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

13 Financial instrument and risk (continued)

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's head office. The head office monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

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

| | 31 December 2016 | | | | Total |
|--|----------------------|----------------|----------------|--------------|----------------------|
| | Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | |
| Short-term borrowings | 303,849,161 | — | — | — | 303,849,161 |
| Notes payable | 307,516,920 | — | — | — | 307,516,920 |
| Accounts payable | 2,049,229,359 | — | — | — | 2,049,229,359 |
| Interests payable | 737,291 | — | — | — | 737,291 |
| Other payables | 4,918,819,305 | — | — | — | 4,918,819,305 |
| Current portion of non-current liabilities | 376,372 | — | — | — | 376,372 |
| Long-term borrowings | — | 393,280 | 983,200 | — | 1,376,480 |
| | <u>7,580,528,408</u> | <u>393,280</u> | <u>983,200</u> | <u>—</u> | <u>7,581,904,888</u> |

| | 31 December 2015 | | | | Total |
|--|----------------------|----------------|------------------|----------------|----------------------|
| | Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | |
| Short-term borrowings | 812,760,460 | — | — | — | 812,760,460 |
| Notes payable | 100,141,631 | — | — | — | 100,141,631 |
| Accounts payable | 2,590,986,856 | — | — | — | 2,590,986,856 |
| Interests payable | 1,486,051 | — | — | — | 1,486,051 |
| Other payables | 4,061,298,404 | — | — | — | 4,061,298,404 |
| Current portion of non-current liabilities | 856,189 | — | — | — | 856,189 |
| Long-term borrowings | — | 380,400 | 1,141,200 | 190,200 | 1,711,800 |
| | <u>7,567,529,591</u> | <u>380,400</u> | <u>1,141,200</u> | <u>190,200</u> | <u>7,569,241,391</u> |

Bank borrowings are analysed by repayment terms as follows:

| | 31 December 2016 | 31 December 2015 |
|---------------|--------------------|--------------------|
| Within 1 year | 302,717,372 | 811,243,471 |
| 1 to 2 years | 393,280 | 380,400 |
| 2 to 5 years | 983,200 | 1,141,200 |
| Over 5 years | — | 190,200 |
| | <u>304,093,852</u> | <u>812,955,271</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

14 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 2016, the assets measured at fair value on a recurring basis were the wealth management products of 720,000,000 (Note 4(9)) held by the Group, which were recognised as available-for-sale financial assets. Based on the unobservable inputs, they were categorised within level 3 of the fair value hierarchy. (31 December 2015: no asset measured at fair value).

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

Changes of the above Level 3 financial assets are analysed below:

| | Available-for-sale financial assets |
|------------------------------------|--|
| 1 January 2016 | — |
| Purchases | 3,180,000,000 |
| Sales | (2,460,000,000) |
| Total gains for the current period | 26,052,649 |
| Gains recognised in profit or loss | <u>(26,052,649)</u> |
| 31 December 2016 | <u>720,000,000</u> |
| | Available-for-sale financial assets |
| 1 January 2015 | 20,000,000 |
| Purchases | 880,000,000 |
| Sales | (900,000,000) |
| Total gains for the current period | 21,615,917 |
| Gains recognised in profit or loss | <u>(21,615,917)</u> |
| 31 December 2015 | <u>—</u> |

Gains recognised in profit or loss are included in the income statement under the items of investment income.

The unobservable input of above Level 3 financial asset is its expected return, which is used by the management to evaluate its fair value.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

14 Fair value estimation (continued)

(2) Financial assets and liabilities not measured at fair value but disclosed at fair value

Financial assets and financial liabilities of the Group measured at amortised cost mainly represent receivables, short-term borrowings, payables and long-term borrowings. The difference between the carrying amount and fair value of those financial assets and liabilities not measured by fair value is small.

The fair value of long-term borrowings is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms, which belongs to level 3.

15 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 2016, 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 2016 and 2015 are as follows:

| | 31 December 2016 | 31 December 2015 |
|--|----------------------|----------------------|
| Cash and cash equivalents | <u>7,929,473,031</u> | <u>7,575,374,183</u> |
| Less: Short-term borrowings | (302,341,000) | (810,387,282) |
| Current portion of non-current liabilities | (376,372) | (856,189) |
| Long-term borrowings | <u>(1,376,480)</u> | <u>(1,711,800)</u> |
| | <u>(304,093,852)</u> | <u>(812,955,271)</u> |
| Cash balance after deducting borrowings | <u>7,625,379,179</u> | <u>6,762,418,912</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the Company's Financial Statements

(1) Accounts receivable

| | 31 December 2016 | 31 December 2015 |
|-------------------------------|---------------------|---------------------|
| Accounts receivable | 875,565,955 | 513,563,811 |
| Less: Provision for bad debts | <u>(63,556,922)</u> | <u>(64,868,599)</u> |
| | <u>812,009,033</u> | <u>448,695,212</u> |

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

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

| | 31 December 2016 | 31 December 2015 |
|--------------------|--------------------|--------------------|
| Within 6 months | 703,420,285 | 411,254,406 |
| 6 months to 1 year | 57,089,016 | 19,460,215 |
| 1 to 2 years | 35,228,701 | 14,063,769 |
| 2 to 3 years | 12,376,910 | 18,464 |
| 3 to 4 years | 18,464 | — |
| 4 to 5 years | — | 3,119,850 |
| Over 5 years | <u>67,432,579</u> | <u>65,647,107</u> |
| | <u>875,565,955</u> | <u>513,563,811</u> |

As at 31 December 2016, accounts receivable of 2,371,950 (31 December 2015: 26,394) were past due, but based on the analysis of the customers' financial position and credit record, the Company was of the view that the overdue amounts could be fully or partially recovered, thus no provision for bad debts are individually or fully provided. The past-due ageing of these accounts receivables is analysed as follows:

| | 31 December 2016 | 31 December 2015 |
|-----------------|------------------|------------------|
| Within 6 months | 2,371,950 | — |
| 1 to 2 years | <u>—</u> | <u>26,394</u> |
| | <u>2,371,950</u> | <u>26,394</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the Company's Financial Statements (continued)

(1) Accounts receivable (continued)

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

| | 31 December 2016 | | | | 31 December 2015 | | | |
|---|--------------------|--------------------|-------------------------|--------------|--------------------|--------------------|-------------------------|---------------|
| | Ending balance | | Provision for bad debts | | Ending balance | | Provision for bad debts | |
| | Amount | % of total balance | Amount | Ratio | Amount | % of total balance | Amount | Ratio |
| Individually significant and subject to separate assessment for provision | 13,855,474 | 1.58% | (13,855,474) | 100% | 15,205,474 | 2.96% | (15,205,474) | 100% |
| Subject to provision on the grouping basis | | | | | | | | |
| Group B | 771,619,428 | 88.13% | — | — | 407,623,922 | 79.37% | — | — |
| Group C | 90,091,053 | 10.29% | (49,701,448) | 55.17% | 90,734,415 | 17.67% | (49,663,125) | 54.73% |
| | <u>875,565,955</u> | <u>100%</u> | <u>(63,556,922)</u> | <u>7.26%</u> | <u>513,563,811</u> | <u>100%</u> | <u>(64,868,599)</u> | <u>12.63%</u> |

(c) As at 31 December 2016, accounts receivable with amounts that are individually significant and subject to separate assessment for provision are analysed as follows:

| | Ending balance | Provision for bad debts | Ratio | Reason |
|--------------------------|-------------------|-------------------------|-------|--------------|
| Beijing Sales Company | 11,245,784 | (11,245,784) | 100% | Note 4(3)(c) |
| Guangzhou General Agency | 2,609,690 | (2,609,690) | 100% | Note 4(3)(c) |
| | <u>13,855,474</u> | <u>(13,855,474)</u> | | |

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

| | 31 December 2016 | | | 31 December 2015 | | |
|--------------------|-------------------|--------------------------------|---------------|-------------------|--------------------------------|---------------|
| | Ending balance | Provision for bad debts Amount | Ratio | Ending balance | Provision for bad debts Amount | Ratio |
| Within 6 months | 40,209,012 | — | — | 41,058,093 | — | — |
| 6 months to 1 year | 190,098 | (9,505) | 5% | — | — | — |
| 1 to 2 years | — | — | — | 26,394 | (13,197) | 50% |
| 2 to 3 years | 26,394 | (26,394) | 100% | 18,464 | (18,464) | 100% |
| 3 to 4 years | 18,464 | (18,464) | 100% | — | — | — |
| 4 to 5 years | — | — | — | 100,000 | (100,000) | 100% |
| Over 5 years | 49,647,085 | (49,647,085) | 100% | 49,531,464 | (49,531,464) | 100% |
| | <u>90,091,053</u> | <u>(49,701,448)</u> | <u>55.17%</u> | <u>90,734,415</u> | <u>(49,663,125)</u> | <u>54.73%</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the Company's Financial Statements (continued)

(1) Accounts receivable (continued)

- (e) The provisions for bad debts increased in the current year are 38,323, and the reversal of provisions for bad debts are 1,350,000. The significant reversal of provision for bad debts is as follows:

| | Reason for collecting or reversal | Rationality of provision basis | Amount of collecting or reversal | Collecting way |
|-----------------------------|---|---|--|-------------------|
| Guangzhou General Agency | Partially collected | The collecting probability is low in the management's view | 1,350,000 | By cash |

- (f) As at 31 December 2016, there are no accounts receivable written off (2015: nil).

- (g) As at 31 December 2016, 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 | 392,604,839 | — | 44.84% |

- (h) As at 31 December 2016, there are no accounts receivable derecognised due to the transfer of financial assets (31 December 2015: nil).

(2) Dividends receivable

| | 31 December 2016 | 31 December 2015 |
|--------------------------------|----------------------|------------------|
| Pingdu Sales Company | 364,626,982 | — |
| Shibei Sales Company | 326,366,731 | — |
| Xi'an Comapny | 284,457,872 | — |
| Chengyang Sales Company | 190,832,490 | — |
| Shijiazhuang Company | 51,426,973 | — |
| Taiyuan Company | 42,872,378 | — |
| Cultural Communication Company | 40,000,000 | — |
| Rizhao Company | 29,127,083 | — |
| Jinan Company | 24,353,215 | — |
| | <u>1,354,063,724</u> | <u>—</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the Company's Financial Statements (continued)

(3) Other receivables

| | 31 December 2016 | 31 December 2015 |
|--|---------------------|---------------------|
| Receivables from subsidiaries | 122,541,057 | 112,597,272 |
| Refund for prepayment of land use rights | 17,441,647 | 17,441,647 |
| Staff advance | 12,208,521 | 25,500,880 |
| Deposits | 3,369,432 | 6,162,946 |
| Brand royalty | — | 15,381,998 |
| Others | 32,265,499 | 17,407,738 |
| | 187,826,156 | 194,492,481 |
| Less: Provision for bad debts | (40,702,257) | (39,832,296) |
| | 147,123,899 | 154,660,185 |

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

| | 31 December 2016 | 31 December 2015 |
|--------------------|--------------------|------------------|
| Within 6 months | 39,724,880 | 102,491,667 |
| 6 months to 1 year | 24,931,573 | 28,695,359 |
| 1 to 2 years | 63,760,684 | 18,736,096 |
| 2 to 3 years | 14,839,660 | 1,722,168 |
| 3 to 4 years | 1,722,168 | 231,984 |
| 4 to 5 years | 231,984 | 1,846,239 |
| Over 5 years | 42,615,207 | 40,768,968 |
| | 187,826,156 | 194,492,481 |

The Company has no specific credit terms for other receivables. Therefore, the Company has no other receivables that were past due but not individually provided for impairments as at 31 December 2016 and 31 December 2015.

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

| | 31 December 2016 | | | | 31 December 2015 | | | |
|---|--------------------|-----------------------|-------------------------|---------------|------------------|-----------------------|-------------------------|--------|
| | Ending balance | | Provision for bad debts | | Ending balance | | Provision for bad debts | |
| | Amount | % of total balance | Amount | Ratio | Amount | % of total balance | Amount | Ratio |
| Individually significant and subject to separate assessment for provision | 17,441,647 | 9.29% | (17,441,647) | 100% | 17,441,647 | 8.97% | (17,441,647) | 100% |
| Subject to provision on the grouping basis | | | | | | | | |
| Group A | 2,119,907 | 1.13% | — | — | 3,206,031 | 1.65% | — | — |
| Group B | 122,541,057 | 65.24% | — | — | 112,597,272 | 57.89% | — | — |
| Group C | 45,723,545 | 24.34% | (23,260,610) | 50.87% | 61,247,531 | 31.49% | (22,390,649) | 36.56% |
| | 187,826,156 | 100% | (40,702,257) | 21.67% | 194,492,481 | 100% | (39,832,296) | 20.48% |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the Company's Financial Statements (continued)

(3) Other receivables (continued)

- (c) As at 31 December 2016, other receivables that are individually significant and subject to separate assessment for provision are analysed as follows:

| | Ending balance | Provision for bad debts | Ratio | Reason |
|--|----------------|-------------------------|-------|--------------|
| Refund for prepayment of land use rights | 17,441,647 | (17,441,647) | 100% | Note 4(6)(c) |

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

| | 31 December 2016 | | | 31 December 2015 | | |
|--------------------|------------------|-------------------------|--------|------------------|-------------------------|--------|
| | Ending balance | Provision for bad debts | | Ending balance | Provision for bad debts | |
| | | Amount | Ratio | | Amount | Ratio |
| Within 6 months | 18,975,137 | — | — | 38,278,941 | — | — |
| 6 months to 1 year | 3,007,554 | (150,378) | 5% | 488,980 | (24,449) | 5% |
| 1 to 2 years | 1,261,244 | (630,622) | 50% | 226,820 | (113,410) | 50% |
| 2 to 3 years | 226,820 | (226,820) | 100% | 260,396 | (260,396) | 100% |
| 3 to 4 years | 260,396 | (260,396) | 100% | 231,984 | (231,984) | 100% |
| 4 to 5 years | 231,984 | (231,984) | 100% | 185,239 | (185,239) | 100% |
| Over 5 years | 21,760,410 | (21,760,410) | 100% | 21,575,171 | (21,575,171) | 100% |
| | 45,723,545 | (23,260,610) | 50.87% | 61,247,531 | (22,390,649) | 36.56% |

- (e) The provisions for bad debts increased in the current year are 870,991, and the reversal provision for bad debts are 1,030.
- (f) In the current year, there are no other receivables written off.
- (g) As at 31 December 2016, the top five other receivables are analysed as follows:

| | Nature | Amount | Ageing | % of total balance | provisions for bad debts |
|--|--|-------------|----------------|--------------------|--------------------------|
| Wuhu Company | Payment on behalf for recycled bottles | 45,468,722 | Within 3 years | 24.21% | — |
| Suizhou Company | Payment on behalf for recycled bottles | 25,357,969 | Within 3 years | 13.50% | — |
| Yingcheng Company | Payment on behalf for recycled bottles | 22,970,650 | Within 3 years | 12.23% | — |
| Tsingtao Xianghong Shangwu Co., Ltd. ("Xianghong Shangwu") | Payment on behalf for Social Security | 14,674,625 | Within 3 years | 7.81% | — |
| New Shanghai Sales Company | Assets transferred | 7,491,224 | Over 5 years | 3.99% | — |
| | | 115,963,190 | | 61.74% | — |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the Company's Financial Statements (continued)

(4) Long-term receivables

| | 31 December 2015 | | | 31 December 2016 |
|-------------------------------------|----------------------|---------------------------------|---------------------------------|----------------------|
| Entrusted loans to Subsidiaries (i) | <u>648,500,000</u> | | | <u>181,100,000</u> |
| | | Increase in the current year | Decrease in the current year | |
| Less: provisions for bad debts | <u>(174,300,000)</u> | <u>(5,000,000)</u> | <u>4,200,000</u> | <u>(175,100,000)</u> |
| | <u>474,200,000</u> | | | <u>6,000,000</u> |

(i) The entrusted loans to subsidiaries are unsecured RMB loans provided by the Company through banks and Finance Company, with annual interest of 3.92%-5.04% and quarterly payment.

(5) Long-term equity investments

| | 31 December 2016 | 31 December 2015 |
|--|-----------------------------|----------------------|
| Subsidiaries (a) | 10,320,072,449 | 8,412,708,408 |
| Joint Venture (b) | 226,219,372 | 225,462,073 |
| Associates (c) | <u>152,578,275</u> | <u>1,221,216,078</u> |
| | 10,698,870,096 | 9,859,386,559 |
| Less: Provision for impairment of long-term equity investments (d) | <u>(755,588,059)</u> | <u>(755,588,059)</u> |
| | <u>9,943,282,037</u> | <u>9,103,798,500</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the Company's Financial Statements (continued)

(5) Long-term equity investments (continued)

(a) Subsidiaries

| | 31 December 2015 | Movements in the current year | | | 31 December 2016 | Balance of provision for impairment at end of year | Cash dividends declared in the current year |
|--|---------------------|-------------------------------|-------------------------|--------|---------------------|---|---|
| | | Increased investment | Decreased investment | Others | | | |
| Shenzhen Asahi | 126,746,680 | — | — | — | 126,746,680 | — | (92,400,000) |
| Chenzhou Company | 62,601,208 | — | — | — | 62,601,208 | — | — |
| Huanan Sales Company | 45,070,000 | — | — | — | 45,070,000 | — | — |
| Huanan Holding Company | 208,790,000 | — | — | — | 208,790,000 | — | — |
| 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 | — | (284,457,872) |
| Weinan Company | 14,000,000 | — | — | — | 14,000,000 | — | — |
| Anshan Company | 30,000,000 | — | — | — | 30,000,000 | — | — |
| Xingkaihu Company | 129,430,000 | — | — | — | 129,430,000 | (129,430,000) | — |
| Mishan Company | 23,920,000 | — | — | — | 23,920,000 | (23,920,000) | — |
| 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 | — | — |
| Tsingtao Brewery Kai Fa Co., Ltd. | 1,320,000 | — | — | — | 1,320,000 | (1,320,000) | — |
| Taizhou Company | 60,000,000 | — | — | — | 60,000,000 | — | — |
| Maanshan Company | 80,000,000 | — | — | — | 80,000,000 | — | — |
| Xianghong Shangwu | 5,760,000 | — | — | — | 5,760,000 | — | — |
| Dongnan Sales Company | 293,088,560 | — | — | — | 293,088,560 | — | — |
| Changsha Company | 47,600,000 | — | — | — | 47,600,000 | — | — |
| Jinan Company | 560,000,000 | — | — | — | 560,000,000 | — | (24,353,215) |
| 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 | — | (40,000,000) |
| Rizhao Company | 339,239,300 | — | — | — | 339,239,300 | — | (29,127,083) |
| Weifang Company | 73,620,001 | — | — | — | 73,620,001 | — | (9,549,456) |
| Pingyuan Company | 21,730,001 | — | — | — | 21,730,001 | — | — |
| Construction Company | 2,490,000 | — | — | — | 2,490,000 | — | — |
| Langfang Company | 79,090,000 | — | — | — | 79,090,000 | — | — |
| Heze Company | 124,590,000 | — | — | — | 124,590,000 | (51,301,600) | — |
| Tengzhou Company | 48,310,000 | — | — | — | 48,310,000 | — | — |
| Tsingtao Brewery (Shanghai) Company Limited | 1,570,000 | — | — | — | 1,570,000 | — | — |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the Company's Financial Statements (continued)

(5) Long-term equity investments (continued)

(a) Subsidiaries (continued)

| | 31 December 2015 | Movements in the current year | | | 31 December 2016 | Balance of provision for impairment at end of year | Cash dividends declared in the current year |
|----------------------------------|----------------------|-------------------------------|-------------------------|----------------------|-----------------------|---|---|
| | | Increased investment | Decreased investment | Others | | | |
| Wuhu Company | 144,290,000 | — | — | — | 144,290,000 | — | — |
| Shanghai Sales Company | 97,300,000 | — | — | — | 97,300,000 | (47,300,000) | — |
| Chengyang Sales Company | 8,000,000 | — | — | — | 8,000,000 | — | (190,832,490) |
| Shijiazhuang Company | 321,010,000 | — | — | — | 321,010,000 | — | (51,426,973) |
| Taiyuan Company | 200,000,000 | — | — | — | 200,000,000 | — | (42,872,378) |
| 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 | — | — |
| Sifang Sales Company (i) | 10,000,000 | — | (10,000,000) | — | — | — | — |
| Jieyang Company | 150,000,000 | — | — | — | 150,000,000 | — | (17,749,900) |
| Beverage Company | 30,044,252 | — | — | — | 30,044,252 | — | — |
| Shaoguan Company | 200,000,000 | — | — | — | 200,000,000 | — | — |
| Hainan Company (i) | 200,000,000 | — | (200,000,000) | — | — | — | — |
| Shibei Sales Company | 8,000,000 | — | — | — | 8,000,000 | — | (326,366,731) |
| Jiujiang Company | 180,000,000 | — | — | — | 180,000,000 | — | — |
| Xuzhou Enterprise Management | 10,000,000 | — | — | — | 10,000,000 | (10,000,000) | — |
| Pingdu Sales Company | 5,000,000 | — | — | — | 5,000,000 | — | (364,626,982) |
| Luoyang Company | 200,000,000 | — | — | — | 200,000,000 | — | — |
| Shanghai Industrial Company (ii) | 10,000,000 | 194,484,048 | — | — | 204,484,048 | (10,000,000) | — |
| Luzhou Company | 118,460,956 | — | — | — | 118,460,956 | — | — |
| Harbin Sales Company | 1,100,000 | — | — | — | 1,100,000 | (1,100,000) | — |
| Zhangjiakou Company | 91,600,000 | — | — | — | 91,600,000 | — | — |
| Lulansa Company | 317,374,000 | — | — | — | 317,374,000 | — | — |
| Huangshi Company | 163,630,000 | — | — | — | 163,630,000 | — | — |
| Yingcheng Company | 42,070,000 | — | — | — | 42,070,000 | — | — |
| Hanzhong Company | 26,297,900 | — | — | — | 26,297,900 | — | — |
| Shanghai Investing Company (iii) | — | 877,627,011 | — | 1,045,252,982 | 1,922,879,993 | — | — |
| | <u>8,412,708,408</u> | <u>1,072,111,059</u> | <u>(210,000,000)</u> | <u>1,045,252,982</u> | <u>10,320,072,449</u> | <u>(754,368,059)</u> | <u>(1,473,763,080)</u> |

- (i) As stated in Note 5(2), the Group cancelled the registration of Sifang Sales Company and Hainan Company.
- (ii) As stated in Note 12, the Company acquired the remaining 50% equity interests of Shanghai Industrial Company, a subsidiary of the Company, from Suntory Company on 28 March 2016, with an allocated consideration of negative 202,315,952, and then Shanghai Industrial Company became a wholly-owned subsidiary of the Company. According to the resolution of the 13th session in the 8th meeting of the Board of Directors, the Company increased investment of 396,800,000 in Shanghai Industrial Company in August 2016.
- (iii) As stated in Note 12, the Company acquired the remaining 50% equity interests of Shanghai Investing Company from Suntory Company on 28 March 2016 with an allocated consideration of 877,627,011. And then, Shanghai Investing Company changed from an associate of the Company to a wholly-owned subsidiary of the Company. Meanwhile, the balance of 1,045,252,982 of the former 50% long-term equity investments, which was accounted for using the equity method, was recorded as the initial book value changed to the costing method.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the Company's Financial Statements (continued)

(5) Long-term equity investments (continued)

(b) Joint venture

| | 31 December 2015 | Movements in the current year | | | 31 December 2016 | Balance of provision for impairment at end of year |
|---------------------|---------------------|---|-------------------------|-------------------------------|---------------------|---|
| | | Share of net profit or loss using the equity method | Other equity changes | Cash dividends declared | | |
| Hebei Jiahe Company | 225,462,073 | 757,299 | — | — | 226,219,372 | — |

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

(c) Associates

| | 31 December 2015 | Movements in the current year | | | | 31 December 2016 | Balance of provision for impairment at end of year |
|-----------------------------------|---------------------|---|----------------------------|-------------------------------|--------------------|---------------------|---|
| | | Share of net profit or loss using the equity method | Other equity changes | Cash dividends declared | Other decreases | | |
| Shanghai Investing Company (i) | 1,067,284,291 | (22,031,309) | — | — | (1,045,252,982) | — | — |
| Yantai Asahi | 133,456,185 | 13,360,028 | — | (14,098,054) | — | 132,718,159 | — |
| Zhaoshang Logistics | 17,058,242 | 3,467,783 | 4,912 | (3,660,912) | — | 16,870,025 | — |
| Liaoning Shenqing | 2,197,360 | (427,269) | — | — | — | 1,770,091 | — |
| Others | 1,220,000 | — | — | — | — | 1,220,000 | (1,220,000) |
| | 1,221,216,078 | (5,630,767) | 4,912 | (17,758,966) | (1,045,252,982) | 152,578,275 | (1,220,000) |

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

- (i) As stated in Note 12, Shanghai Investing Company became a subsidiary of the Company since 28 March 2016. During the period from 1 January 2016 to 28 March 2016, the Company's share of net losses using the equity method in Shanghai Investing Company was 22,031,309, including the investment loss of 21,763,797 arising from the share of net loss adjusted at the fair value and the investment loss of 267,512 arising from the unrealised profit in internal transaction of Shanghai Investing Company offsetting long-term equity investments.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the Company's Financial Statements (continued)

(5) Long-term equity investments (continued)

(c) Associates (continued)

On 28 March 2016, the value of long-term equity investment in Shanghai Investing Company was calculated as follows:

| | Shanghai Investing Company | |
|--|----------------------------|------------------|
| | 28 March 2016 | 31 December 2015 |
| Total equity attributable to shareholders | 2,055,540,453 | 2,099,591,789 |
| Adjusted fair value of the identifiable net assets when obtained | (44,429,703) | (44,953,445) |
| Adjusted total equity attributable to shareholders | 2,011,110,750 | 2,054,638,344 |
| Share of net assets calculated by shareholding proportion | 1,005,555,375 | 1,027,319,172 |
| Adjusting events | | |
| — Goodwill | 48,521,954 | 48,521,954 |
| — Unrealised profits of internal transaction | (8,824,347) | (8,556,835) |
| Book value of investment on the associate | 1,045,252,982 | 1,067,284,291 |

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

| | 31 December 2015 | Increase in the current year | Decrease in the current year | 31 December 2016 |
|--------------|---------------------|---------------------------------|---------------------------------|---------------------|
| Subsidiaries | (754,368,059) | — | — | (754,368,059) |
| Associates | (1,220,000) | — | — | (1,220,000) |
| | (755,588,059) | — | — | (755,588,059) |

(6) Investment properties

| | Buildings |
|--------------------------------------|---------------------|
| Original cost | |
| 31 December 2015 | 56,972,737 |
| 31 December 2016 | 56,972,737 |
| Accumulated depreciation | |
| 31 December 2015 | (24,098,135) |
| Increase in the current year-accrual | (1,297,326) |
| 31 December 2016 | (25,395,461) |
| Carrying amount | |
| 31 December 2016 | 31,577,276 |
| 31 December 2015 | 32,874,602 |

For the year ended 31 December 2016, there is no investment property measured at fair value in the Company (2015: nil).

As at 31 December 2016, there is no investment property without ownership certificates (31 December 2015: nil).

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the Company's Financial Statements (continued)

(7) Fixed assets

| | Buildings | Machinery and equipment | Motor vehicles | Other equipment | Total |
|---|----------------------|-------------------------|--------------------|--------------------|----------------------|
| Original cost | | | | | |
| 31 December 2015 | 1,158,756,684 | 2,470,916,341 | 101,973,790 | 327,426,482 | 4,059,073,297 |
| Increases in the current year | 101,623,532 | 152,035,850 | 2,179,426 | 38,866,368 | 294,705,176 |
| Purchase | — | 13,356,101 | 2,179,426 | 18,049,315 | 33,584,842 |
| Transfer from construction in process | 101,623,532 | 138,679,749 | — | 20,817,053 | 261,120,334 |
| Decreases in the current year | (59,306,828) | (113,054,935) | (4,124,788) | (25,837,307) | (202,323,858) |
| Disposal | (7,606,461) | (46,930,356) | (4,124,788) | (25,348,163) | (84,009,768) |
| Transfer to construction in process (i) | (51,700,367) | (66,124,579) | — | (489,144) | (118,314,090) |
| 31 December 2016 | 1,201,073,388 | 2,509,897,256 | 100,028,428 | 340,455,543 | 4,151,454,615 |

Accumulated depreciation

| | | | | | |
|---|----------------------|------------------------|---------------------|----------------------|------------------------|
| 31 December 2015 | (269,755,930) | (1,204,519,779) | (55,828,921) | (213,226,819) | (1,743,331,449) |
| Increases in the current year-accrual | (29,545,874) | (127,761,176) | (7,519,119) | (37,289,553) | (202,115,722) |
| Decreases in the current year | 14,178,369 | 79,876,840 | 4,641,051 | 24,395,379 | 123,091,639 |
| Disposal | 1,128,421 | 34,117,001 | 4,641,051 | 24,216,138 | 64,102,611 |
| Transfer to construction in process (i) | 13,049,948 | 45,759,839 | — | 179,241 | 58,989,028 |
| 31 December 2016 | (285,123,435) | (1,252,404,115) | (58,706,989) | (226,120,993) | (1,822,355,532) |

Provision for impairment

| | | | | | |
|--|--------------------|---------------------|--------------------|-----------------|---------------------|
| 31 December 2015 | (1,502,907) | (34,640,317) | (1,348,655) | (27,295) | (37,519,174) |
| Increases in the current year-accrual | (115,896) | (207,362) | — | (3,226) | (326,484) |
| Decreases in the current year-disposal | — | 6,219,071 | 192,319 | — | 6,411,390 |
| 31 December 2016 | (1,618,803) | (28,628,608) | (1,156,336) | (30,521) | (31,434,268) |

Carrying amount

| | | | | | |
|-------------------------|--------------------|----------------------|-------------------|--------------------|----------------------|
| 31 December 2016 | 914,331,150 | 1,228,864,533 | 40,165,103 | 114,304,029 | 2,297,664,815 |
| 31 December 2015 | 887,497,847 | 1,231,756,245 | 44,796,214 | 114,172,368 | 2,278,222,674 |

- (i) For the year ended 31 December 2016, the Company's fixed assets with carrying amount of 59,325,062 (cost of 118,314,090, accumulated depreciation of 58,989,028) were transferred to construction in progress to be upgraded due to the requirements of technology renewal.

As at 31 December 2016, there are no fixed assets pledged as collateral for borrowings (31 December 2015: nil).

For the year ended 31 December 2016, accrued depreciation are 202,115,722 (2015: 176,800,336), of which 171,459,549, 4,236,430 and 26,419,743 (2015: 147,098,753, 4,485,467 and 25,216,116) have been charged to cost of sales, selling and distribution expenses and general and administrative expenses respectively.

The cost of fixed assets transferred from construction in progress amounts to 261,120,334 (2015: 534,619,313).

As at 31 December 2016, the ownership certificates of certain fixed assets (buildings) with carrying amount of approximately 27,756,010 have not been obtained by the Company (31 December 2015: 212,001,000) (Note 4(12)(d)).

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the Company's Financial Statements (continued)

(8) Construction in progress

| | 31 December 2016 | | | 31 December 2015 | | |
|--|-------------------|--------------------------|-------------------|--------------------|--------------------------|--------------------|
| | Ending balance | Provision for impairment | Carrying amount | Ending balance | Provision for impairment | Carrying amount |
| Production line improvement of No. 1 Factory | 25,318,696 | — | 25,318,696 | 30,216,182 | — | 30,216,182 |
| Production line improvement of No. 2 Factory | 12,823,689 | — | 12,823,689 | 12,277,670 | — | 12,277,670 |
| Production line improvement of No. 5 Factory | 4,293,665 | — | 4,293,665 | 3,429,437 | — | 3,429,437 |
| Production line improvement of No. 3 Factory | 2,182,747 | — | 2,182,747 | — | — | — |
| Production line improvement of No. 4 Factory | 522,342 | — | 522,342 | 1,204,757 | — | 1,204,757 |
| Relocation project of Malt Factory | — | — | — | 112,762,943 | — | 112,762,943 |
| Other projects | — | — | — | 1,567,079 | — | 1,567,079 |
| | 45,141,139 | — | 45,141,139 | 161,458,068 | — | 161,458,068 |

(a) Movements in significant construction in progress

| Name | Budget | 31 December 2015 | Increase in the current year | Transfer to fixed assets | 31 December 2016 | Expenditures | | Source of funds |
|--|-------------|--------------------|------------------------------|--------------------------|-------------------|----------------------|-----------------------|--|
| | | | | | | percentage of budget | Completion percentage | |
| Production line improvement of No. 1 Factory | 110,611,181 | 30,216,182 | 38,074,830 | (42,972,316) | 25,318,696 | 75% | 68% | Self-funding |
| Production line improvement of No. 2 Factory | 183,080,060 | 12,277,670 | 58,649,383 | (58,103,364) | 12,823,689 | 91% | 91% | Self-funding |
| Production line improvement of No. 5 Factory | 22,681,065 | 3,429,437 | 14,904,834 | (14,040,606) | 4,293,665 | 81% | 81% | Self-funding |
| Production line improvement of No. 3 Factory | 2,492,609 | — | 2,278,444 | (95,697) | 2,182,747 | 91% | 91% | Self-funding |
| Production line improvement of No. 4 Factory | 5,676,938 | 1,204,757 | 4,161,580 | (4,843,995) | 522,342 | 95% | 95% | Self-funding |
| Relocation project of Malt Factory | 422,500,000 | 112,762,943 | 25,816,947 | (138,579,890) | — | 100% | 100% | Funding from convertible bond and self-funding |
| Other projects | — | 1,567,079 | 917,387 | (2,484,466) | — | — | — | Self-funding |
| | | 161,458,068 | 144,803,405 | (261,120,334) | 45,141,139 | | | |

There are no new increased borrowing costs capitalised for the year ended 31 December 2016 (2015: nil).

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the Company's Financial Statements (continued)

(8) Construction in progress (continued)

(b) Provision for impairment

The Company did not provide or write off provision for impairment of construction in progress for the year ended 31 December 2016 (2015: nil).

(9) Intangible assets

| | Land use rights | Trademarks | Marketing networks | Others | Totals |
|--|---------------------|---------------------|-----------------------|----------------------|----------------------|
| Original cost | | | | | |
| 31 December 2015 | 274,432,985 | 190,345,726 | 320,907,803 | 297,559,481 | 1,083,245,995 |
| Increase in the current year-purchase | 2,844,904 | — | — | 33,601,654 | 36,446,558 |
| 31 December 2016 | 277,277,889 | 190,345,726 | 320,907,803 | 331,161,135 | 1,119,692,553 |
| Accumulated amortisation | | | | | |
| 31 December 2015 | (67,976,001) | (87,323,094) | (149,239,269) | (107,193,866) | (411,732,230) |
| Increase in the current year-accrual | (5,512,021) | (11,683,643) | (32,090,781) | (28,475,444) | (77,761,889) |
| 31 December 2016 | (73,488,022) | (99,006,737) | (181,330,050) | (135,669,310) | (489,494,119) |
| Carrying amount | | | | | |
| 31 December 2016 | 203,789,867 | 91,338,989 | 139,577,753 | 195,491,825 | 630,198,434 |
| 31 December 2015 | 206,456,984 | 103,022,632 | 171,668,534 | 190,365,615 | 671,513,765 |

For the year ended 31 December 2016, the amortisation amount of intangible assets is 77,761,889 (2015: 65,244,677).

As at 31 December 2016, there are no intangible assets pledged as collateral for borrowings (31 December 2015: nil).

For the year ended 31 December 2016, development expenditures of 14,613,302 (2015: 12,878,657) are recognised in profit or loss.

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the Company's Financial Statements (continued)

(10) Provision for asset impairment

| | 31 December 2015 | Increase in the current year | Decrease in the current year | | 31 December 2016 |
|---|----------------------|---------------------------------|------------------------------|--------------------|----------------------|
| | | | Reversal | Write-off | |
| Provision for bad debts | 279,000,895 | 5,909,314 | (5,551,030) | — | 279,359,179 |
| Including: Provision for bad debts of accounts receivable | 64,868,599 | 38,323 | (1,350,000) | — | 63,556,922 |
| Provision for bad debts of other receivables | 39,832,296 | 870,991 | (1,030) | — | 40,702,257 |
| Provision for bad debts of long-term receivables | 174,300,000 | 5,000,000 | (4,200,000) | — | 175,100,000 |
| Provision for decline in value of inventories | 701,784 | — | — | (39,759) | 662,025 |
| Provision for impairment of available-for-sale financial assets | 4,385,261 | — | — | — | 4,385,261 |
| Provision for impairment of long-term equity investments | 755,588,059 | — | — | — | 755,588,059 |
| Provision for impairment of fixed assets | 37,519,174 | 326,484 | — | (6,411,390) | 31,434,268 |
| | <u>1,077,195,173</u> | <u>6,235,798</u> | <u>(5,551,030)</u> | <u>(6,451,149)</u> | <u>1,071,428,792</u> |

(11) Capital surplus

| | 31 December 2015 | Increase in the current year | Decrease in the current year | 31 December 2016 |
|---|----------------------|---------------------------------|---------------------------------|----------------------|
| Share premium | 4,190,058,186 | — | — | 4,190,058,186 |
| Other capital surplus — | 116,565,918 | 4,912 | — | 116,570,830 |
| Share of changes in equity other than comprehensive income and profit distribution of investees accounted for using the equity method | (10,206,170) | 4,912 | — | (10,201,258) |
| Transfer from capital surplus recognised under the previous accounting system | 123,006,624 | — | — | 123,006,624 |
| Others | 3,765,464 | — | — | 3,765,464 |
| | <u>4,306,624,104</u> | <u>4,912</u> | <u>—</u> | <u>4,306,629,016</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the Company's Financial Statements (continued)

(11) Capital surplus (continued)

| | 31 December 2014 | Increase in the current year | Decrease in the current year | 31 December 2015 |
|---|----------------------|---------------------------------|---------------------------------|----------------------|
| Share premium | 4,190,058,186 | — | — | 4,190,058,186 |
| Other capital surplus — | 116,015,091 | 550,827 | — | 116,565,918 |
| Share of changes in equity other than comprehensive income and profit distribution of investees accounted for using the equity method | (10,756,997) | 550,827 | — | (10,206,170) |
| Transfer from capital surplus recognised under the previous accounting system | 123,006,624 | — | — | 123,006,624 |
| Others | 3,765,464 | — | — | 3,765,464 |
| | <u>4,306,073,277</u> | <u>550,827</u> | <u>—</u> | <u>4,306,624,104</u> |

(12) Other comprehensive income

| | Changes arising from re-measurement of defined benefit plan liabilities |
|---|---|
| As at 31 December 2014 | (14,321,000) |
| Movements for the year ended 31 December 2015 | <u>(17,789,000)</u> |
| As at 31 December 2015 | <u>(32,110,000)</u> |
| Movements for the year ended 31 December 2016 | <u>(17,367,000)</u> |
| As at 31 December 2016 | <u>(49,477,000)</u> |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the Company's Financial Statements (continued)

(13) Undistributed profits

| | 2016 | 2015 |
|--|----------------------|----------------------|
| Undistributed profits at beginning of year | 5,928,623,517 | 4,877,281,580 |
| Add: Net profit in the current year | 1,326,460,855 | 1,843,649,106 |
| Less: Appropriation to statutory surplus reserve | — | (184,364,911) |
| Ordinary shares dividends payable | (526,883,290) | (607,942,258) |
| Undistributed profits at end of year | <u>6,728,201,082</u> | <u>5,928,623,517</u> |

The dividends actual paid for the year ended 31 December 2016, and the dividends proposed but not paid at end of year are disclosed in Note 4(38).

(14) Revenue and cost of sales

| | 2016 | 2015 |
|-----------------------------------|-----------------------|-----------------------|
| Revenue from main operation (a) | 15,954,561,851 | 15,466,786,549 |
| Revenue from other operations (b) | 1,207,777,772 | 1,228,405,049 |
| | <u>17,162,339,623</u> | <u>16,695,191,598</u> |

| | 2016 | 2015 |
|------------------------------|-------------------------|-------------------------|
| Cost of main operation (a) | (11,539,236,662) | (11,279,567,918) |
| Cost of other operations (b) | (1,166,125,910) | (1,195,225,430) |
| | <u>(12,705,362,572)</u> | <u>(12,474,793,348)</u> |

(a) Revenue and cost of main operation

| | 2016 | | 2015 | |
|--------------|--------------------------------|---------------------------|--------------------------------|---------------------------|
| | Revenue from main operation | Cost of main operation | Revenue from main operation | Cost of main operation |
| Sale of Beer | <u>15,954,561,851</u> | <u>(11,539,236,662)</u> | 15,466,786,549 | (11,279,567,918) |

(b) Revenue and cost of other operations

| | 2016 | | 2015 | |
|------------------------|----------------------------------|-----------------------------|----------------------------------|-----------------------------|
| | Revenue from other operations | Cost of other operations | Revenue from other operations | Cost of other operations |
| Sales of raw materials | 1,187,070,198 | (1,151,301,123) | 1,193,089,356 | (1,177,824,990) |
| Others | 20,707,574 | (14,824,787) | 35,315,693 | (17,400,440) |
| | <u>1,207,777,772</u> | <u>(1,166,125,910)</u> | 1,228,405,049 | (1,195,225,430) |

Notes to Financial Statements

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the Company's Financial Statements (continued)

(15) Expenses by nature

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

| | 2016 | 2015 |
|---|-----------------------|-----------------------|
| Finished goods purchased from third parties | 8,333,127,480 | 7,918,743,541 |
| Raw materials and consumables used | 3,926,107,078 | 3,962,528,769 |
| Employee benefits expenses | 1,539,648,684 | 1,466,581,701 |
| Handling and transportation expenses | 847,524,643 | 824,803,687 |
| Promotion related expenses | 798,452,432 | 682,530,294 |
| Advertising related expenses | 560,964,838 | 442,418,293 |
| Depreciation and amortisation charges | 285,564,014 | 245,812,654 |
| Administrative expenses | 127,280,583 | 128,577,718 |
| Repair expenses | 82,070,807 | 81,022,997 |
| Operating lease payments | 55,827,689 | 61,711,163 |
| Service charges | 19,835,544 | 17,093,109 |
| Tax expenses | 11,647,868 | 39,608,027 |
| Auditors' remuneration – audit service | 8,580,000 | 8,580,000 |
| Changes in inventories of finished goods and work in progress | (143,312,369) | 45,687,678 |
| Other expenses | 81,660,722 | 95,340,001 |
| | <u>16,534,980,013</u> | <u>16,021,039,632</u> |

(16) Finance expenses — net

| | 2016 | 2015 |
|---|---------------------|---------------------|
| Interest income | (53,028,623) | (63,283,981) |
| Exchange gains | (11,104,656) | (889,800) |
| Discounting impact of the long-term employee benefits payable | 8,626,540 | 10,014,668 |
| Others | 5,137,461 | 4,565,836 |
| | <u>(50,369,278)</u> | <u>(49,593,277)</u> |

(17) Investment income

| | 2016 | 2015 |
|--|----------------------|----------------------|
| Investment income from long-term equity investment accounted for using the cost method (a) | 1,424,049,605 | 1,319,899,500 |
| Losses from long-term equity investment accounted for using the equity method | (4,873,468) | (2,157,821) |
| Gains from disposal of long-term equity investment (b) | 100,999,437 | 338,622,580 |
| Income from entrusted loans | 17,969,702 | 25,787,575 |
| Others | — | 299,998 |
| | <u>1,538,145,276</u> | <u>1,682,451,832</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 2016

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the Company's Financial Statements (continued)

(17) Investment income (continued)

- (a) Investment income from long-term equity investment accounted for using the cost method is the profit distribution of subsidiaries (Note 16(5)(a)).
- (b) For the year ended 31 December 2016, gains from disposal of long-term equity investment is due to deregistration of Sifang Sales Company and Hainan Company.

(18) Asset impairment losses

| | 2016 | 2015 |
|---|----------------|---------------------|
| Losses/(Reversals) of bad debts | 358,284 | (40,040,426) |
| Losses/(Reversals) of decline in the value of inventories | — | (320,454) |
| Impairment losses of long-term equity investments | — | 10,000,000 |
| Impairment losses of fixed assets | 326,484 | — |
| | <u>684,768</u> | <u>(30,360,880)</u> |

(19) Income tax expense

| | 2016 | 2015 |
|--|--------------------|--------------------|
| Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax | 650,798,325 | 207,683,933 |
| Deferred income tax | (238,012,069) | (39,234,272) |
| | <u>412,786,256</u> | <u>168,449,661</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 listed below:

| | 2016 | 2015 |
|---|--------------------|--------------------|
| Total profit | 1,739,247,111 | 2,012,098,767 |
| Income tax expense calculated at applicable tax rates | 434,811,778 | 503,024,692 |
| Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose | 22,718,104 | 11,775,523 |
| Income tax payment of the expired preferential tax rate difference for previous years (Note 3(2)) | 338,876,455 | — |
| Income not subject to tax | (382,842,566) | (331,975,297) |
| Utilisation of previously unrecognised deferred tax assets | (934,156) | (17,317,545) |
| Deductible temporary differences for which no deferred tax assets were recognised | 156,641 | 2,942,288 |
| Income tax expense | <u>412,786,256</u> | <u>168,449,661</u> |

Supplementary Information

For the Year Ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

1 Summary of non-recurring profit or loss

| | 2016 | 2015 |
|---|--------------------|--------------------|
| Government grants recognised in profits | 517,095,475 | 511,057,423 |
| Income tax payment of the expired preferential tax rate difference for previous years | (338,876,455) | — |
| Effect of transactions with Suntory Company on investment income | 129,787,586 | — |
| Effect of transactions with Suntory Company on non-operating income | 177,701,522 | — |
| Losses on disposal of non-current assets | (223,543,613) | (101,511,712) |
| Reversal of bad debt provision for accounts receivables which provision is provided on the individual basis | 1,350,000 | 3,600,000 |
| Other non-operating income and expenses other than aforesaid items | 11,935,525 | 10,113,496 |
| Gains from disposal of a subsidiary | — | 444,819,948 |
| | 275,450,040 | 868,079,155 |
| Impact of income tax expense | (37,531,111) | (188,706,308) |
| Impact on the non-controlling interests, net of tax | (13,831,668) | (18,950,437) |
| | 224,087,261 | 660,422,410 |

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 | | Earnings per share | | | |
|--|-------------------------|--------|--------------------------|-------|----------------------------|-------|
| | on net assets | | Basic earnings per share | | Diluted earnings per share | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Net profit attributable to ordinary shareholders of the Company | 6.43% | 10.76% | 0.772 | 1.268 | 0.772 | 1.268 |
| Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss | 5.05% | 6.61% | 0.607 | 0.779 | 0.607 | 0.779 |

釋義 Definitions

本報告中，除非文義另有所指，下列詞語具有下述含義：

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

| | | | | | |
|-------------|---|----------------------|-------------------------------|-------|--|
| 公司、本公司、青島啤酒 | 指 | 青島啤酒股份有限公司 | the Company, Tsingtao Brewery | Means | Tsingtao Brewery Company Limited |
| 本集團 | 指 | 本公司及其附屬公司 | the Group | Means | the Company and its subsidiaries |
| 董事會 | 指 | 本公司董事會 | the Board | Means | board of directors of the Company |
| 青啤集團 | 指 | 青島啤酒集團有限公司 | Tsingtao Group | Means | Tsingtao Brewery Group Company Limited |
| 青島市國資委 | 指 | 青島市人民政府國有資產監督管理委員會 | SASACQ | Means | State-owned Assets Supervision & Administration Commission of the People's Government of Qingdao |
| 煙臺朝日 | 指 | 煙臺啤酒青島朝日有限公司 | Yantai Asahi | Means | Yantai Beer Tsingtao-Asahi Co., Ltd. |
| 青啤深圳 | 指 | 深圳青島啤酒朝日有限公司 | Tsingtao Shenzhen | Means | Shenzhen Tsingtao-Asahi Co., Ltd |
| 朝日集團 | 指 | 日本朝日集團控股株式會社 | Asahi Group | Means | Asahi Group Holdings Ltd. |
| 朝日啤酒 | 指 | 日本朝日啤酒株式會社 | Asahi Breweries | Means | Asahi Breweries, Ltd. |
| 朝日中國投資 | 指 | 朝日啤酒(中國)投資有限公司 | Asahi (China) Investment | Means | Asahi Beer (China) Investment Co., Ltd. |
| 上交所 | 指 | 上海證券交易所 | SSE | Means | Shanghai Stock Exchange |
| 香港聯交所 | 指 | 香港聯合交易所有限公司 | the Stock Exchange | Means | The Stock Exchange of Hong Kong Limited |
| 普華永道中天 | 指 | 普華永道中天會計師事務所(特殊普通合夥) | PwC Zhong Tian | Means | PricewaterhouseCoopers Zhong Tian LLP |
| 審計委員會 | 指 | 本公司第八屆董事會審計與內控委員會 | Audit Committee | Means | Audit & Internal Control Committee under the 8th session of the Board |
| 戰略委員會 | 指 | 本公司第八屆董事會戰略與投資委員會 | Strategy Committee | Means | Strategy & Investment Committee under the 8th session of the Board |
| 報告期 | 指 | 本公司截至2016年12月31日止年度 | Reporting Period | Means | The year ended 31 December 2016 |
| 《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 |

釋義 Definitions

| | | | | | |
|--------|---|--|--------------------------------|-------|---|
| 《上市規則》 | 指 | 《香港聯合交易所有限公司證券上市規則》 | <i>Listing Rules</i> | Means | <i>Rules Governing the Listing of Securities on The Stock of Exchange of Hong Kong Limited</i> |
| 《公司章程》 | 指 | 青島啤酒股份有限公司章程 | <i>Articles of Association</i> | Means | <i>Articles of Association of the Company</i> |
| 三得利公司 | 指 | 三得利(中國)投資有限公司 | Suntory Company | Means | Suntory (China) Holding Co., Ltd. |
| 上海投資公司 | 指 | 青島啤酒(上海)投資有限公司(原三得利青島啤酒(上海)有限公司) | Shanghai Investing Company | Means | Tsingtao (Shanghai) Co., Ltd. (former Suntory-Tsingtao (Shanghai) Co., Ltd.) |
| 上海實業公司 | 指 | 青島啤酒(上海)實業有限公司(原青島啤酒三得利(上海)銷售有限公司) | Shanghai Industrial Company | Means | Tsingtao (Shanghai) Sales Co., Ltd. (former Tsingtao-Suntory (Shanghai) Sales Co., Ltd.) |
| 青啤財務公司 | 指 | 青島啤酒財務有限責任公司 | Tsingtao Finance Company | Means | Tsingtao Brewery Finance LLC. |
| 新松江製造 | 指 | 青島啤酒松江製造有限公司 | New Songjiang Manufacturing | Means | Tsingtao Brewery Songjiang Manufacturing Company Limited |
| 徐州公司 | 指 | 青島啤酒(徐州)有限公司 | Xuzhou Company | Means | Tsingtao Brewery (Xuzhou) Company Limited |
| 彭城公司 | 指 | 青島啤酒(徐州)彭城有限公司 | Pengcheng Company | Means | Tsingtao Brewery (Xuzhou) Pengcheng Company Limited |
| 宿遷公司 | 指 | 青島啤酒(宿遷)有限公司 | Suqian Company | Means | Tsingtao Brewery (Suqian) Company Limited |
| 揚州公司 | 指 | 青島啤酒(揚州)有限公司 | Yangzhou Company | Means | Tsingtao Brewery (Yangzhou) Company Limited |
| 青啤香港 | 指 | 青島啤酒香港貿易有限公司 | Tsingtao HK | Means | Tsingtao Brewery Hong Kong Trade Company Limited |
| 框架協議 | 指 | 《三得利青島啤酒(上海)有限公司和青島啤酒三得利(上海)銷售有限公司股權轉讓及商標技術使用許可框架協議》 | <i>Framework Agreement</i> | Means | <i>Framework Agreement of Transfer of Equity Interests and Permission for Use of Label and Technologies between Suntory-Tsingtao (Shanghai) Co., Ltd. and Tsingtao-Suntory (Shanghai) Sales Co., Ltd.</i> |

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：孫明波</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 1105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號企業天地2號樓普華永道中心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: SUN Ming Bo</p> <p>3. Company Secretary: Zhang Rui Xiang Address: Secretarial Office of the Board Room 1105 Tsingtao Beer Tower May Fourth Square Hong Kong Road Central, Qingdao, Shandong Province Postal Code: 266071 Tel: 86-532-85713831 Fax: 86-532-85713240</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, 2 Corporate Avenue, 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

2016
ANNUAL REPORT
年度報告

青島啤酒股份有限公司
TSINGTAO BREWERY CO., LTD.