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TSINGTAO BREWERY COMPANY LIMITED

(a Sino-foreign joint stock limited company established in the People's Republic of China)

(Stock Code: 168)

2016 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of Tsingtao Brewery Company Limited (the "Company") hereby presents the preliminary consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 (the "Reporting Period") extracted from the audited consolidated financial statements of the Group prepared in accordance with the China Accounting Standards for Business Enterprises.

1. FINANCIAL INFORMATION

(All amounts in RMB Yuan unless otherwise stated)

Consolidated Balance Sheet

	Note	31 December 2016	31 December 2015
ASSETS			
Current assets			
Cash at bank and on hand		8,572,685,245	8,401,751,637
Notes receivable		26,400,000	22,770,000
Accounts receivable	2	124,647,040	117,990,987
Advances to suppliers		51,806,259	44,392,821
Interests receivable		71,557,290	148,581,416
Other receivables		233,843,886	200,675,954
Inventories		2,412,442,780	2,182,435,136
Other current assets		1,116,181,886	768,741,109
Total current assets		12,609,564,386	11,887,339,060
Non-current assets			
Available-for-sale financial assets		608,642	608,642
Long-term equity investments		379,530,915	1,507,745,095
Investment properties		24,946,020	25,512,148
Fixed assets		11,447,611,540	9,896,905,884
Construction in progress		193,446,726	287,469,734
Fixed assets pending for disposal		1,158,936	6,571,007
Intangible assets		2,974,746,773	2,707,099,617
Goodwill		1,307,103,982	1,307,103,982
Long-term prepaid expenses		39,921,000	39,861,860
Deferred tax assets		1,042,209,554	769,158,717
Other non-current assets		56,310,013	65,214,382
Total non-current assets		17,467,594,101	16,613,251,068
TOTAL ASSETS		30,077,158,487	28,500,590,128

Consolidated Balance Sheet (continued)

	<i>Note</i>	31 December 2016	31 December 2015
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings		302,341,000	810,387,282
Notes payable		307,516,920	100,141,631
Accounts payable	3	2,049,229,359	2,590,986,856
Advances from customers		1,320,882,187	1,000,313,388
Employee benefits payable		988,416,962	925,629,768
Taxes payable		396,466,643	261,889,152
Interests payable		737,291	1,486,051
Other payables		4,918,819,305	4,061,298,404
Current portion of non-current liabilities		376,372	856,189
Total current liabilities		10,284,786,039	9,752,988,721
Non-current liabilities			
Long-term borrowings		1,376,480	1,711,800
Payables for specific projects		175,014,368	251,632,082
Deferred income		1,948,814,560	1,656,652,129
Long-term employee benefits payable		538,957,516	537,725,965
Deferred tax liabilities		249,069,955	133,868,381
Total non-current liabilities		2,913,232,879	2,581,590,357
Total liabilities		13,198,018,918	12,334,579,078
Equity			
Share capital		1,350,982,795	1,350,982,795
Capital surplus	4	3,444,189,700	4,075,078,879
Other comprehensive income		(50,149,422)	(20,326,159)
Surplus reserve		1,400,704,380	1,400,704,380
General reserve		142,496,409	106,025,418
Undistributed profits	5	10,025,728,867	9,545,596,720
Total equity attributable to shareholders of the Company		16,313,952,729	16,458,062,033
Non-controlling interests		565,186,840	(292,050,983)
Total equity		16,879,139,569	16,166,011,050
TOTAL LIABILITIES AND EQUITY		30,077,158,487	28,500,590,128

Consolidated Income Statement

		Year ended 31 December	
	Note	2016	2015
Revenue	7	26,106,343,738	27,634,686,040
<i>Less:</i> Cost of sales	7	(15,265,279,542)	(17,192,101,695)
Taxes and surcharges	8	(2,231,364,935)	(2,030,394,346)
Selling and distribution expenses		(6,029,439,233)	(5,904,539,236)
General and administrative expenses		(1,340,543,211)	(1,412,435,528)
Finance expenses — net		257,408,345	299,597,521
Asset impairment losses		(7,842,038)	(2,062,375)
<i>Add:</i> Investment income	9	150,969,732	462,412,814
Including: Shares of losses of associates and a joint venture		(5,214,764)	(4,562,375)
Operating profit		1,640,252,856	1,855,163,195
<i>Add:</i> Non-operating income	10	721,492,323	558,817,491
Including: Gains on disposal of non-current assets		1,460,219	29,048,431
<i>Less:</i> Non-operating expenses	10	(238,303,414)	(139,158,284)
Including: Losses on disposal of non-current assets		(225,003,832)	(130,560,143)
Total profit		2,123,441,765	2,274,822,402
<i>Less:</i> Income tax expenses	11	(1,017,743,313)	(662,778,888)
Net profit		1,105,698,452	1,612,043,514
Attributable to shareholders of the Company		1,043,486,428	1,713,128,882
Attributable to non-controlling interests		62,212,024	(101,085,368)
Other comprehensive income, net of tax		(29,823,263)	(30,366,503)
Other comprehensive income attributable to shareholders of the Company, net of tax			
Items that will not be subsequently reclassified to profit or loss			
Changes arising from remeasurement of defined benefit plan liabilities		(18,142,000)	(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		51,552	(76,953)
Currency translation differences		(11,732,815)	(11,776,550)
Total comprehensive income		1,075,875,189	1,581,677,011
Attributable to shareholders of the Company		1,013,663,165	1,682,762,379
Attributable to non-controlling interests		62,212,024	(101,085,368)
Earnings per share	12		
Basic earnings per share		0.772	1.268
Diluted earnings per share		0.772	1.268

Note:

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 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.

2 Accounts receivable

	31 December 2016	31 December 2015
Accounts receivable	317,973,385	313,868,670
Less: provision for bad debts	(193,326,345)	(195,877,683)
	<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.

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	192,278,690	194,728,206
	<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 dates is basically the same as the ageing represented based on the dates of invoice.

3 Accounts payable

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

	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>

4 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
Shares 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 of 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>

- (i) As stated in Note 15(3), the Company acquired the remaining 50% equity interests of Tsingtao Brewery (Shanghai) Industrial Co., Ltd. (“Shanghai Industrial Company”), a subsidiary of the Company, from Suntory (China) Holding Co., Ltd. (“Suntory Company”) in the current year. The difference of RMB 630,894,091 between the consideration allocated to the acquisition of non-controlling interests and the shares of net assets of the Shanghai Industrial Company calculated continuously from the acquisition date based on the newly acquired equity interests has been adjusted against the capital surplus.

5 Undistributed profits

	Year ended 31 December 2016	Year ended 31 December 2015
Undistributed profits at the beginning of the 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 dividend payable	(526,883,290)	(607,942,258)
Undistributed profits at the end of the year	<u>10,025,728,867</u>	<u>9,545,596,720</u>

6 Dividends

Pursuant to the resolution at the Annual General Meeting dated 16 June 2016, the Company approved a cash dividend RMB0.39 per share (pre-tax) to the shareholders of the Company with RMB526,883,290 for the year of 2015, based on a total number of 1,350,982,795 shares (2015: cash dividend RMB0.45 per share (pre-tax) to the shareholders of the Company with RMB607,942,258 for the year of 2014, based on a total number of 1,350,982,795 shares).

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

7 Revenue and cost of sales

	Year ended 31 December 2016	Year ended 31 December 2015
Revenue from main operation	25,818,250,498	27,208,444,414
Revenue from other operations	288,093,240	426,241,626
	<u>26,106,343,738</u>	<u>27,634,686,040</u>
	Year ended 31 December 2016	Year ended 31 December 2015
Cost of main operation	(15,077,843,363)	(16,923,832,300)
Cost of other operations	(187,436,179)	(268,269,395)
	<u>(15,265,279,542)</u>	<u>(17,192,101,695)</u>

8 Taxes and surcharges

	Year ended 31 December 2016	Year ended 31 December 2015
Consumption tax	1,674,008,091	1,612,404,507
City maintenance and construction tax	244,743,638	234,423,796
Education surcharges	186,905,531	176,805,013
Land use tax	48,662,811	—
Property tax	39,219,747	—
Stamp duty	18,219,672	—
Others	19,605,445	6,761,030
	<u>2,231,364,935</u>	<u>2,030,394,346</u>

9 Investment income

	Year ended 31 December 2016	Year ended 31 December 2015
Loss from long-term equity investment accounted for using the equity method	(5,214,764)	(4,562,375)
Gains on disposal of a subsidiary	—	444,819,948
Income from available-for-sale financial assets	158,905	153,492
Investment income from transactions with Suntory Company (Note 15(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>

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

10 Non-operating income and Non-operating expenses

(a) Non-operating income

	Year ended 31 December 2016	Year ended 31 December 2015
Government grants	517,095,475	511,057,423
Impact from transactions with Suntory Company (<i>Note 15(2)(a)</i>)	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
	721,492,323	558,817,491

(b) Non-operating expenses

	Year ended 31 December 2016	Year ended 31 December 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
	238,303,414	139,158,284

11 Income tax expenses

	Year ended 31 December 2016	Year ended 31 December 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)
	1,017,743,313	662,778,888

11 Income tax expenses (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 expenses is listed below:

	Year ended 31 December 2016	Year ended 31 December 2015
Total profit	<u>2,123,441,765</u>	<u>2,274,822,402</u>
Income tax expenses calculated by 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 (i)	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 expenses	<u><u>1,017,743,313</u></u>	<u><u>662,778,888</u></u>

- (i) Notified by the tax authority of Qingdao recently, the Company is required to pay the income tax difference of RMB338,876,455 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.

(1) Enterprise income tax

The applicable enterprise income tax rate of the Company and its subsidiaries incorporated and operated in mainland China for the current year is 25%.

(2) 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%.

12 Earnings per share

(a) Basic earnings per share

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

	Year ended 31 December 2016	Year ended 31 December 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 number 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.

13 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.

Tsingtao Brewery Finance LLC. (“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.

13 Segment information (continued)

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.

(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 expenses	(19,751,768)	(8,988,909)	(19,081,692)	(22,040,172)	—	(4,486,100)	(128,787,053)	—	189,673,506	(13,462,188)
Shares 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 expenses	(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.

13 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 expenses	(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)
Shares of profits 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 expenses	(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 (i)	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:

	Year ended 31 December 2016	Year ended 31 December 2015
Revenue from external customers		
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
Total non-current assets	31 December 2016	31 December 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

14 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>

15 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 by the Company and Suntory Company on 18 October 2015 and 27 October 2016 respectively, the Company acquired remaining 50% equity interests of Tsingtao Brewery (Shanghai) Investing Co., Ltd. (“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 RMB675,311,059.

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 RMB1,051,582,100, which is valued by the external valuers Qingdao Tianhe Assets Appraisal Co., Ltd. The cash consideration less than the total fair value of the two newly acquired equity interests is recognised as a bargain purchase amount of RMB376,271,041.

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	1,235,084,500	(183,502,400)	1,051,582,100
Less: Bargain purchase amount allocated	<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>

15 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 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.

(a) Combination cost and goodwill are set out as follows:

Fair value of 100% identifiable net assets	2,290,413,033
Less: Combination cost:	(2,112,711,511)
Allocated consideration <i>(Note 15(1))</i>	(877,627,011)
Fair value of the former 50% equity interests at the acquisition date	(1,235,084,500)
Negative goodwill (non-operating income) <i>(Note 10(a))</i>	<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	<u>(1,105,296,914)</u>
Gains arising from remeasurement (investment income) <i>(Note 9)</i>	<u>129,787,586</u>

(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. The impact of this transaction is set out as follows:

Acquisition cost — allocated consideration <i>(Note 15(1))</i>	(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 <i>(Note 4(i))</i>	<u>630,894,091</u>

II. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Review of operating results during the Reporting Period and analysis to the Company's core competitiveness

1. *Explanation of development strategy and progress of operating plan*

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 production volume of beer industry reached 450.6 million hl, decreased by 0.1% on year-on-year basis (Resource: National Bureau of Statistics). Both the consumption stagnation in the mid-and-high-end catering 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, and 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 transformation of corporate development manner, accelerated the adjustment and upgrade of product mix, continued to deepen the effective measures including intensive management, 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 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 in 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 after 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 promotion 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 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", 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 upgrade 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. With the opportunities of European Football Championship and Rio Olympic Games held in 2016, the Company strengthened its brand promotion and market input; through a series of promotion measures including 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 image of Tsingtao Beer for the consumers. During the Reporting Period, the Company also took the opportunities of Qingdao International Beer Festival and the national thematic promoting 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.

2. *Analysis to core competitiveness*

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. In 2016, Tsingtao Beer continued to be the No. 1 in China’s beer industry with the brand value of RMB116.875 billion (published by World Brand Lab). The brand value of the Company’s secondary beer brand, “Laoshan Beer”, also reached RMB15.576 billion, while its popularity and competitiveness in the regional markets had also been rising for years, which satisfied the needs of market consumption of different levels.

As a beer producer that has the longest history in China, the Company takes product quality very seriously that the products of Tsingtao Beer has won a number of championships in domestic and overseas quality contests, and obtained positive feedback from the domestic and overseas consumers. In recent years, the Company’s main production equipment has reached internationally advanced level through continuous reconstructions and improvements, and has secured food safety and high quality of products, and maintained the consistency in taste as well through the strengthened management and control over raw materials, techniques, technologies and operation procedures.

The Company has the only State-level key laboratory in the beer industry, first-level R&D platform in China, high-level R&D team, leading fundamental research ability in China, and has obtained many core technologies with proprietary intellectual property rights, which help to maintain the Company's leading technological position in the domestic beer market. In recent years, the Company has launched a series of new products including "Tsingtao Beer Augerta, Tsingtao Beer Hong Yun Dang Tou, Tsingtao Beer Classic 1903, whole-barley Weissbier, fruit-flavored beer, date-taste dark beer, raw stock barrel beer and Tsingtao Beer Pilsner which have distinctive features, and can satisfy the market needs to lead the consumption trend, and further improve the Company's brand image.

Based on the marketing mode of "Big Customer + Micro Operation", the Company has been strengthening the market promotion and penetrating the marketing network, promoting the synergetic operation between the Company and the distributors, optimizing the division of value chain of sales, insisting on improving its maintenance and control over the final customers, and consolidating and improving its dominant position in the base markets and the shares in the emerging markets.

(II) Prospects

1. Industrial competition layout and development trend

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.

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.

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.

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.

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.

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.

2. The Company's development strategy

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.

3. Annual operating plan

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.

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.

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

The Company will 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.

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.

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.

4. *Potential operating risks*

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) 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) The growth of sales volume of foreign-invested beers and imported beers in the domestic market will cause fiercer competition in the industry that the competition among the top brewers will be fiercer in terms of range and degree.

- (3) 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) The pressure from the continuous rising of raw materials and labor costs for the beer production will affect the Company's profits.
- (5) The rapid development of surrogate products (imported beer, alcohols, wines, RTD, and etc.) will take some shares of the domestic beer market.

III. SHARE CAPITAL

1. During the Reporting Period, no changes happened to the total number of shares or the share capital structure of the Company.
2. During the Reporting Period, no listed securities of the Company were purchased, sold or redeemed by the Company or any of its subsidiaries.

IV. PROPOSED DISTRIBUTION OF FINAL DIVIDENDS

The Board proposed a final dividend of RMB0.35 (with tax) per share in cash for the year ended 31 December 2016. The proposed distribution 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 notice of annual general meeting to be published by the Company separately.

V. CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance. For the year ended 31 December 2016, the Company had been in compliance with the code provisions in Corporate Governance Code set out in Appendix 14 of *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (the 'Listing Rules'). Details of the Company's corporate governance will be set out in the Company's 2016 Annual Report.

VI. AUDIT & INTERNAL CONTROL COMMITTEE

The Audit & Internal Control Committee, being set up under the Board in compliance with the requirements pursuant to Rule 3.21 of the *Listing Rules*, has reviewed the audited financial statements of the Group for the fiscal year as at 31 December 2016.

VII. SCOPE OF WORK OF THE AUDITOR

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditor, PricewaterhouseCoopers Zhong Tian LLP ("PricewaterhouseCoopers"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary results announcement.

VIII. SIGNIFICANT EVENTS

1. The Company's transactions regarding the acquisition of equity interests during the Reporting Period

Pursuant to the *Framework Agreement of Transfer of Equity Interests and Permission for Use of Label and Technologies* ("*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 recognised as non-operating income from acquiring the equity interests in Shanghai Investing Company and making it a wholly-owned subsidiary, and, secondly, the difference of approximately RMB129.79 million between the book value and the fair value of the equity interests formerly held in Shanghai Investing Company was recognised 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.

The acquisition of the equity interests held by Suntory Company may eliminate the continuous connected party transactions between the former two joint ventures, and also, it 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.

2. 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 of Hong Kong Limited 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 the 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.

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 recognised it as the income tax expenses for the year 2016.

3. Others

- (1) As considered and approved at the eleventh meeting of the eighth session of the Board, in April 2016, the Company and Tsingtao Brewery Hong Kong Trade Company Limited (“HK Company”) 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 HK Company 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 the Macau Branch of Bank of China Co., Ltd. to HK Company for 1 year to 4 May 2017.
- (2) In 2016, as considered and approved at the eighth session of the Board, Finance Company, a wholly-owned subsidiary of the Company, launched a wealth management products business. During the Reporting Period, 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.

4. **During the Reporting Period, the Company did not involve in any newly arising significant litigations or arbitration affairs.**

Tsingtao Brewery Company Limited

Chairman

SUN Ming Bo

Qingdao, the People's Republic of China

30 March 2017

Directors of the Company as at the date of this announcement are:

Executive Directors:

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

Non-executive Director:

Mr. Yasutaka SUGIURA

Independent Non-executive Directors:

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