TSINGTAO BREWERY COMPANY LIMITED

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

(Stock Code: 168)

2017 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 2017 (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 2017**	31 December 2016
ASSETS			
Current assets			
Cash at bank and on hand		**9,805,485,121**	8,572,685,245
Financial assets at fair value through profit or loss		**130,115,254**	—
Notes receivable		**42,220,000**	26,400,000
Accounts receivable	*2*	**141,397,244**	124,647,040
Advances to suppliers		**116,394,430**	51,806,259
Interests receivable		**86,573,933**	71,557,290
Other receivables		**261,826,598**	233,843,886
Inventories		**2,392,910,141**	2,412,442,780
Other current assets		**1,096,060,646**	1,116,181,886
Total current assets		**14,072,983,367**	12,609,564,386
Non-current assets			
Available-for-sale financial assets		**600,000**	608,642
Long-term equity investments		**375,899,439**	379,530,915
Investment properties		**27,261,927**	24,946,020
Fixed assets		**10,991,462,172**	11,447,611,540
Construction in progress		**200,139,178**	193,446,726
Fixed assets pending for disposal		**2,310,587**	1,158,936
Intangible assets		**2,776,216,295**	2,974,746,773
Goodwill		**1,307,103,982**	1,307,103,982
Long-term prepaid expenses		**36,042,642**	39,921,000
Deferred tax assets		**1,135,894,135**	1,042,209,554
Other non-current assets		**48,798,055**	56,310,013
Total non-current assets		**16,901,728,412**	17,467,594,101
TOTAL ASSETS		**30,974,711,779**	30,077,158,487

Consolidated Balance Sheet *(continued)*

	Note	**31 December 2017**	31 December 2016
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings		**282,534,200**	302,341,000
Notes payable		**289,472,296**	307,516,920
Accounts payable	*3*	**2,083,733,787**	2,049,229,359
Advances from customers		**1,177,632,347**	1,320,882,187
Employee benefits payable		**1,032,628,088**	988,416,962
Taxes payable		**400,835,890**	396,466,643
Interests payable		**815,222**	737,291
Other payables		**5,184,055,031**	4,918,819,305
Current portion of non-current liabilities		**419,160**	376,372
Other current liabilities		**107,284**	—
Total current liabilities		**10,452,233,305**	10,284,786,039
Non-current liabilities			
Long-term borrowings		**1,047,900**	1,376,480
Payables for specific projects		**123,140,327**	175,014,368
Deferred income		**1,904,109,828**	1,948,814,560
Long-term employee benefits payable		**499,008,449**	538,957,516
Deferred tax liabilities		**220,667,269**	249,069,955
Total non-current liabilities		**2,747,973,773**	2,913,232,879
Total liabilities		**13,200,207,078**	13,198,018,918
Equity			
Share capital		**1,350,982,795**	1,350,982,795
Capital surplus		**3,444,181,512**	3,444,189,700
Other comprehensive income		**(9,038,750)**	(50,149,422)
Surplus reserve		**1,400,704,380**	1,400,704,380
General reserve		**155,497,737**	142,496,409
Undistributed profits	*4*	**10,802,900,749**	10,025,728,867
Total equity attributable to shareholders of the Company		**17,145,228,423**	16,313,952,729
Non-controlling interests		**629,276,278**	565,186,840
Total equity		**17,774,504,701**	16,879,139,569
TOTAL LIABILITIES AND EQUITY		**30,974,711,779**	30,077,158,487

Consolidated Income Statement

	Note	Year ended 31 December 2017	2016
Revenue	5	**26,277,051,684**	26,106,343,738
Less: Cost of sales	5	**(15,622,130,867)**	(15,265,279,542)
Taxes and surcharges	6	**(2,325,028,134)**	(2,231,364,935)
Selling and distribution expenses		**(5,768,943,601)**	(6,029,439,233)
General and administrative expenses		**(1,244,256,438)**	(1,340,543,211)
Financial expenses		**370,017,175**	257,408,345
Assets impairment losses		**(10,716,839)**	(7,842,038)
Add: Profit arising from changes in fair value		**115,254**	—
Investment income		**57,988,170**	150,969,732
Including: Share of profit of associates and a joint venture		**20,461,767**	(5,214,764)
Gains/(losses) on disposals of assets	7	**(46,283,580)**	(223,543,613)
Other income		**304,412,441**	—
Operating profit		**1,992,225,265**	1,416,709,243
Add: Non-operating income		**145,623,532**	720,032,104
Less: Non-operating expenses		**(33,030,158)**	(13,299,582)
Total profit		**2,104,818,639**	2,123,441,765
Less: Income tax expenses	8	**(722,562,998)**	(1,017,743,313)
Net profit		**1,382,255,641**	1,105,698,452
Classified by continuity of operations			
Net profit from continuing operations		**1,382,255,641**	1,105,698,452
Net profit from discontinued operations		**—**	—
Classified by ownership of the equity			
Attributable to non-controlling interests		**119,238,453**	62,212,024
Attributable to shareholders of the Company		**1,263,017,188**	1,043,486,428
Other comprehensive income, net of tax		**41,110,672**	(29,823,263)
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		**23,670,000**	(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		**135,737**	51,552
Changes in fair value of available-for-sale financial assets		**6,108,986**	—
Currency translation differences		**11,195,949**	(11,732,815)
Total comprehensive income		**1,423,366,313**	1,075,875,189
Attributable to shareholders of the Company		**1,304,127,860**	1,013,663,165
Attributable to non-controlling interests		**119,238,453**	62,212,024
Earnings per share	9		
Basic earnings per share		**0.935**	0.772
Diluted earnings per share		**0.935**	0.772

Note:

1 Basis of preparation

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises — Basic Standards, 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.

Significant changes in accounting policies

In 2017, the Ministry of Finance released the "Accounting Standard for Business Enterprises No.42 — Non-current Assets or Disposal Groups Held for Sale and Discontinued Operations", revised "Accounting Standard for Business Enterprises No.16 — Government Grants" and the "Circular on Amendment to Formats of Financial Statements of General Industry" and its interpretation (Cai Kuai [2017] No.30). The financial statements for the year ended 31 December 2017 are prepared in accordance with the above standards and circular, non-operating income RMB1,460,219 and non-operating expenses RMB225,003,832 in the financial statement for the year ended 31 December 2016 were reclassified to gains/(losses) on disposals of assets with the net amount of RMB223,543,613.

2 Accounts receivable

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

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.

2 Accounts receivable *(continued)*

The ageing of accounts receivable based on their recording dates is analyzed below:

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

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 analyzed below:

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

4 Dividend

Pursuant to the resolution at the Annual General Meeting dated 30 June 2017, the Company approved a cash dividend RMB0.35 per share (pre-tax) to the shareholders of the Company with RMB472,843,978 for the year of 2016, based on a total number of 1,350,982,795 shares (2016: cash dividend RMB0.39 per share (pre-tax) to the shareholders of the Company with RMB526,883,290 for the year of 2015, based on a total number of 1,350,982,795 shares).

Pursuant to the resolution at the Board Meeting dated 27 March 2018, the Board proposed a cash dividend RMB0.42 per share (pre-tax) to the shareholders of the Company with RMB567,412,774, 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.

5 Revenue and cost of sales

	Year ended 31 December 2017	Year ended 31 December 2016
Revenue from main operation	**25,985,075,078**	25,818,250,498
Revenue from other operations	**291,976,606**	288,093,240
	26,277,051,684	26,106,343,738

	Year ended 31 December 2017	Year ended 31 December 2016
Cost of main operation	**(15,425,885,974)**	(15,077,843,363)
Cost of other operations	**(196,244,893)**	(187,436,179)
	(15,622,130,867)	(15,265,279,542)

6 Taxes and surcharges

	Year ended 31 December 2017	Year ended 31 December 2016
Consumption tax	**1,707,188,709**	1,674,008,091
City maintenance and construction tax	**247,254,559**	244,743,638
Education surcharges	**189,337,531**	186,905,531
Land use tax	**68,893,464**	48,662,811
Property tax	**60,950,528**	39,219,747
Stamp tax	**29,190,160**	18,219,672
Others	**22,213,183**	19,605,445
	2,325,028,134	2,231,364,935

7 Gains on disposals of assets

	Year ended 31 December 2017	Year ended 31 December 2016
Losses on disposals of fixed assets	**(45,418,792)**	(131,175,519)
Losses on disposals of intangible assets	**(864,788)**	(92,368,094)
	(46,283,580)	(223,543,613)

8 Income tax expenses

	Year ended 31 December 2017	Year ended 31 December 2016
Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax	**842,707,539**	1,305,461,851
Current profits tax calculated according to tax law and related regulations in Hong Kong — Hong Kong profits tax	**3,423,701**	3,540,729
Current profits supplemental tax calculated according to tax law and related regulations in Macau — Macau profits supplemental tax	**555,354**	865,372
Deferred income tax	**(124,123,596)**	(292,124,639)
	722,562,998	1,017,743,313

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 2017	Year ended 31 December 2016
Total profit	**2,104,818,639**	2,123,441,765
Income tax expense calculated by applicable tax rates	**524,686,269**	529,064,666
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	**75,153,473**	53,437,240
Impairment of deferred tax assets	**24,047,146**	—
Income tax payment of the expired preferential tax rate difference for previous years	**—**	338,876,455
Income not subject to tax	**(18,570,926)**	(90,343,163)
Utilization of previously unrecognized deferred tax assets	**(78,788,735)**	(28,430,550)
Deductible temporary differences for which no deferred tax assets were recognized	**60,292,181**	42,821,036
Deductible tax losses for which no deferred tax assets were recognized	**135,743,590**	172,317,629
Income tax expenses	**722,562,998**	1,017,743,313

8 Income tax expenses *(continued)*

(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

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

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

9 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 2017	Year ended 31 December 2016
Consolidated net profit attributable to ordinary shareholders of the Company	**1,263,017,188**	1,043,486,428
Weighted average number of ordinary shares outstanding	**1,350,982,795**	1,350,982,795
Basic earnings per share	**0.935**	0.772
Including:		
— Basic earnings per share from continuing operations	**0.935**	0.772

(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 2017 (2016: nil), diluted earnings per share equals to basic earnings per share.

10 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.

The Group identified seven reportable segments as follows:

— Shandong region, responsible for the production and distribution of beer in Shandong region and surrounding regions
— South China region, responsible for the production and distribution of beer in South China region
— North China region, responsible for the production and distribution of beer in North China region
— East China region, responsible for the production and distribution of beer in East China region
— Southeast China region, responsible for the production and distribution of beer in Southeast China region
— Hong Kong, Macau and other overseas regions, responsible for the distribution of beer in Hong Kong, Macau and other overseas regions
— Finance Company, engaged in the financial businesses of wealth management and agency collection and payment for its members

Inter-segment transfer pricing is based on mutually-agreed prices.

Assets are allocated based on the operation of the segments and the physical location of the assets. Liabilities are allocated based on the operation of the segments. Expenses indirectly attributable to each segment are allocated among segments based on the proportion of each segment's revenue.

10 Segment information *(continued)*

(a) Segment information as at and for the year ended 31 December 2017 is as follows:

	Shandong Region	South China Region	North China Region	East China Region	Southeast China Region	Hong Kong, Macau and other overseas Regions	Finance Company	Unallocated	Elimination	Total
Revenue from external customers	14,292,308,485	3,162,287,425	4,407,098,356	2,794,750,790	925,210,692	692,918,837	700,800	1,776,299	–	26,277,051,684
Inter-segment revenue	2,390,483,367	551,855,702	1,177,817,956	107,469,713	15,477,672	158,838,061	46,397,966	600,767	(4,448,941,204)	–
Cost of sales	(10,644,714,799)	(2,316,347,907)	(3,660,960,131)	(2,166,077,505)	(692,725,985)	(565,385,926)	(31,475)	(952,413)	4,425,065,274	(15,622,130,867)
Selling and distribution expenses	(2,967,752,418)	(1,025,428,613)	(730,113,119)	(681,937,086)	(204,787,082)	(158,925,283)	–	–	–	(5,768,943,601)
Interest income	34,104,487	16,633,108	34,318,966	4,235,264	1,752,702	2,482,546	410,790,742	56,484,968	(145,638,518)	415,164,265
Interest expenses	(13,854,308)	(6,542,590)	(13,532,271)	(16,821,479)	–	(4,747,878)	(147,090,113)	–	192,046,196	(10,542,443)
Share of profit of associates and a joint venture	–	–	–	–	–	–	–	20,461,767	–	20,461,767
Assets impairment reversals/(losses)	(6,271,318)	7,221	(2,718,497)	(450,304)	(1,544,388)	8,898	1,457,282	(149,028,451)	147,822,718	(10,716,839)
Depreciation and amortization	(504,071,695)	(195,340,858)	(205,958,358)	(177,528,595)	(39,777,419)	(1,387,828)	(720,929)	(53,837,297)	–	(1,178,622,979)
Total profit/(losses)	1,575,390,120	(30,198,645)	627,135,625	(374,620,865)	(21,907,392)	112,471,504	337,386,129	(292,356,733)	171,518,896	2,104,818,639
Income tax expenses	(397,925,440)	(15,061,480)	(212,700,208)	8,794,771	5,745,786	(25,990,510)	(83,940,593)	–	(1,485,324)	(722,562,998)
Net profit/(losses)	1,177,464,680	(45,260,125)	414,435,417	(365,826,094)	(16,161,606)	86,480,994	253,445,536	(292,356,733)	170,033,572	1,382,255,641
Total assets	11,830,427,706	4,418,006,101	5,688,165,259	3,401,092,800	895,250,134	741,678,964	11,138,523,514	5,412,998,103	(12,551,430,802)	30,974,711,779
Total liabilities	6,218,794,904	2,059,788,646	3,540,854,684	2,522,176,064	485,733,804	854,045,067	9,560,519,518	450,369,758	(12,492,075,367)	13,200,207,078
Non-cash expenses other than depreciation and amortization	12,953,869	454,619	7,671,328	174,133	19,338	–	–	–	–	21,273,287
Long-term equity investments in associates and a joint venture	–	–	–	–	–	–	–	375,899,439	–	375,899,439
Additions to non-current assets *(i)*	224,951,938	103,823,375	186,153,159	46,413,000	13,546,272	2,936,189	919,470	45,543,304	(30,904,966)	593,381,741

10 Segment information *(continued)*

(b) Segment information as at and for the year ended 31 December 2016 is as follows:

	Shandong Region	South China Region	North China Region	East China Region	Southeast China Region	Hong Kong, Macau and other overseas Regions	Finance Company	Unallocated	Elimination	Total
Revenue from external customers	13,779,050,791	3,292,461,433	4,214,930,052	2,770,479,695	1,445,523,051	598,725,462	3,193,069	1,980,185	–	26,106,343,738
Inter-segment revenue	2,636,349,130	480,840,888	1,074,508,734	123,303,372	10,726,493	162,899,924	50,707,579	600,767	(4,539,936,887)	–
Cost of sales	(10,148,236,962)	(2,349,822,819)	(3,481,106,499)	(2,167,456,124)	(1,080,653,200)	(515,735,035)	(169,974)	(875,877)	4,478,776,948	(15,265,279,542)
Selling and distribution expenses	(3,130,174,462)	(989,476,948)	(612,762,597)	(757,345,302)	(392,689,500)	(146,990,424)	–	–	–	(6,029,439,233)
Interest income	29,428,851	13,675,992	29,069,916	3,766,645	2,966,845	961,861	275,588,083	52,699,071	(125,426,137)	282,731,127
Interest expenses	(19,751,768)	(8,988,909)	(19,081,692)	(22,040,172)	–	(4,486,100)	(128,787,053)	–	189,673,506	(13,462,188)
Share of losses of associates and a joint venture	–	–	–	–	–	–	–	(5,214,764)	–	(5,214,764)
Assets 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 amortization	(508,693,828)	(189,647,728)	(211,147,018)	(143,945,087)	(39,587,042)	(2,469,808)	(971,323)	(55,569,386)	–	(1,152,031,220)
Total profit/(losses)	1,792,313,332	(11,352,432)	563,331,309	(417,320,196)	(83,745,161)	105,633,444	217,732,791	(54,158,733)	11,007,411	2,123,441,765
Income tax 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)	1,074,670,112	(23,816,818)	354,985,316	(422,763,476)	(84,795,916)	81,498,151	163,176,545	(54,158,733)	16,903,271	1,105,698,452
Total assets	11,498,978,803	4,439,575,889	5,776,346,339	3,327,587,133	900,114,749	680,624,013	10,170,188,267	5,390,162,109	(12,106,418,815)	30,077,158,487
Total liabilities	6,452,698,020	1,821,713,586	4,051,904,558	2,294,101,058	464,505,353	819,257,630	8,850,070,106	498,294,745	(12,054,526,138)	13,198,018,918
Non-cash expenses other than depreciation and amortization	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 to 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.

10 Segment information *(continued)*

The Group's revenue from external customers in domestic and overseas markets, and the total non-current assets other than financial assets and deferred tax assets located domestically and in foreign countries or geographical areas are summarized as follows:

Revenue from external customers	**Year ended 31 December 2017**	Year ended 31 December 2016
Domestic	**25,539,177,885**	25,462,663,314
Hong Kong and Macau	**261,987,116**	259,073,170
Other overseas regions	**475,886,683**	384,607,254
	26,277,051,684	26,106,343,738

Total non-current assets	**31 December 2017**	31 December 2016
Domestic	**15,754,162,727**	16,413,141,266
Hong Kong and Macau	**11,071,550**	11,634,639
	15,765,234,277	16,424,775,905

II. DISCUSSION AND ANALYSIS MADE BY THE MANAGEMENT

(I) Business Performance Review and Analysis of The Company's Core Competitiveness

1. Development Strategies and Business Plan Implementation Description

In 2017, the Chinese beer market continued to decline, and the beer yield throughout the year achieved 44.01 million kL with a year-on-year decrease of 0.7% (Data Source: National Bureau of Statistics of China, NBS). With the economic growth and the improvement of the consumption structure, the consumers' demand on beer has become diversified, which has driven the beer industry's structural upgrade. However, there is still a heavy pressure on the beer industry's growth and expansion with the outstanding excess capacity conflict. The medium and hi-end catering consumption stagnation and the great effort made to promote foreign beers and imported beers in the domestic market have sharpened the competition of the domestic beer market, and the rise in raw material price and logistics and labor costs has also put much pressure on various beer enterprises. Therefore, the market competition is still very fierce.

During the reporting period, the Company continued the "Development Strategies based on Capacity and Brand" established by the board, seized the golden opportunity, strictly adhered to its willpower for business operation and positively boosted the Company's transformation and upgrading. Externally, the Company attached great importance to develop the market, realize its business development, and accelerated the adjustment, optimization and upgrading of the product's structure with the brand as its leading force and the innovation the driving power; internally, the Company improved its management strategy to boost the profits, and enhanced the value chain's overall operating efficiency by taking various measures such as the centralized purchasing of raw materials, the online bidding and the construction of the smart factory. As a result, the Company stabilized its growth, adjusted its structure and successfully controlled the costs. Meanwhile, the Company also reinforced and improved its market competitiveness and fulfilled and even exceeded various major business operation indicators. For example,the Company's beer sales in the year achieved 7.97 million kL, increasing 0.6% when compared to that last year; the operation revenue was 26.277 billion, increasing 0.7% when compared to that last year; the net profit attributed to the listed company shareholders was 1.263 billion, increasing 21.0% when compared to that last year.

Within the reporting period, the Company strictly adhered to the policy of "Seek Improvement in Stability and Promote the Business Development", positively exploited the domestic and foreign market, accelerated the building of the bases along the sea and the Yellow River (the market strategy belt) and devoted to establishing and improving the structured multi-layer national market strategy layout. In various traditional markets and other markets where the brewery locates at, the Company depended on its existing production bases to fully bring out the synergistic effect between production and marketing, and established the base market circle featuring brand influence, profitability and market occupancy by virtue of various manufacturers' cooperative operations. Meanwhile, the Company also focused on the new regional markets, the new consumer groups and the emerging consumption channels, emphasized the resource investment based on the market layout, kept improving its marketing and market management abilities by relying on its advantages in the brand and the product, and blazed a new trail to increase the yield and the profits.

In terms of international market, the Company has made new progress in combination with the implementation of the Belt and Road Strategy. Through making full use of its advantages in the brand and the quality, the Company has promoted its brand all over the globe, and enhanced the TsingTao Beer's hi-end brand positioning and product image by achieving the high quality, the high price and the high visibility. In this year, the Company sponsored many vocal concerts and music festivals overseas as well as various sports events and conducted various marketing activities (held 460 brand promotion activities in 42 countries) to increase its brand's vitality and present the consumers with the best brand and product experience. In addition, the Company also made use of the global mainstream social media's network platforms to strengthen its brand communication, and combined the online and offline promotion activities to attract much more consumers to participate. By releasing the potential power of its brand, the Company also spread its influence to the surrounding market and boosted its sales. In 2017, TsingTao Brewery Co., Ltd. successfully distributed and sold its beers in 100 countries, and the overseas sales achieved a year-on-year increase of 17.5%. Currently, its brand's internationalization has been accelerated.

Through continuously boosting and improving the marketing mode featuring "Key Account+Micro Management", and regarding the profit and the market occupancy as the orientation, the Company optimized its operation strategies by centering on "Product, Price, Channel and Promotion", strengthened its business development and channel development based on the sales network covering the nationwide major markets, positively cultivated various strategic distributors for the Company, continuously improved the distribution network and strengthened the terminal operations. During the reporting period, the Company paid special attention to increase the sales ratio of the canned beer and the high-value-added products through making full use of its brand advantages and optimizing the product line's structure; by completely subdividing various channels, broadening different sales channels, accelerating the development of modern channels including night clubs, KA, keg beers and e-commerce etc., and exploiting the terminals, the Company improved its management ability in various marketing channels and marketing terminals. Furthermore, the Company continuously optimized relevant cost structure, strictly controlled the usage of expenses and the verification & payment procedures, strengthened the market inspection and verification, and further improved the promotion costs' effectiveness management and marketing efficiency.

During the reporting period, the Company continued implementing the brand strategy featuring "Tsingtao Beer First Brand+Laoshan Beer Second Brand", and by carrying out the "Four in One" brand communication mode, the Company positively expanded the channels for interacting with the consumers based on Sports Marketing, Music Marketing and Event Marketing, in which way, Tsingtao Beer has become a new young and fashion brand. Meanwhile, confronted with the new trend led by the consumption structure upgrading of the beer market, the Company made innovations to drive its growth, and sped up the product structure optimization and the R&D of new strategic products and special products based on the first-class domestic R&D platforms. In recent years, the Company has succeeded in creating and releasing various new and special products, including Classic 1903, Wheat Beer, Original Beer, Pilsner and Tsingtao Beer IPA etc., and presented the consumers with much more diversified product experience. Moreover, the Company accelerated its transformation and upgrading into various high-value-added products represented by the canned beer and the craft beer so as to form the differentiation competitive advantages in the mainstream products and new and special products by virtue of the much more completed product types and structure. While boosting the balance between the supply and the demand, and ushering in the consumption trend, the Company also enhanced its profitability. In 2017, Tsingtao Beer (first brand) achieved a total sales of 3.765 million kL, of which, the sales of various hi-end beers (including Augerta, Hongyundangtou, Classic 1903 and Draft Beer) occupied 1.625 million kL. As a result, the Company maintained its competitive advantages in the medium and hi-end products market.

In addition, the Company has also explored and implemented the innovative "Internet+" marketing mode, and taken the initiative in establishing the e-commerce channel system featuring "Online Retailers+Official Flagship Shops+Specialized Stores+Official Shopping Mall", the online mobile terminal "Tsingtao Beer Wechat Shopping Mall" and "Tsingtao Beer Quick Purchase APP". In the meantime, the Company has also set up the "E-commerce+Outlet+Factory Outlet" 3D sales platform and satisfied the consumer's purchase demand and consumption experience in the age of Internet from various aspects, playing a significant role in the creation of the Company's unique new business mode and the development of new and special products.

2. Analysis of Core Competitiveness

The Brand "Tsingtao Beer" owned by the Company is one of the first ten famous trademarks in China with strong influences and high reputation at home and abroad. In 2017, Tsingtao Beer continued its top one status in the Chinese beer industry by virtue of its brand value of RMB129.762 billion (announced by the World Brand Lab), and the brand value of the Company's second brand "Laoshan Beer" also achieved RMB 20.566 billion (announced by the World Brand Lab). As the continuous improvement of its popularity and competitiveness in the regional market, the Company is able to satisfy the consumption demands on different levels.

The Company, as the brewery with the longest history in China, has always paid high attention to the product quality as Tsingtao Beer's series of products have won many championships from various quality appraisal competitions held at home and abroad, and received positive comments from domestic and foreign consumers. In recent years, through carrying out continuous transformation and improvement, the Company has made its major production equipment achieve the state-of-the-art level. Meanwhile, it has also strengthened the management and control of raw materials, workmanship, technologies and operation procedures etc. to guarantee the food safety and the product's high quality and improve the consistency in taste.

The Company has owned the only national key laboratory in the beer industry, established the first-class domestic R&D platform, employed the high-calibre R&D team, possessed the cutting-edge fundamental research ability, developed many core technologies with the proprietary intellectual property rights, and technically maintained its leading status in the domestic beer market. In recent years, the Company has launched a series of characteristic new products to satisfy the market demand, including Tsingtao Beer Augerta, Tsingtao Beer Hongyundangtou, Classic 1903, Wheat Beer, Fruit Beer, Chinese Date Black Beer, Keg Original Beer and Pilsner, in which way, it has ushered in the consumption trend and further enhanced the brand image.

By means of the "Key Account+Micro Management" marketing mode, the Company has continuously strengthened its market promotion and deepened the marketing network, propelled the cooperative operation among different manufacturers, optimized the division of the marketing value chain, enhanced its maintenance and control of various terminal clients, and further reinforced and improved its dominant position in the base market and its shares in the emerging market.

(II) Future Prospects

1. Industrial Competition Pattern and Development Trends

In 2017, the Chinese Economy made progress and realized a better development while maintaining stability. As the economic transformation and upgrading sped up, and the transition between old and new kinetic energy accelerated, the deepened supply-side reform has served as an important power to boost the economic development.

As a fully competitive traditional industry, Chinese Beer has experienced a rapid development during several decades, and its sales has ranked first in the world with the consumption per head achieving the world's average level. At present, Top 5 Beer Enterprises in China have occupied about 80% market shares. Since various foreign-invested beers and imported beers are violently promoted in the domestic market, the market competition has become much fiercer. Meanwhile, the overall growth of the consumption market is still weak now, the medium and hi-end catering consumption is stagnated, and the production and operation costs are increasing, all of which have adversely impacted the sales of beer. Therefore, the beer industry will slowly recover its booming situation. In general, the market competition has changed from the expansion of the capacity and scale to the quality and differentiation. However, the growth and development must rely on the improvement of its own operation ability and innovation ability. In the meantime, the diversified consumption needs have resulted in the obvious upgrading of the consumption structure. As the market for various hi-end products (including craft beer and special beer) grows rapidly, the growth rate of the whole industry has been differentiated.

At present, the instant beverages market still occupies a dominant position in the domestic beer market. The sales of beer increases in the popular catering market while that in the medium and hi-end catering market has confronted much larger pressure due to the substitution of other wines. Meanwhile, the shares of some medium and hi-end products represented by canned beers, and bottle beers oriented to family consumption have also increased and a good development trend is also maintained. The introduction of the mature e-commerce mode has also made the family consumption of beers much more convenient and rapid.

Although the beer consumption per head in China and the average price still cannot catch up with that in some developed countries in Europe and America, the domestic beer industry will speed up the upgrading of its industrial structure as the Chinese economy realizes a sustained and stable growth so as to improve the product structure and raise the price. The optimization and upgrading of the product structure has become the theme for the industrial development.

We firmly believe that, the Chinese beer market is still the largest and the most potential market in the world with the high possibility in increasing the profit and sales. Therefore, we are very confident in the beer industry and the Company's future development.

2. The Company's Development Strategy

The Company will continue implementing the "Development Strategies based on Capacity and Brand", focus on the transformation of the development mode, speed up the structure optimization and adjustment, build and reinforce the core base market, break through the emerging market and continuously increases its shares in both domestic market and foreign market. Meanwhile, the Company will also make innovations to stimulate its development, make full use of the brand and quality advantages of Tsingtao Beer, accelerate the R&D, marketing and upgrading of various strategic new products and special products, improve its customer-oriented differentiation competitive advantages, and continuously make new progress in the domestic medium and hi-end market by relying on the differentiation competitive strategy.

3. Annual Business Plan

With the continuous development of China's economy, the beer industry's recovery and the upgrading of consumption will bring out much more opportunities for various domestic beer enterprises with corresponding brand and scale advantages in the future.

The Company will firmly seize the opportunity, make full use of the brand and quality advantages of Tsingtao Beer, seek improvement in stability, realize a high-quality development, and successfully make the Company's sales 2% higher than the average growth rate of the domestic beer industry.

Besides, special effort will be made to positively expand domestic and foreign markets and develop various dominant market along the sea and the Yellow River basin to improve the existing capacity's utilization ratio, to enhance the product upgrading and the structural upgrading and to maintain the Company's leading position in the domestic medium and hi-end markets. Further, the Company will explore the application of the Internet of Things, Big Data, Mobile Applications and other new information technologies, introduce the smart factory mode, propel the transition of the traditional production mode into the "Internet+Industry" mode, and satisfy various market needs, such as rich varieties, high efficiency, high quality and low cost.

Nevertheless, the Company will continue integrating relevant market resources, improve the marketing channels and networks, innovate the marketing mode, accelerate the integration process of the sales network, and set up the most competitive channel network and sales operation mode. By implementing the market integration, the Company will focus on improving the marketing efficiency and cooperativity, and fulfilling the increases in sales and revenues.

The Company will carry on its "Four in One" marketing mode to deepen the Sports Marketing and Music Marketing, optimize the allocation of resources, and completely improve the brand's international, young and fashionable image. By means of the development of new products and the product structure adjustment, the brand and variety structure will be optimized, and the product category will also increase based on the brand. Moreover, great effort will also be made to accelerate the transformation and upgrading into the high-value-added products and conduct various promotion activities, in which way, the modern channel development can be realized, the e-commerce channel's advantages enhanced, the online and offline resources shared and various advantages relatively complemented.

In 2018, the board and the management layer will lead and organize all employees to positively promote and deepen the reform of state-owned enterprises and the transformation of new and old kinetic energy. According to the Company's established development strategies, various advantages in the quality, brand and technology will be fully taken to improve the core competitiveness and the sustainable development of Tsingtao Beer, creating higher vale for the shareholders.

4. Potential Business Risks

As a fully competitive traditional industry, the Company (against the backdrop of excess industrial production capacity and heavy pressure on the increase in sales) may confront the following major business risks:

1. Nowadays, the medium and hi-end catering market cannot recover in the short term; since the Company's products are mainly oriented to the medium and hi-end market, its short-term sales and increases in revenues may be compromised.

2. As the foreign-invested beers and imported beers are violently promoted in the domestic market, the market competition may become much fiercer.

3. The Company's profitability may be influenced by the sharp rise in price of raw materials and labor costs (that has resulted in larger pressure on business operation).

4. Due to the market competition, the beer enterprises must increase their investment into the advertising and relevant promotion activities in order to improve the utilization ratio of the production capacity.

5. Substitute goods (including white spirit and wines etc.) develop rapidly to occupy the shares of the domestic beer market.

III. SHARE CAPITAL

1. During the reporting period, the Company's total no. of shares and share capital structure did not change.

2. During the reporting period, the Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

IV. FINAL DIVIDEND DISTRIBUTION PROPOSAL

The board proposes the distribution of the final dividend for the year ended December 31, 2017, and the amount shall be RMB0.42 Yuan per share (taxes included). Any dividend distribution proposal shall be subject to the consideration and approval at the Company's 2017 annual general meeting, and the final dividend is expected to be distributed to shareholders on August 3, 2018. 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 always devotes to maintain the high-level corporate governance. For the year ended 2017, the Company strictly complied with relevant provisions stated in *Corporate Governance Code* as set out in Appendix 14 of *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"),* except the deviation from code provision A.4.2.

As stated in Code provision A.4.2, all directors (including the director whose tenure is designated) shall retire by turns once every three years at least. As disclosed in the announcement of the Company dated June 14, 2017, the tenure of the Company's 8th Session of the Board of directors and board of supervisors expired on June 16, 2017. Considering that the nomination of relevant director/supervisor candidates was not completed, the reelection and appointment of the 8th session of the Board of directors and board of supervisors shall postpone, and the tenure of various special committees of the Company's 8th session of the Board of directors and board of supervisors shall accordingly extend as well in order to guarantee the continuity and the stability of all works. If feasible, the Company will conduct the reelection and appointment of the Board of directors and board of supervisors as soon as possible.

Please refer to the Company's 2017 Annual Report for details about the Corporate Governance.

VI. AUDIT AND INTERNAL CONTROL COMMITTEE

The Audit and Internal Control Committee is subordinated to the Board of Directors. In conformity with Rule 3.21 of the *Listing Rules*, the Group's audited annual financial statements for the fiscal year as at 31 December 2017 have been checked and approved by the audit and internal control committee.

VII. AUDITOR' SCOPE OF WORK

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditor, PricewaterhouseCoopers Zhong Tian LLP ("PwC"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC 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 PwC on this preliminary results announcement.

VIII. SIGNIFICANT EVENTS

1. Termination of The Company's Purchase of Shares with the Reporting Period

As considered and approved at the 14th meeting of the eighth session of the Board, on October 29, 2016, the Company signed the Contract of Share Transfer with Shijiazhuang Zhongshuo Enterprise Management Co., Ltd. (previously known as Shijiazhuang Jiahe Brewery Co., Ltd., hereinafter referred to as "Shijiazhuang Zhongshuo"), indicating that the Company agreed to pay RMB 300 million (¥300,000,000) to purchase 50% shares of Hebei Jiahe Brewery Co., Ltd. (hereinafter referred to as "Hebei Jiahe") held by Shijiazhuang Zhongshuo. Due to the change in the business environment, both parties based on friendly negotiation agreed to terminate the contract by signing the Termination of Contract of Share Transfer & Framework Agreement Amendment as approved by the board on August 30, 2017. Upon termination, both parties shall not execute and perform any unfulfilled rights and obligations under the contract, and be exempted from assuming any liability for breach of contract. After the termination of the Contract of Share Transfer, Shijiazhuang Zhongshuo shall not require the Company to purchase the shares of Hebei Jiahe held by it according to the framework agreement for any reason at any time.

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

As considered and approved at the 16th meeting of the eighth session of the Board, in April 2017, the Company and Tsingtao Brewery Hong Kong Trading Co., Ltd. ("Tsingtao HK") submitted to Bank of China Co., Ltd. ("Bank of China") an *Application for Arrangement and Division of Credit*, pursuant to which, by way of dividing the domestic credit line through Bank of China (Qingdao Branch), the Company divided RMB350 million of its credit line in Bank of China (Qingdao Branch) to Tsingtao HK for its use, and the Company would provide counter-guarantee for this division. The Seoul Branch of Bank of China would newly grant a loan of HKD 338 million to Tsingtao HK for repaying HKD 338 million to Macau Branch of Bank of China.

3. Purchase of Wealth Management Products during the Reporting Period

As considered and approved at the eighth session of the Board, Finance Company, a wholly-owned subsidiary of the Company, launched a wealth management product business. In 2017, the Finance Company accumulatively purchased RMB 191 million of the money market fund. At the end of the reporting period, RMB 61 million was redeemed from such money market fund, realizing the income of RMB 520,000, and the principal and the income were all credited into the accounts; the non-redeemed money market fund amounted to RMB 130 million, and its income from the change of the fair value was RMB 120,000 or so.

As of December 31, 2016, the Finance Company had accumulatively purchased RMB 720 million of wealth management products that had not matured, and the wealth management products purchased in 2017 were amounted to RMB 1.7 billion in total. At the end of the reporting period, the above-mentioned wealth management products amounting to RMB 1.8 billion were matured and realized the income of RMB 36.54 million, and the principal and income of the matured wealth management products were all credited into the accounts; the non-matured wealth management products amounted to RMB 620 million with the expected income of RMB 8.15 million.

4. During the Reporting Period, the Company did not involve in any material litigation or arbitration.

5. Events after the Reporting Period (The Company's Second Largest Shareholder Shares Transfer)

5.1 On December 20, 2017, Asahi Group Holdings, Ltd. ("Asahi Group") respectively signed share purchase agreements with 5 entities subordinated to Fosun International Limited ("FOSUN Group"), proposing to transfer 243,108,236 H shares (representing 17.99% of the Company's total share capital) held in the Company to FOSUN Group at the total consideration of HKD 6.617 billion (equivalent to HKD 27.22 per H Share).

5.2 In addition, on the same day, Asahi Group and Tsingtao Brewery Group Co., Ltd. ("Tsingtao Brewery Group") and its subsidiary Hong Kong Xinhaisheng Investment Limited ("Xinhaisheng") signed a share purchase agreement, proposing to transfer 27,019,600 H Shares (representing 1.99% of the Company's total share capital) held in the Company to Xinhaisheng at the total consideration of HKD 735 million (equivalent to HKD 27.22 per H Share).

5.3 The Company has received a notice from Tsingtao Brewery Group and FOSUN Group, stating that all prerequisites stipulated in the Share Purchase Agreement have been satisfied, and the related transaction was completed on March 19, 2018. From March 19, 2018 on, (i) Mr. Yasutaka SUGIURA shall not hold any post in the board (as a non-executive director), the audit and internal control committee (as a member) and the nomination and remuneration committee (as a member); and (ii) Mr. Ryoichi KITAGAWA shall not hold any post in the 8th session of the board of supervisors (as a shareholder supervisor).

Tsingtao Brewery Company Limited
Chairman
Sun Ming Bo

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

The Company's Directors on the date of announcement:

Executive Directors:	*Mr. Sun Mingbo (Chairman), Mr. Huang Kexing, Mr. Fan Wei, Mr. Yu Zhuming*
Independent Non-executive Directors:	*Mr. Wang Xuezheng, Mr. Yu Zengbiao, Mr. Ben Shenglin, Mr. Jiang Min*