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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)**

## 2015 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 2015 (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

	<i>Note</i>	<b>31 December 2015</b>	31 December 2014
<b>ASSETS</b>			
<b>Current assets</b>			
Cash at bank and on hand		8,401,751,637	6,388,650,779
Notes receivable		22,770,000	41,600,000
Accounts receivable	2	117,990,987	125,421,629
Advances to suppliers		44,392,821	191,672,927
Interests receivable		148,581,416	171,660,445
Other receivables		200,675,954	163,583,950
Inventories		2,182,435,136	2,486,827,106
Other current assets		768,741,109	782,631,150
<b>Total current assets</b>		<b>11,887,339,060</b>	<b>10,352,047,986</b>
<b>Non-current assets</b>			
Available-for-sale financial assets		608,642	308,642
Long-term equity investments		1,507,745,095	1,536,262,375
Investment properties		25,512,148	10,960,292
Fixed assets		9,896,905,884	9,118,776,190
Construction in progress		287,469,734	1,051,916,065
Fixed assets pending for disposal		6,571,007	17,965,978
Intangible assets		2,707,099,617	2,780,584,276
Goodwill		1,307,103,982	1,307,103,982
Long-term prepaid expenses		39,861,860	32,574,517
Deferred tax assets		769,158,717	718,786,072
Other non-current assets		65,214,382	76,626,751
<b>Total non-current assets</b>		<b>16,613,251,068</b>	<b>16,651,865,140</b>
<b>TOTAL ASSETS</b>		<b>28,500,590,128</b>	<b>27,003,913,126</b>

# Consolidated Balance Sheet (Continued)

	Note	31 December 2015	31 December 2014
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Short-term borrowings		810,387,282	432,952,595
Notes payable		100,141,631	91,748,125
Accounts payable	3	2,590,986,856	2,494,168,939
Advances from customers		1,000,313,388	787,924,958
Employee benefits payable		925,629,768	866,668,648
Taxes payable		261,889,152	249,195,538
Interests payable		1,486,051	4,739,860
Other payables		4,061,298,404	4,299,312,050
Current portion of non-current liabilities		856,189	1,561,421
<b>Total current liabilities</b>		<b>9,752,988,721</b>	<b>9,228,272,134</b>
<b>Non-current liabilities</b>			
Long-term borrowings		1,711,800	2,784,731
Payables for specific projects		251,632,082	324,837,574
Deferred income		1,656,652,129	1,511,117,533
Long-term employee benefits payable	4	537,725,965	491,150,976
Deferred tax liabilities		133,868,381	158,467,740
<b>Total non-current liabilities</b>		<b>2,581,590,357</b>	<b>2,488,358,554</b>
<b>Total liabilities</b>		<b>12,334,579,078</b>	<b>11,716,630,688</b>
<b>Equity</b>			
Share capital		1,350,982,795	1,350,982,795
Capital surplus	5	4,075,078,879	4,079,399,151
Other comprehensive income	6	(20,326,159)	10,040,344
Surplus reserve		1,400,704,380	1,216,339,469
General reserve	7	106,025,418	66,981,927
Undistributed profits	8	9,545,596,720	8,663,818,498
<b>Total equity attributable to shareholders of the Company</b>		<b>16,458,062,033</b>	<b>15,387,562,184</b>
Non-controlling interests		(292,050,983)	(100,279,746)
<b>Total equity</b>		<b>16,166,011,050</b>	<b>15,287,282,438</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>28,500,590,128</b>	<b>27,003,913,126</b>

## Consolidated Income Statement

		Year ended 31 December	
	Note	2015	2014
<b>Revenue</b>	9	<b>27,634,686,040</b>	29,049,321,166
<i>Less:</i> Cost of sales	9	<b>(17,192,101,695)</b>	(17,899,291,275)
Taxes and surcharges	10	<b>(2,030,394,346)</b>	(2,182,624,248)
Selling and distribution expenses		<b>(5,904,539,236)</b>	(5,682,981,368)
General and administrative expenses		<b>(1,412,435,528)</b>	(1,362,297,511)
Finance expenses — net		<b>299,597,521</b>	334,652,990
Asset impairment (losses)/reversals		<b>(2,062,375)</b>	3,513,780
<i>Add:</i> Investment income	11	<b>462,412,814</b>	23,959,509
Including: Share of (losses)/profits of associates and a joint venture		<b>(4,562,375)</b>	23,840,743
<b>Operating profit</b>		<b>1,855,163,195</b>	2,284,253,043
<i>Add:</i> Non-operating income		<b>558,817,491</b>	469,416,868
Including: Gains on disposal of non-current assets		<b>29,048,431</b>	3,216,362
<i>Less:</i> Non-operating expenses		<b>(139,158,284)</b>	(70,671,089)
Including: Losses on disposal of non-current assets		<b>(130,560,143)</b>	(62,932,536)
<b>Total profit</b>		<b>2,274,822,402</b>	2,682,998,822
<i>Less:</i> Income tax expense	12	<b>(662,778,888)</b>	(663,466,755)
<b>Net profit</b>		<b>1,612,043,514</b>	2,019,532,067
Attributable to shareholders of the Company		<b>1,713,128,882</b>	1,990,098,044
Attributable to non-controlling interests		<b>(101,085,368)</b>	29,434,023
<b>Other comprehensive income, net of tax</b>	6	<b>(30,366,503)</b>	(15,152,645)
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		<b>(18,513,000)</b>	(14,767,000)
Items that will be subsequently reclassified to profit or loss			
Currency translation differences		<b>(11,776,550)</b>	(226,482)
Shares of other comprehensive income of investees accounted for using the equity method that will be subsequently reclassified to profit or loss		<b>(76,953)</b>	(159,163)
<b>Total comprehensive income</b>		<b>1,581,677,011</b>	2,004,379,422
Attributable to shareholders of the Company		<b>1,682,762,379</b>	1,974,945,399
Attributable to non-controlling interests		<b>(101,085,368)</b>	29,434,023
<b>Earnings per share</b>	13		
Basic earnings per share		<b>1.268</b>	1.473
Diluted earnings per share		<b>1.268</b>	1.473

**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 (hereafter collectively referred to as “the Accounting Standards for Business Enterprises” or “CAS”) and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 — General Rules on Financial Reporting issued by the China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

**2 Accounts receivable**

	<b>31 December 2015</b>	31 December 2014
Accounts receivable	<b>313,868,670</b>	324,504,493
Less: provision for bad debts	<b>(195,877,683)</b>	(199,082,864)
	<b><u>117,990,987</u></b>	<b><u>125,421,629</u></b>

The majority of the Group’s domestic sales are made by advances from customers. The remainings 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:

	<b>31 December 2015</b>	31 December 2014
Within 6 months	<b>117,065,349</b>	124,721,721
6 months to 1 year	<b>545,871</b>	669,040
1 to 2 years	<b>814,122</b>	128,640
2 to 3 years	<b>110,102</b>	—
3 to 4 years	—	654,876
4 to 5 years	<b>605,020</b>	650,142
Over 5 years	<b>194,728,206</b>	197,680,074
	<b><u>313,868,670</u></b>	<b><u>324,504,493</u></b>

### 3 Accounts payable

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

	31 December 2015	31 December 2014
Within 1 year	2,537,240,826	2,455,391,766
1 to 2 years	32,294,411	13,592,341
2 to 3 years	4,354,162	8,486,995
Over 3 years	17,097,457	16,697,837
	<u>2,590,986,856</u>	<u>2,494,168,939</u>

### 4 Long-term employee benefits payable

	31 December 2015	31 December 2014
Early retirement benefits (a)	391,090,281	374,294,592
Supplemental retirement benefits (b)	260,317,941	228,356,138
	<u>651,408,222</u>	<u>602,650,730</u>
Less: Payable within one year	(113,682,257)	(111,499,754)
	<u>537,725,965</u>	<u>491,150,976</u>

#### (a) Early retirement benefits

The Group offers early retirement benefits to those employees who accept voluntary retirement before their normal retirement date as approved by the management. The early retirement benefits include the salaries and social security contributions paid to the early retired employees from the off-duty date to the normal retirement date.

#### (b) Supplemental retirement benefits

Supplemental retirement benefits are provided to those retired employees who met certain criteria and the benefit plan was approved by Board's meeting. The benefits they can receive depend on their position and seniority at the time of retirement. Such defined benefit obligations were calculated by the external independent actuary Towers Watson & Co., using the projected unit credit method.

## 5 Capital surplus

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

- (i) According to the resolution at the fourth meeting of the eighth session Board of Directors, the Company purchased 34% non-controlling interests of a subsidiary of the Company, Tsingtao Brewery (Hanzhong) Co.,Ltd. (“Hanzhong Company”), with cash consideration of RMB26,297,900. Equity transfer procedures have been completed in February 2015. The difference of RMB4,930,584 between the increase in the cost of long-term equity investments as a result of the acquisition of non-controlling interests and the share of net assets of the subsidiary calculated continuously from the date of the acquisition or merger based on the new shareholding proportion has been adjusted against the capital surplus. As of 31 December 2015, the consideration has been fully paid.

Hanzhong Company purchased 34% non-controlling interests from the minority shareholder of Hansheng Commerce Co., Ltd. with cash consideration of RMB210,000. Equity transfer procedures have been completed in March 2015. The difference of RMB59,485 between the increase in the cost of long-term equity investments as a result of the acquisition of non-controlling interests and the share of net assets of the subsidiary calculated continuously from the date of the acquisition or merger based on the new shareholding proportion has been recognised in the capital surplus. As of 31 December 2015, the consideration has been fully paid.

## 6 Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement of 2015				
	31 December 2014	Attributable to the shareholders of the Company, net of tax	31 December 2015	The pre-tax amount in the current year	Less: Transfer out from which were recognised in other comprehensive income in the previous periods	Less: income tax expense	Attributable to the shareholders of the Company, net of tax	Attributable to the non- controlling interests, net of tax
Items that will not be subsequently reclassified to profit or loss								
Changes arising from remeasurement of defined benefit plan liabilities	(14,767,000)	(18,513,000)	(33,280,000)	(18,513,000)	—	—	(18,513,000)	—
Items that will be reclassified subsequently to profit or loss								
Currency translation differences	25,572,023	(11,776,550)	13,795,473	(11,776,550)	—	—	(11,776,550)	—
Shares of other comprehensive income of investees accounted for using the equity method that will be subsequently reclassified to profit or loss	(764,679)	(76,953)	(841,632)	(76,953)	—	—	(76,953)	—
	<u>10,040,344</u>	<u>(30,366,503)</u>	<u>(20,326,159)</u>	<u>(30,366,503)</u>	<u>—</u>	<u>—</u>	<u>(30,366,503)</u>	<u>—</u>

## 7 General reserve

	31 December 2014	Increase in the current year	Decrease in the current year	31 December 2015
General reserve	<u>66,981,927</u>	<u>39,043,491</u>	<u>—</u>	<u>106,025,418</u>

Pursuant to Caijin [2012] No. 20 “Requirements on Impairment Allowance for Financial Institutions” issued by the Ministry of Finance, Tsingtao Brewery financial Co., Ltd. (“Finance Company”), a subsidiary of the Company, appropriates general reserve by 1.3% of the ending balance of the risk assets based on its risk consideration. For the year ended 31 December 2015, appropriation amount was RMB39,043,491 (2014: reversal of RMB 13,660,326 by 1.2% of the ending balance of the risk assets).

## 8 Undistributed profits

	2015	2014
Undistributed profits at the beginning of the year	8,663,818,498	7,424,872,728
<i>Add:</i> Net profit attributable to shareholders of the Company in the current year	1,713,128,882	1,990,098,044
<i>Less:</i> Appropriation to statutory surplus reserve	(184,364,911)	(156,870,342)
Appropriation to general reserve	(39,043,491)	13,660,326
Ordinary shares dividend payable	(607,942,258)	(607,942,258)
	<u>9,545,596,720</u>	<u>8,663,818,498</u>

In accordance with the resolution at the annual general meeting dated 16 June 2015, the Company approved a cash dividend of RMB607,942,258 (RMB0.45 per share (pre-tax)), based on a total number of 1,350,982,795 shares.

In accordance with the resolution at the meeting of the Board dated 28 March 2016, the Board proposed a cash dividend of RMB526,883,290 (RMB0.39 per share (pre-tax)) based on a total number of 1,350,982,795 shares. Such dividend distribution is subject to the approval at the forthcoming annual general meeting.

## 9 Revenue and cost of sales

	2015	2014
Revenue from main operation	27,208,444,414	28,599,262,109
Revenue from other operations	<u>426,241,626</u>	<u>450,059,057</u>
	<u>27,634,686,040</u>	<u>29,049,321,166</u>
	2015	2014
Cost of main operation	(16,923,832,300)	(17,629,562,829)
Cost of other operations	<u>(268,269,395)</u>	<u>(269,728,446)</u>
	<u>(17,192,101,695)</u>	<u>(17,899,291,275)</u>

## 10 Taxes and surcharges

	2015	2014
Consumption tax	1,612,404,507	1,740,571,213
City maintenance and construction tax	234,423,796	250,143,051
Education surcharges	176,805,013	187,824,159
Business tax	6,651,033	4,057,217
Others	109,997	28,608
	<u>2,030,394,346</u>	<u>2,182,624,248</u>

## 11 Investment income

	2015	2014
(Loss)/Profit from long-term equity investment under equity method	(4,562,375)	23,840,743
Loss from disposal of a subsidiary (i)	444,819,948	—
Income from available-for-sale financial assets	153,492	65,522
Loss from disposal of available-for-sale financial assets	—	(999,999)
Income from wealth management products of Finance Company	21,615,918	—
Income from government bonds reverse repo agreements of Finance Company	85,833	126,807
Others	299,998	926,436
	<u>462,412,814</u>	<u>23,959,509</u>

- (i) According to the resolution at the seventh meeting of the eighth session Board of Directors, the Company disposed 100% equity interest of Qingdao Hongjiweiye Investment Co., Ltd. (“Hongjiweiye”), a wholly owned subsidiary of the Company, by publicly listed auction at Qingdao Property Exchange. The Company has entered into the equity interest transfer agreement with Shouguang Chenming Holding Co., Ltd. on 10 December 2015, with the consideration of RMB461,290,000. On 25 December 2015, the consideration has been fully collected and the procedures of alteration registration have been completed. In relation to the disposal of 100% equity interest in Hongjiweiye, the Group recognised the investment income of RMB444,819,948.

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

## 12 Income tax expense

	2015	2014
Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax	733,633,312	697,182,794
Current profits tax calculated according to tax law and related regulations in Hong Kong — Hong Kong profits tax	3,018,132	3,206,612
Current profits supplemental tax calculated according to tax law and related regulations in Macau — Macau profits supplemental tax	1,099,448	1,244,888
Deferred income tax	(74,972,004)	(38,167,539)
	<u>662,778,888</u>	<u>663,466,755</u>

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

	2015	2014
Total profit	<u>2,274,822,402</u>	<u>2,682,998,822</u>
Income tax expense calculated at applicable tax rates	566,309,444	669,132,514
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	4,218,971	35,978,053
Income not subject to tax	(13,549,529)	(25,049,146)
Utilisation of previously unrecognised deferred tax assets	(53,594,226)	(157,257,260)
Deductible temporary differences for which no deferred tax assets were recognised	43,324,129	28,245,659
Deductible tax losses for which no deferred tax assets were recognised	<u>116,070,099</u>	<u>112,416,935</u>
Income tax expense	<u>662,778,888</u>	<u>663,466,755</u>

### (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%.

### 13 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:

	2015	2014
Consolidated net profit attributable to ordinary shareholders of the Company	1,713,128,882	1,990,098,044
Weighted average numbers of ordinary shares outstanding	<u>1,350,982,795</u>	<u>1,350,982,795</u>
Basic earnings per share	<u>1.268</u>	<u>1.473</u>
Including:		
— Basic earnings per share relating to continuing operations	1.268	1.473

#### (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 2015 (2014: nil), diluted earnings per share equals to basic earnings per share.

### 14 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. Each region requires 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 to these segments and to assess their performance.

Finance Company is principally engaged in the financial businesses of wealth management and agency collection and payment for its members. Due to the unique business characteristics of Finance Company, the Group manages its operation independently and evaluates its operating results separately, to determine its resources allocation and assess its performance.

## 14 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 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)
Share of losses of associates and a joint venture	—	—	—	—	—	—	—	(4,562,375)	—	(4,562,375)
Asset impairment reversals/(losses)	410,047	(1,704,329)	(144,128)	116,575	(1,246,431)	20,861	(1,919,763)	26,634,189	(24,229,396)	(2,062,375)
Depreciation and amortisation	(426,915,496)	(201,828,380)	(192,373,441)	(20,141,897)	(71,774,863)	(2,559,829)	(1,160,002)	(48,594,301)	—	(965,348,209)
Total profit	1,642,093,566	119,959,379	568,188,479	(477,140,939)	(39,215,938)	54,573,287	234,462,433	157,522,512	14,379,623	2,274,822,402
Income tax expense	(430,127,308)	(52,102,265)	(135,177,876)	14,864,093	13,436,339	(11,891,193)	(58,720,749)	—	(3,059,929)	(662,778,888)
Net profit	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
Long-term equity investments in associates and a joint venture	—	—	—	—	—	—	—	1,507,745,095	—	1,507,745,095
Additions to non-current assets other than long-term equity investments	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

## 14 Segment information (continued)

(b) Segment information as at and for the year ended 31 December 2014 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	14,136,469,427	4,401,431,421	4,185,880,314	3,029,370,253	2,797,425,636	493,720,960	2,725,072	2,298,083	—	29,049,321,166
Inter-segment revenue	2,798,039,532	346,157,226	1,469,467,695	388,238,839	4,325,080	228,880,851	26,666,023	—	(5,261,775,246)	—
Cost of sales	(10,750,854,373)	(2,942,466,510)	(3,912,087,588)	(3,018,058,330)	(1,925,743,800)	(528,508,316)	(911,223)	(597,709)	5,179,936,574	(17,899,291,275)
Selling and distribution expenses	(2,894,923,865)	(905,931,345)	(469,597,147)	(570,217,054)	(699,628,996)	(142,682,961)	—	—	—	(5,682,981,368)
Interest income	37,018,242	22,158,073	51,423,783	3,171,357	11,511,957	890,255	401,750,175	47,261,197	(167,430,906)	407,754,133
Interest expenses	(4,976,486)	(6,232,135)	(30,867,874)	(19,205,756)	(2,178,400)	(8,260,598)	(175,679,618)	(19,692,246)	236,180,649	(30,912,464)
Share of profits of associates and a joint venture	—	—	—	—	—	—	—	23,840,743	—	23,840,743
Asset impairment reversals/(losses)	12,772,286	101,000	(1,260,777)	281,916	(717,993)	(4,228)	(1,995,000)	(7,626,424)	1,963,000	3,513,780
Depreciation and amortisation	(390,907,541)	(204,615,169)	(172,267,958)	(46,165,693)	(64,696,196)	(4,794,584)	(1,078,611)	(48,599,285)	—	(933,125,037)
Total profit	1,864,241,525	354,953,325	636,576,464	(286,923,471)	82,486,126	33,934,525	246,643,056	(239,565,940)	(9,346,788)	2,682,998,822
Income tax expense	(386,122,714)	(77,547,757)	(142,432,990)	19,472,475	(6,199,284)	(7,140,209)	(61,841,810)	—	(1,654,466)	(663,466,755)
Net profit	1,478,118,811	277,405,568	494,143,474	(267,450,996)	76,286,842	26,794,316	184,801,246	(239,565,940)	(11,001,254)	2,019,532,067
Total assets	10,963,131,068	4,753,828,553	5,541,467,121	820,073,692	1,472,517,809	365,899,300	6,374,018,178	3,798,985,214	(7,086,007,809)	27,003,913,126
Total liabilities	4,904,496,575	1,734,712,629	3,486,761,551	1,655,514,340	685,815,470	524,545,790	5,396,985,107	468,097,597	(7,140,298,371)	11,716,630,688
Long-term equity investments in associates and a joint venture	—	—	—	—	—	—	—	1,536,262,375	—	1,536,262,375
Additions to non-current assets other than long-term equity investments	1,027,654,229	233,796,032	852,412,229	35,453,319	80,269,661	2,825,284	907,188	60,067,187	(38,170,841)	2,255,214,288

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

Revenue from external customers	2015	2014
Domestic	27,079,863,084	28,529,135,920
Hong Kong and Macau	256,705,161	264,175,591
Other overseas	298,117,795	256,009,655
	<b>27,634,686,040</b>	<b>29,049,321,166</b>
Total non-current assets	31 December 2015	31 December 2014
Domestic	15,832,510,231	15,920,989,555
Hong Kong and Macau	10,973,478	11,780,871
	<b>15,843,483,709</b>	<b>15,932,770,426</b>

## 15 Contingencies

The Group's potential risk of income tax liabilities related to prior years has not been settled. The directors of the Company are of the view that the impact of the potential income tax liabilities could not be reliably estimated and therefore, no provision for the potential difference in income tax of previous years has been made in these financial statements. For detailed information, please refer to the information on income tax expense stated in the annual results announcements in previous years.

## 16 Capital commitments

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

	31 December 2015	31 December 2014
Buildings, machinery and equipments	<u>353,124,460</u>	<u>421,350,610</u>

## 17 Investment commitments

According to the Framework Agreement of Transfer of Equity Interests and Permission for Use of Brand and Technologies ("Framework Agreement") entered between the Company and Suntory (China) Holding Co., Ltd. ("Suntory Company") on 18 October 2015, the Company will acquire 50% equity interests of Suntory Tsingtao Brewery (Shanghai) Co., Ltd. ("Manufacturing Company") and 50% equity interests of Tsingtao Brewery Suntory (Shanghai) Sales Co., Ltd. ("Sales Company"), the consideration is determined by RMB822,912,001 together with subsequent consideration adjustment as mentioned in the Framework Agreement. After the completion of this deal, Manufacturing Company and Sales Company will become wholly owned subsidiaries of the Company. As at 31 December 2015, the related equity transfer procedures have not yet completed.

Up to the date of this preliminary announcement, the procedures of alteration at the industrial and commercial administration for the transfer of the equity interests of Manufacturing Company and Sales Company have been completed on 16 March 2016 and 24 March 2016 respectively, but the final consideration has not been agreed, and hence the payment has not been made by the Company.

## 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 2015, as affected by the factors including the slowdown of economic growth, and the overall sluggish consumption environment, China's beer market continued to decline that the full-year output of beer industry was 471.6 million hl (Source: National Bureau of Statistics), decreased by 5.1% from prior year, which had been the negative growth for two consecutive years.

Facing the unfavorable situation of the decline of domestic beer market and the growing intense international competition, the Board and the management team looked ahead to the future, insisted on the strategies, accelerated the steps of structure adjustment, devoted to encouraging the transformation of development mode, and actively responded to the challenges of the decline pressure and new market situation during the transformation period of “Transforming the modes, adjusting the structure”. The Company completely utilized its existing production potential, actively promoted and implemented the differentiated competition strategy of products innovation, supply chain innovation and management innovation, cultivated the differentiated competition advantages of principal products and new&special products to lead the upgrade of consumption and accelerate to cultivate new growth point which had built a solid basis for the material growth under the new situation.

In 2015, the Company’s sales volume of beer reached 84.8 million hl in aggregate, the revenues reached RMB27.635 billion, and the net profit attributable to shareholders of the Company reached RMB1.713 billion.

The Company actively devoted to exploring the domestic and overseas markets, developing the superior markets in coastal and along-Yellow-River basin areas, and continuing to promote the construction of provincial markets and base markets in big cities to lead the growth of sales volume of neighboring regional markets. During the Reporting Period, the Company continued to extensively and intensively explore the traditional superior markets in provinces including Shandong and Shaanxi, strengthened the development and integration of growing markets, and actively established the network of emerging markets to continuously improve the Company’s ability in sales operation and market control which consolidated and strengthened the Company’s competition advantages in the mid-and-high-end market.

During the Reporting Period, the Company continued to promote the implementation of the branding strategy of “Principal brand Tsingtao Beer + Secondary brand Laoshan Beer” to further optimize the brand mix and product mix, which helped the Company generally maintain its shares in the domestic market despite of the industrial decline. At the same time, by developing new products and technologies, and with the development of the categories led by the brands, the Company accelerated the transformation and upgrade of the high value-added products represented by canned beer and craft beer, and built the advantages in differentiated competition of principal products and new&special products with its advantages in categories, which helped to maintain the leading position of products in the domestic mid-and-high-end market. The Company’s full-year sales volume of Tsingtao Beer, the principal brand, reached 41.6 million hl including 17.4 million hl of domestic sales volume of the high value-added products such as Hong Yun Dang Tou (“Good Fortune”), Augerta, Classic 1903, draft beer, canned beer and small-bottled beer which realized continuous growth.

The Company kept on promoting and improving the marketing mode of “Big Customer + Micro Operation”, that it actively carried out sports marketing and marketing promotions. Based on the existing production bases and sales channel networks, through the measures including diversifying the product sales strategies, improving the layout of channels, and cultivating and strengthening the management of the distributors, the Company integrated and focused on the resources, and put into efforts to explore the markets, which helped to improve the influence of the products and the market competitiveness. In 2015, with the brand theme of “Enjoy the gathering time”, the Company carried out a series of large-scaled marketing activities with the sports games and musical events including AFC Champions League, CBA games, Dancing with Passion Cheering Team, beer festivals on the sea and “Soul Hot” by way of combining with the thematic promotion, media interactive communication and site experience to encourage the consumers’ needs and improve the acknowledgement and affection of Tsingtao Beer by the young consumers, which received satisfactory market results.

During the Reporting Period, the Company made further reforms and innovations which obtained remarkable effects and results by seizing the opportunities of the rapid development of modern channels including KA in the beer industry to actively explore new growth point. The Company actively sought for the new marketing mode in the mobile internet era and rapidly established the layout of e-commerce that it became the first in the domestic beer industry to establish an overall e-commerce channel system of official flagship store + official shopping mall + online retailers + distributor boutiques. Within the year, the Company became the first O2O platform in the beer industry by launching “Tsingtao Quick-Buy” APP which realized the new experience of internet consumption of beer products with “Enjoy beer at home by clicks only”. At present, “Tsingtao Quick-Buy” has been available in 9 cities including Qingdao, Changchun, Dalian, Chengdu, Shijiazhuang, Nanjing and Xiamen with around 100 thousand registered users, which played a positive role in promoting the development of new&special products and the upgrade of product mix in regional markets.

The Company devoted to the development trend of diversification, high-end orientation and personalization of beer products that it innovated the brewing techniques, taste and packages, and actively cultivated and developed the strategic new products and new&special products to successfully presented the new products including Hong Yun Dang Tou (“Good Fortune”), Classic 1903, whole-barley Weissbier, peach beer, date-taste black beer and 5L raw stock beer which received broad praises from the markets and led to upgrade the consumption of the products.

Within the year, the Company actively adjusted its investment and development mode, reduced the capital spending to the new constructions of production capacity, reasonably control the investment size, took priority to the high value-added products including the strategic new&special products and canned products which could satisfy the needs for upgrading the consumption in the market, implemented and completed a couple of relocation and expansion projects including Tsingtao-Hans Baoji Company, Tsingtao Brewery No. 3 and Xiamen Company, which ensured the maximization of investment returns while supporting the development of the base markets, and led to the upgrade of product mix.

Within the year, Tsingtao Beer became the first beer brand whose brand value had reached over RMB100 billion with its brand value of RMB105.568 billion, meanwhile the brand value of Laoshan had also reached RMB11.568 billion, which continued to maintain its leading position in the domestic beer market (Source: World Brand Lab).

## **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 influence and high popularity in domestic and overseas markets.

As a beer producer that has the longest history in China, the Company takes product quality seriously. Tsingtao Beer products has won a number of championships in domestic and overseas quality contests, and obtained positive feedback from 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 operations.

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 helps to maintain the Company’s leading technological position in domestic beer market.

Based on the marketing mode of “Big Customer + Micro Operation”, the Company kept on strengthening market promotion and penetrating marketing network, and kept on improving its control over the final customers, which consolidated and improved its dominant position in base markets and shares in emerging markets.

## **(II) Prospects**

### **1. *Industrial competition layout and development trend***

In 2015, China’s economy maintained the development trend of overall stability and the slowdown of growth, but the declining pressure still existed. Although the CPI rose, the overall performance of consumption market was still unsatisfactory, which brought huge negative impacts on the beer industry, and the sales volume declined greatly.

As a traditional industry involving in complete competition, and after several decades of rapid development, 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 average level. At present, the top 5 breweries in China has obtained 80% market share and the industry is becoming more and more concentrated, while the foreign players have been increasing their investments in China in recent years with their advantages including capitals which resulting in the increasing market size and further intense market competition.

The overall domestic beer industry has entered into the period of “new normality” of low growth, and the industrial integration by way of extensive expansion has been to the end that, the market competition in form of the expansion of production capacity and size has turned to that focusing on quality and differentiation, so the growth and development must rely on the improvement of its own operating ability.

At present, the domestic beer market is still dominated by the RTD markets including the caterings. Among the catering consumption, the mass catering market has some growth, but some mid-and-high-end caterings continue to decline which brings new challenges to the sales of mid-and-high-end beer. At the same time, some mid-and-high-end products represented by canned beer, small-bottled beer and craft beer which mainly for family consumption grow rapidly and maintain satisfactory development trend, and the application of matured e-commerce also brings a convenient and rapid choice for family consumption of beer.

At present, there is still some difference 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 in the domestic beer industry, and lead to the upgrade of product mix and the price rise. In the future, the optimization and upgrade of product mix will become the main trend of industrial development.

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

## ***2. The Company’s development strategy***

Facing the future development trend and new changes in competition situation in the beer industry, the Board brings out that in the future the Company will strive to achieve the growth target of sales volume of being 2 percentage points higher than the growth rate of the domestic beer industry, and continue to maintain its leading position in the domestic market.

The Company will continue to insist on its established development strategy, consolidate the core base markets, break through the emerging markets, and realize the double-drive of “Growth of brand and improvement of ability” based on the stabilization of the domestic market share; devote to the optimization improvement and management improvement of the product mix, fully utilize the brand advantage and quality advantage of Tsingtao Beer, focus on the consumers, improve the advantage of differentiated quality competition, and keep on obtaining new growth in the domestic mid-and-high-end market with differentiated competition strategy.

### **3. *Annual operating plan***

In 2016, China's economy still faces the declining pressure, and the competition in the domestic beer market still appears fiercer and severe trend, especially the competition among the big breweries and the international competition becoming more intense. Under such circumstances, the Company's operating target for 2016 is to strive to realize the growth of sales volume of beer being 2 percentage points higher than that of the industry.

The Company will continue to actively expand the domestic and overseas markets, insist on developing the developed markets in coastal and along-Yellow-River basin areas, promote the construction of provincial base markets and the base markets in which its plants are located, and accelerate the structural adjustment in the markets with regional advantages. At the same time, it will also reasonably control the capital spending, fully utilize its advantages in existing production bases, and improve the utilization efficiency of existing production capacity.

The Company will continue to deepen and promote the marketing mode of "Big Customer + Micro Operation", keep on innovating the marketing mode based on the market situation, further improve the existing marketing channels and networks, accelerate the construction of the integration progress of sales networks, and establish the most competitive channel networks and operating mode of sales. In 2016, relying on the opportunity of acquiring Suntory's business in China, the Company will promote to implement the unified integration of the markets in eastern China, focus on improving the efficiency, depth and synergism of marketing, and consolidate and improve its market shares in eastern China.

In market promotion, the Company will continue to base on the market promotion mode of "Four-in-one", focus on deepening the sports marketing and music marketing, optimize the allocation and integration of resources to completely improve the international, youthful and fashionable image of the brand.

The Company will continue to optimize the brand mix and the product mix by developing new products and adjusting product mix, develop the secondary brand as led by Tsingtao Beer brand, accelerate the transformation and upgrade of the high value-added products, and promote and develop the modern channels while consolidating the advantage of e-commerce to realize the sharing of resources and complementing each other's strength by combining both on-line and off-line channels.

In the aspect of improving the management, the Company will continue to promote the innovation drives and strengthen the practices of operating strategies, strengthen the management of raw materials and the control over the production and technologies through intensive management and process optimization to avoid risks, control the costs, and keep on improving operating ability and efficiency to realize the Company's continuous and healthy development.

#### **4. *Potential operating risks***

As a traditional industry which involves in complete competition, under the situation of huge declining pressure of domestic economic growth, and with the more intense competition among the international players in China's beer market, 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 although the mass catering market has obtained certain growth, which may result in the continuous downturn of beer market during a certain period of time, and the sales volume and incomes in short term may also decline.
2. As the foreign players increase their investment in China which causes the fiercer competition in the industry, the competition among the top brewers will be fiercer in terms of range and degree.
3. Due to the pressure of market competition and the decline of utilization efficiency of production capacity, the breweries will put into more efforts in sales promotion which will result in the continuous growth of marketing expenses for commercials and sales promotions.
4. Due to the dense labor force, the Company's profits are affected because of the pressure brought by the continuous rising of labor costs.
5. The rapid development of surrogate products (imported beer, RTD, and etc.) will take some shares in the domestic beer market.
6. The rapid development of e-commerce sales mode including the mobile internet will bring more impacts and challenges to the traditional sales mode in the beer industry.

### **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 RMB0.39 (with tax) per share in cash for the year ended 31 December 2015. The proposed distribution of final dividend, which is expected to be payable to the shareholders before 16 August 2016, will be subject to the consideration and approval at the Company's 2015 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 2015, the Company had been in compliance with the code provisions 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’)*. Details of the Company’s corporate governance will be set out in the Company’s 2015 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 2015.

The figures in respect of the annual results announcement of the Group for the year ended 31 December 2015, have been agreed by 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 performed 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 the results announcement.

## VII. SIGNIFICANT EVENTS

### 1. Material acquisition and sales of equity interests during the Reporting Period and the progress after the Reporting Period

- (1) On 28 August 2015, the seventh meeting of the eighth session of the Board was held to consider and approve the *Feasible Report on Transfer of 100% Equity Interests held in Qingdao Hongjiweiye Investment Co., Ltd.*, which agreed to sell the 100% equity interests held in Qingdao Hongjiweiye Investment Co., Ltd. for RMB461.29 million, the premium bidding price based on the price determined in the asset evaluation report, by way of public bidding in Qingdao Property Exchange, and the actual transfer price after the public bidding would be deemed as the final price of the transaction. In December 2015, the Company entered into an equity interests transfer agreement with Shouguang Chenming Holding Co., Ltd., the transferee of the subject equity interests obtained by way of public bidding in Qingdao Property Exchange, at the transfer price, that is, the bidding price, of RMB461.29 million. The procedures of transferring the equity interests involved in the transaction of selling equity interests had been completed in late December of 2015, which increased RMB334.03 million of net profit attributable to shareholders of the Company. For details of the subject transaction, please refer to the overseas regulatory announcements published on the websites of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Company on 31 August and 21 December 2015 respectively.

- (2) As considered and approved at the eighth meeting of the eighth session of the Board, on 18 October 2015, the Company and Suntory Company had entered into the *Framework Agreement*, pursuant to which the Company would acquire 50% equity interests held by Suntory Company respectively in the Manufacturing Company and the Sales Company for a consideration of the total sum of RMB822,912,001 (around HKD1,005,390,349) and the adjusted amount of the price as agreed in the *Framework Agreement*. The actual adjusted amount of the price would be confirmed in written form within 30 working days after the auditing report had been presented by the auditor employed by Suntory Company both parties after the transferring date. The aforesaid significant connected transaction had been considered and approved at the 2015 First Extraordinary Meeting. For details of this transaction, please refer to the related announcements published by the Company on the websites of the Stock Exchange and the Company on 19 October and 4 December 2015 respectively.

On 4 February 2016, the procedures of unified reviewing taken by the State Ministry of Commerce to the operators for this transaction had been completed, and the procedures of alteration registration at the industrial and commercial administration for the transfer of the equity interests in the Manufacturing Company and the Sales Company had been completed on 16 and 24 March 2016 respectively. The Company will confirm the final transaction consideration with Suntory Company in accordance with the audit situation during the transitional period and the confirmed results, and take the accounting treatment accordingly. The Company will publish separate announcement for the details of this issue in accordance with the progress.

## **2. Guarantees and fund management entrusted to others during the Reporting Period**

- (1) As considered and approved at the sixth meeting of the eighth session of the Board, in May 2015, the Company and Tsingtao Brewery Hong Kong Trade Company Limited (“HK Company”) submitted to Bank of China Co., Ltd. the *Application for Arrangement and Division of Credit Line*, pursuant to which to divide RMB300 million, from the credit line of the Company in Bank of China to HK Company for its use by way of dividing the domestic credit line in Bank of China, and the Company would provide anti-guarantee for this division; as at 31 December 2015, Macau Branch of Bank of China Co., Ltd. had provided to HK Company with RMB283,176,400 (HKD338,000,000 in original currency) of the principal of the loan for the period from 5 May 2015 to 4 May 2016.
- (2) In 2015, as considered and approved at the eighth session of the Board, Tsingtao Brewery Finance LLC, a wholly-owned subsidiary of the Company, launched the business of capital preservation financial products. During the Reporting Period, it had accumulatively utilized RMB900 million as the fund for the aforesaid business, and received RMB21.62 million of incomes from the matured financial products. As at the end of the Reporting Period, all financial products had matured and been withdrawn, and the principal and its incomes had been credited into the account.
- (3) To secure the production and operation of its subsidiaries, and upon the approval by the Board, the Company provided to some controlling subsidiaries with entrusted loans. As at the end of the Reporting Period, the balance was RMB648.5 million.

3. **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

28 March 2016

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

*Executive Directors:*

*Mr. SUN Ming Bo (Chairman), Mr. HUANG Ke Xing,  
Ms. JIANG Hong and Mr. YU Zhu Ming*

*Non-executive Directors:*

*Mr. Yasutaka SUGIURA*

*Independent Non-executive Directors:*

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