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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)**

**ANNOUNCEMENT**

**CONTINUING CONNECTED TRANSACTIONS WITH YANTAI BEER**

Reference is made to the announcement of the Company dated 3 February 2015 in relation to, among others, the Original Yantai Beer Product Sales Agreement entered into between the Company and Yantai Beer and the Original Yantai Beer Accounts Management Agreement entered into between Tsingtao Finance Company and Yantai Beer.

**1. NEW YANTAI BEER PRODUCT SALES AGREEMENT**

As the Original Yantai Beer Product Sales Agreement expired on 31 December 2017, the Company entered into the New Yantai Beer Product Sales Agreement with Yantai Beer on 24 January 2018, the term of which is from 1 January 2018 to 31 December 2018.

As Asahi Group Holdings is a substantial shareholder of the Company and Yantai Beer is an indirect subsidiary of Asahi Group Holdings, Yantai Beer is a connected person of the Company. The entering into of the New Yantai Beer Product Sales Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the estimated annual cap of the transactions contemplated under the New Yantai Beer Product Sales Agreement are higher than 0.1% but less than 5%, such transactions are subject to the reporting and announcement requirements, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

**2. NEW YANTAI BEER ACCOUNTS MANAGEMENT AGREEMENT**

As the Original Yantai Beer Accounts Management Agreement expired on 31 December 2017, Tsingtao Finance Company and Yantai Beer entered into the New Yantai Beer Accounts Management Agreement on 24 January 2018, the term of which is from 1 January 2018 to 31 December 2018.

As Yantai Beer is a connected person of the Company, according to Chapter 14A of the Listing Rules, the entering into of the New Yantai Beer Accounts Management Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the estimated annual cap of the transactions contemplated under the New Yantai Beer Accounts Management Agreement are more than 0.1% but less than 5%, such transactions are subject to the reporting and announcement requirements, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As disclosed in the announcement of the Company dated 20 December 2017, Asahi Group Holdings has agreed to transfer all its shares in the Company, completions of such transactions are yet to take place. The Company will comply with any relevant requirement under the Listing Rules in respect of the aforesaid transactions following any change in connected relationship, if and when appropriate.

## **1. NEW YANTAI BEER PRODUCT SALES AGREEMENT**

Reference is made to the announcement of the Company dated 3 February 2015 in relation to, among others, the Original Yantai Beer Product Sales Agreement entered into between the Company and Yantai Beer, the term of which was from 1 January 2015 to 31 December 2017. On 24 January 2018, the Company entered into the New Yantai Beer Product Sales Agreement with Yantai Beer, the term of which is from 1 January 2018 to 31 December 2018.

Particulars of the New Yantai Beer Product Sales Agreement are set out below:

Date	:	24 January 2018
Parties	:	Yantai Beer as the vendor the Company as the purchaser
Term	:	1 January 2018 to 31 December 2018
Subject matter	:	Purchase of Yantai Beer Products by the Company from Yantai Beer
Material Terms	:	(i) Yantai Beer shall manufacture according to the orders of the Company or its designated distributors and shall sell to the Company or its designated distributors such Yantai Beer Products ordered by the Company; and

(ii) the Company or its designated distributors enjoy the exclusive distribution rights of all Yantai Beer Products and shall act as the exclusive distributor of all Yantai Beer Products, the exclusive distribution right of which shall not be subject to geographical restriction. Yantai Beer warrants that it will not enter into any contract or agreement with any party other than the Company or its designated distributors which will constitute competition or conflict with any matters contemplated under the New Yantai Beer Product Sales Agreement; and save for the products manufactured with the approval of the board of directors of Yantai Beer, Yantai Beer shall not engage in the sale on its own or engage any party other than the Company or its designated distributors for the sale and distribution of the Yantai Beer Products.

Pricing : Pricing of the Yantai Beer Products shall be determined with reference to the following principle:

*Manufacturing factory delivery price (including value-added tax)=(production costs + related fees + tax payment) × (1 + not higher than 10% profit) × (1 + value added tax rate)*

“Production costs” in the formula above refer to the direct material costs (specifically include the main raw materials, fuel and power, etc.), direct labour costs and manufacturing expenses borne by Yantai Beer; “related fees” refer to the management fees and finance charges; “tax payment” refers to the sales taxes and surcharges. The “production costs, related fees and tax payment” above refer to the production costs, related fees and tax payment relating to the principal business of beers and should not include any expenses other than that.

The Company and Yantai Beer shall negotiate to determine the specific purchase price payable to Yantai Beer, which shall not be higher than the pricing principle above, on the basis of the pricing principle above and with reference to the market information. The purchase price shall be payable before the end of the following month after confirmation of the types and amount of Yantai Beer Products to be delivered for each month.

Conditions Precedent : The responsibilities and obligations of the Company under the New Yantai Beer Product Sales Agreement shall be conditional upon the Company’s compliance with the relevant requirements under the Listing Rules in relation to the continuing connected transactions. If the actual transaction amount exceeds the disclosed transaction cap, the Company shall re-comply with the relevant requirements under the Listing Rules.

## **Annual cap**

The annual cap of the transactions contemplated under the New Yantai Beer Product Sales Agreement for the year ending 31 December 2018 is estimated to be RMB900,000,000. The estimated annual cap amount is determined based on factors such as the expected demand for Yantai Beer Products in 2018, the production costs and market planning, and the expected purchase price to be paid to Yantai Beer by the Company under the New Yantai Beer Product Sales Agreement.

## **Reasons and benefits of entering into the New Yantai Beer Product Sales Agreement**

The entering into of the New Yantai Beer Product Sales Agreement is conducive to centralizing market planning, management and market strategy of the Group. Meanwhile, the Company, which holds 39% interest in Yantai Beer, may utilize the production capacity of Yantai Beer while complementing with the sales system and network of the Group to strengthen market competitiveness. In addition, the branding and manufacturing of the Company's products in Yantai Beer will help to reduce the logistic costs and increase the Group's influence and market share in Yantai area.

The Directors (including independent non-executive Directors) considered that the New Yantai Beer Product Sales Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that the terms of the New Yantai Beer Product Sales Agreement and the annual cap are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Other than Mr. Yasutaka SUGIURA, who is employed by Asahi Group Holdings and has abstained from voting on the relevant Board resolutions relating to the transactions, none of the Directors have a material interest in the transactions contemplated under the New Yantai Beer Product Sales Agreement.

## **2. NEW YANTAI BEER ACCOUNTS MANAGEMENT AGREEMENT**

Reference is made to the announcement of the Company dated 3 February 2015 in relation to, among others, the Original Yantai Beer Accounts Management Agreement entered into between Tsingtao Finance Company and Yantai Beer, the term of which was from 1 January 2015 to 31 December 2017. On 24 January 2018, Tsingtao Finance Company and Yantai Beer entered into the New Yantai Beer Accounts Management Agreement, the term of which is from 1 January 2018 to 31 December 2018.

Particulars of the New Yantai Beer Accounts Management Agreement are set out below:

Date	:	24 January 2018
Parties	:	Tsingtao Finance Company; and Yantai Beer

Term	:	1 January 2018 to 31 December 2018
Subject matter	:	Tsingtao Finance Company shall provide services including accounts management and funds receipt and payment settlement services to Yantai Beer, and Tsingtao Finance Company shall pay interests at the interest rate negotiated by the parties and provide related settlement services and charge handling fees.
Pricing	:	The deposit interest rate and the handling fees are determined with reference to the benchmark interest rates and service fees set by the People's Bank of China for similar type of deposits and services and the relevant deposit interest rates and service fees of other major state-owned commercial banks respectively.
Conditions precedent	:	The responsibilities and obligations of Tsingtao Finance Company under the New Yantai Beer Accounts Management Agreement shall be conditional upon the Company's compliance with the relevant requirements under the Listing Rules in relation to the continuing connected transactions. If the actual transaction amount exceeds the disclosed transaction cap, the Company shall re-comply with the relevant requirements under the Listing Rules.

### **Annual cap**

The annual cap of the continuing connected transactions contemplated under the New Yantai Beer Accounts Management Agreement for the year ending 31 December 2018 is estimated to be RMB900,000,000. The estimated annual cap amount is determined with reference to the estimated sales transaction amount under the New Yantai Beer Product Sales Agreement and the accumulated amount of the principal amount deposited by Yantai Beer from time to time in Tsingtao Finance Company and the ordinary interest payable by Tsingtao Finance Company.

### **Reasons and benefits of entering into the New Yantai Beer Accounts Management Agreement**

Tsingtao Finance Company will provide centralised management of the sales proceeds deposited by Yantai Beer, which would help to enhance the efficiency and effectiveness of capital utilization of the Group.

The Directors (including independent non-executive Directors) considered that the New Yantai Beer Accounts Management Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that the terms of the New Yantai Beer Accounts Management Agreement and the annual cap are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Other than Mr. Yasutaka SUGIURA, who is employed by Asahi Group Holdings and has abstained from voting on the relevant Board resolutions relating to the transactions, none of the Directors have a material interest in the transactions contemplated under the New Yantai Beer Product Sales Agreement.

### **3. LISTING RULES IMPLICATIONS**

As Asahi Group Holdings is a substantial shareholder of the Company and Yantai Beer is an indirect subsidiary of Asahi Group Holdings, Yantai Beer is a connected person of the Company. The entering into of the New Yantai Beer Product Sales Agreement and the New Yantai Beer Accounts Management Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As disclosed in the announcement of the Company dated 20 December 2017, Asahi Group Holdings has agreed to transfer all its shares in the Company, completions of such transactions are yet to take place. The Company will comply with any relevant requirement under the Listing Rules in respect of the aforesaid transactions following any change in connected relationship, if and when appropriate.

As the respective applicable percentage ratios for the estimated annual cap of the transactions contemplated under the New Yantai Beer Product Sales Agreement and the New Yantai Beer Accounts Management Agreement are higher than 0.1% but less than 5%, such transactions are subject to the reporting and announcement requirements, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **4. INFORMATION ON THE PARTIES**

The Group is principally engaged in the production and sales of brewery products and related business. Tsingtao Finance Company is a non-bank financial institution approved by the China Banking Regulatory Commission, it is principally engaged in providing financial services such as fund settlement and financing for its members.

Yantai Beer is principally engaged in the production and sales of brewery products and other beverages.

### **5. DEFINITIONS**

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

“Asahi Group Holdings” Asahi Group Holdings, Ltd., a company incorporated in Tokyo, Japan, the shares of which are listed on the Tokyo Stock Exchange and the Osaka Stock Exchange and a substantial shareholder of the Company, and holds approximately 19.99% shares in the Company as at the date of this announcement

“Board”	the board of Directors
“Company”	Tsingtao Brewery Company Limited, a Sino-foreign joint stock limited company established in the PRC, the shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange
“connected person”	has the meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Yantai Beer Accounts Management Agreement”	the RMB settlement accounts management agreement dated 24 January 2018 between Tsingtao Finance Company and Yantai Beer, the terms of which are set out in this announcement
“New Yantai Beer Product Sales Agreement”	the product sales agreement dated 24 January 2018 between the Company and Yantai Beer relating to the Yantai Beer Products, the terms of which are set out in this announcement
“Original Yantai Beer Accounts Management Agreement”	the RMB settlement accounts management agreement dated 3 February 2015 between Tsingtao Finance Company and Yantai Beer
“Original Yantai Beer Product Sales Agreement”	the product sales agreement dated 3 February 2015 between the Company and Yantai Beer relating to the Yantai Beer Products
“percentage ratios”	the percentage ratios calculated according to Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, and does not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning as ascribed to it under the Listing Rules

“Tsingtao Finance Company”	Tsingtao Brewery Finance Company Limited, a wholly-owned subsidiary of the Company
“Yantai Beer”	Yantai Beer Qingdao Asahi Company Limited (煙臺啤酒青島朝日有限公司), a Sino-foreign joint stock limited company established in Yantai, Shandong, the PRC, and a company owned by the Company and Asahi Group Holdings as to 39% and 41% respectively as at the date of this announcement
“Yantai Beer Products”	the beer products produced by Yantai Beer
“%”	per cent.

By order of the Board  
**Tsingtao Brewery Company Limited**  
**ZHANG Rui Xiang**  
*Company Secretary*

Qingdao, the PRC  
24 January 2018

*As at the date of this announcement, the Board of Tsingtao Brewery Company Limited comprises:*

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

*Non-executive Director:* Mr. Yasutaka SUGIURA

*Independent non-executive Directors:* Mr. WANG Xue Zheng, Mr. Yu Zeng Biao, Mr. BEN Sheng Lin and Mr. JIANG Min