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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)

2020 Third Quarterly Report

This announcement is made pursuant to the disclosure requirements of Rules 13.09(2) and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), and the provisions of inside information (as defined in the Listing Rules) under Section XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The 2020 third quarterly report (unaudited, the “Quarterly Report”) contained in this announcement has been prepared in accordance with the China Accounting Standards of Business Enterprises and the requirements on preparation and disclosure of quarterly report issued by the China Securities Regulatory Commission, and has been approved by the Board of Directors (the “Board”) of Tsingtao Brewery Company Limited (the “Company”).

I. IMPORTANT NOTICE

- 1.1 The Board, the Board of Supervisors, directors, supervisors and senior management officers of the Company guarantee the authenticity, accuracy and completeness of the contents contained in this Quarterly Report without any false representation, misleading statement or material omissions, and they undertake both individual and joint legal liabilities.
- 1.2 The Quarterly Report has been considered and approved at the thirteenth meeting of the ninth session of the Board (the “Meeting”) through a face-to-face and telephone conference meeting. 8 out of the total 8 directors attended the Meeting and voted.
- 1.3 Unless otherwise stated in this report, monetary units are denominated in Renminbi.
- 1.4 HUANG Ke Xing, the legal representative of the Company, YU Zhu Ming, the person in charge of the accounting work, and HOU Qiu Yan, the person in charge of the accounting department (accounting director) guarantee that the financial statements contained in this Quarterly Report are authentic, accurate and complete.
- 1.5 The third quarterly financial report of the Company has been reviewed by the Audit and Internal Control Committee of the Board, but has not been audited.

II. CHANGES IN MAJOR FINANCIAL DATA AND SHAREHOLDERS OF THE COMPANY

2.1 Major financial data

	<i>Unit: Yuan Currency: RMB</i>		
	As at the end of the reporting period	As at the end of prior year	Increased/Decreased percentage (%)
Total assets	40,921,522,405	37,312,383,547	9.67
Net assets attributable to shareholders of the Company	21,301,764,086	19,171,583,034	11.11
	From the beginning of the year to the end of the reporting period (January to September)	From the beginning of prior year to the end of the reporting period in prior year (January to September)	Increased/Decreased percentage (%)
Net cash flows from operating activities	5,913,994,981	4,440,343,283	33.19
	From the beginning of the year to the end of the reporting period (January to September)	From the beginning of prior year to the end of the reporting period in prior year (January to September)	Increased/Decreased percentage (%)
Revenue	24,422,079,478	24,896,834,162	-1.91
Net profit attributable to shareholders of the Company	2,978,011,508	2,585,748,595	15.17
Net profit attributable to shareholders of the Company after deducting non-recurring profit or loss	2,677,563,396	2,298,208,475	16.51
Weighted average return on net asset (%)	14.69	13.58	Increased by 1.11 percentage point
Basic earnings per share (Yuan per share)	2.204	1.914	15.17
Diluted earnings per share (Yuan per share)	2.203	1.914	15.10

Item and amounts of non-recurring profit or loss

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount of this reporting period (July to September)	Amount from the beginning of the year to the end of the reporting period (January to September)
Gains/(Losses) on disposal of non-current assets	-489,907	-8,497,525
Government grants recognized in profits/(losses) of the current period, excluding those closely related to the usual operations of the Company, in compliance with the State policies, and continuously received in set amount or quantities by certain standards	81,587,075	411,862,543
Other non-operating income and expenses other than aforesaid items	4,878,223	-12,368,255
Impact on the non-controlling interests, net of tax	-3,839,252	-12,195,640
Impact of income tax expense	-13,919,301	-78,353,011
Total	<u><u>68,216,838</u></u>	<u><u>300,448,112</u></u>

2.2 List of total number of shareholders, and particulars of top ten shareholders, top ten holders of listed shares (or holders of shares not subject to sales restriction) as at the end of the reporting period

Unit: Share

Total number of shareholders 43,543 shareholders including 43,286 holders of A-share and 257 holders of H-share.

PARTICULARS OF TOP TEN SHAREHOLDERS

Name of shareholder (full name)	Number of shares held as at the end of the reporting period	Percentage (%)	Number of shares subject to sales restriction held	Pledged or frozen shares		Nature of shareholder
				Status	Number	
HKSCC Nominees Limited	613,907,867	45.00	0	Unknown		Overseas legal person
Tsingtao Brewery Group Company Limited	443,467,655	32.51	0	Nil	0	State-owned legal person
China Securities Finance Corporation Company	32,708,915	2.40	0	Nil	0	State-owned legal person
Hong Kong Securities Clearing Company Limited	18,275,526	1.34	0	Nil	0	Overseas legal person
Agricultural Bank of China Co., Ltd.-E Fund Consumer Industry Equity Securities Investment Fund	14,017,495	1.03	0	Nil	0	Other
Central Huijin Asset Management LLC.	10,517,500	0.77	0	Nil	0	State-owned legal person
China Jianyin Investment Limited	9,162,705	0.67	0	Nil	0	State-owned legal person
China Life Insurance Company Limited-Dividend-Individual Dividend-005L-FH002 Shanghai	6,779,316	0.50	0	Nil	0	Other
China Life Insurance Company Limited-Traditional-General Insurance Products-005L-CT001 Shanghai	6,606,693	0.48	0	Nil	0	Other
Abu Dhabi Investment Authority	4,694,871	0.34	0	Nil	0	Overseas legal person

Particulars of top ten holders of shares not subject to sales restriction

Name of shareholder	Number of listed shares not subject to sales restriction held	Class and number of shares	
		Class	Number
HKSCC Nominees Limited	613,907,867	Overseas listed foreign shares	613,907,867
Tsingtao Brewery Group Company Limited	443,467,655	RMB-denominated ordinary shares	405,132,055
		Overseas listed foreign shares	38,335,600
China Securities Finance Corporation Company	32,708,915	RMB-denominated ordinary shares	32,708,915
Hong Kong Securities Clearing Company Limited	18,275,526	RMB-denominated ordinary shares	18,275,526
Agricultural Bank of China Co., Ltd.-E Fund Consumer Industry Equity Securities Investment Fund	14,017,495	RMB-denominated ordinary shares	14,017,495
Central Huijin Asset Management Ltd.	10,517,500	RMB-denominated ordinary shares	10,517,500
China Jianyin Investment Company Ltd.	9,162,705	RMB-denominated ordinary shares	9,162,705
China Life Insurance Company Limited-Dividend-Individual Dividend-005L-FH002 Shanghai	6,779,316	RMB-denominated ordinary shares	6,779,316
China Life Insurance Company Limited-Traditional-General Insurance Products-005L-CT001 Shanghai	6,606,693	RMB-denominated ordinary shares	6,606,693
Abu Dhabi Investment Authority	4,694,871	RMB-denominated ordinary shares	4,694,871

- Explanation of associations or actions in concert among the above shareholders
1. The total number of shares held by Tsingtao Brewery Group Company Limited (“Tsingtao Group”) includes 38,335,600 shares of H-share held in the Company by itself and through Hong Kong Xinhaisheng Investment Limited (“Xinhaisheng”), a wholly-owned subsidiary, and 405,132,055 shares of A-share held in the Company by itself.
 2. Both HKSCC Nominees Limited and Hong Kong Securities Clearing Company Limited are wholly-owned subsidiaries of Hong Kong Exchanges and Clearing Limited. The H-shares are held by HKSCC Nominees Limited on behalf of different clients, excluding the H-shares held by Tsingtao Group and Xinhaisheng, while A-shares are held by Hong Kong Securities Clearing Company Limited on behalf of different clients as well.
 3. As at the end of the reporting period, five entities under Fosun International Limited held 175,708,236 H-shares of the Company in total, accounting for about 12.88% of the Company’s total share capital. The shares were held by HKSCC Nominees Limited on behalf of the five entities of Fosun International Limited.

Save as disclosed above, the Company is unaware of whether there are any associations among these top ten shareholders or if these shareholders are acting in concert.

Explanation of holders of preferred shares with resumed voting right and the number of shares held

Not applicable

2.3 Brief explanation of the overall situation of operating activities of the Company during the reporting period

During the reporting period, facing the impact of the COVID-19 pandemic to the beer industry of China, the Company firmly implemented the high-quality development strategy established by the Board. The Company gave full play to the brand and quality advantages of Tsingtao Brewery, continued to proactively explore the product market, and accelerated the development of high value-added products such as canned beer and refined products, continuously promoted innovation-driven and product mix optimization and upgrade, and achieved growth in sales, revenue and profits in the third quarter. During the first three quarters of 2020, the Company's total product sales volume reached 6.942 million kl, generating operating revenue of RMB 24.42 billion; and RMB 2.98 billion of net profits attributable to the shareholders of the Company, an increase of 15.17% as compared to the corresponding period in the previous year.

III. SIGNIFICANT EVENTS

3.1 Material changes in major accounting items and financial indicators and the reasons

Applicable Not applicable

3.1.1 Analysis of fluctuation of main items in balance sheet

Unit: '000 Yuan Currency: RMB

Item in balance sheet	As at the end of this reporting period	As at the end of prior year	Increased/ Decreased amount	Increased/ Decreased percentage (%)
Cash at bank and on hand	19,777,704	15,301,983	4,475,721	29.25
Notes receivable	25,100	75,100	-50,000	-66.58
Inventories	2,124,468	3,181,769	-1,057,301	-33.23
Other current assets	178,640	564,677	-386,037	-68.36
Right-of-use assets	160,776	66,970	93,806	140.07
Long-term prepaid expenses	53,584	35,255	18,329	51.99
Other non-current assets	111,540	72,853	38,687	53.10
Notes payable	319,147	220,825	98,322	44.52
Taxes payable	965,695	513,058	452,637	88.22
Other payables	3,613,456	2,424,858	1,188,598	49.02
Current portion of non-current liabilities	40,991	22,208	18,783	84.58
Lease liabilities	110,942	37,472	73,470	196.07

(1) *Cash at bank and on hand*

Cash at bank and on hand at the end of the reporting period increased by 29.25% from the beginning of the period, mainly due to the net cash inflow from operating activities during the reporting period.

(2) *Notes receivable*

Notes receivable at the end of the reporting period decreased by 66.58% from the beginning of the period, mainly due to that some notes receivable had been endorsed and assigned during the reporting period.

(3) *Inventories*

Inventories at the end of the reporting period decreased by 33.23% from the beginning of the period, mainly due to the decrease in inventories of some subsidiaries and raw materials in the peak sales season during the reporting period.

(4) *Other current assets*

Other current assets at the end of the reporting period decreased by 68.36% from the beginning of the reporting period, mainly due to that the value added tax to be deducted of some subsidiaries at the end of the previous year was deducted during the reporting period.

(5) *Right-of-use assets*

Right-of-use assets at the end of the reporting period increased by 140.07% from the beginning of the period, mainly due to the increase in long-term leased houses of some subsidiaries during the reporting period.

(6) *Long-term prepaid expenses*

Long-term prepaid expenses at the end of the reporting period increased by 51.99% from the beginning of the period, mainly due to the increase in the decoration expenses of long-term leased houses of some subsidiaries during the reporting period.

(7) *Other non-current assets*

Other non-current assets at the end of the reporting period increased by 53.10% from the beginning of the period, mainly due to the increase in project and equipment purchase prepayment of some subsidiaries during the reporting period.

(8) *Notes payable*

Notes payable at the end of the reporting period increased by 44.52% from the beginning of the period, mainly due to the increase in the proportion of notes payable for raw materials during the reporting period.

(9) *Taxes payable*

Taxes payable at the end of the reporting period increased by 88.22% from the beginning of the period, mainly due to the increase in income tax payable and value added tax payable at the end of the reporting period.

(10) *Other payables*

Other payables increased by 49.02% at the end of the reporting period from the beginning of the period, mainly due to the increase in the obligations payable to repurchase restricted shares as a result of the Company's implementation of the Restricted A Share Incentive Plan, and the increase in transportation expenses to be paid in the peak sales season during the reporting period.

(11) *Current portion of non-current liabilities*

Current portion of non-current liabilities at the end of the reporting period increased by 84.58% from the beginning of the period, mainly due to the increase in long-term leased houses of some subsidiaries and the increase in the current value of the unpaid lease payments with an account period within one year during the reporting period.

(12) *Lease liabilities*

Lease liabilities at the end of the reporting period increased by 196.07% from the beginning of the period, mainly due to the increase in long-term leased houses of some subsidiaries and the increase in the current value of the unpaid lease payments with an account period of more than one year during the reporting period.

3.1.2 Analysis of fluctuation in major items in income statement

Unit: '000 Yuan Currency: RMB

Item in income statement	January-September 2020	January-September 2019	Increased/Decreased amount	Increased/Decreased percentage (%)
Revenue	24,422,079	24,896,834	-474,755	-1.91
Cost of sales	14,170,714	14,891,262	-720,548	-4.84
Credit impairment losses	900	5,954	-5,054	-84.89
Asset impairment losses	-8,727	-1,260	-7,467	-592.91
Gains on disposals of assets	-8,498	-24,837	16,339	65.79
Non-operating income	11,756	23,433	-11,677	-49.83
Non-operating expenses	24,125	2,765	21,360	772.50

(1) Revenue

During January-September 2020, revenue decreased by 1.91% from the corresponding period in prior year, which was mainly due to that the Company suffered a decline in the sales volume of its core products during the reporting period as a result of the COVID-19 pandemic.

(2) Cost of sales

During January-September 2020, cost of sales decreased by 4.84% from the corresponding period in prior year, which was mainly due to that the Company suffered a decline in the sales volume of its core products during the reporting period.

(3) Credit impairment losses

During January-September 2020, credit impairment losses decreased by 84.89% from the corresponding period in prior year, mainly due to the individual units' decrease in accounts receivable of the accrued credit impairment losses during the reporting period as compared to the corresponding period in the previous year.

(4) Asset impairment losses

During January-September 2020, asset impairment losses decreased by RMB7.47 million from the corresponding period in prior year, mainly due to the increase in impairment losses from fixed assets withdrawn by some subsidiaries during the reporting period as compared to the corresponding period in the previous year.

(5) *Gains on disposals of assets*

During January-September 2020, gains on disposals of assets increased by 65.79% from the corresponding period in the previous year, mainly due to the decrease in losses from disposals of fixed assets by some subsidiaries during the reporting period as compared to the corresponding period in the previous year.

(6) *Non-operating income*

During January-September 2020, non-operating revenue decreased by 49.83% from the corresponding period in the previous year, mainly due to the decrease in non-operating related revenue recognized by some subsidiaries during the reporting period as compared to the corresponding period in the previous year.

(7) *Non-operating expenses*

During January-September 2020, non-operating expenses increased by RMB21.36 million from the corresponding period in prior year, mainly due to that the Company proactively fulfilled its social responsibilities to make external donations used in COVID-19 prevention and control during the reporting period.

3.1.3 Analysis of fluctuation in major items in cash flow statement

Unit: '000 Yuan Currency: RMB

Item in cash flow statement	January- September 2020	January- September 2019	Increased/ Decreased amount	Increased/ Decreased percentage (%)
Net cash flows from operating activities	5,913,995	4,440,343	1,473,652	33.19
Net cash flows from investing activities	-940,746	279,841	-1,220,587	-436.17
Net cash flows from financing activities	-775,121	-568,447	-206,674	-36.36

(1) *Net cash flows from operating activities*

During January-September 2020, the net cash flows from operating activities increased by 33.19% from the corresponding period in prior year, mainly due to the decrease in cash payment for the purchase of goods and services and payment of various taxes and fees during the reporting period as a result of the COVID-19 pandemic as compared to the corresponding period in the previous year.

(2) *Net cash flows from investing activities*

During January-September 2020, the net cash flows from investment activities decreased by 436.17% from the corresponding period in prior year, mainly due to the increase in the payment of central bank reserves and net investment in wealth management by the Company's wholly-owned subsidiary Tsingtao Brewery Finance LLC. during the reporting period as compared to the corresponding period in the previous year.

(3) *Net cash flows from financing activities*

During January-September 2020, the net cash flows from financing activities decreased by 36.36% from the corresponding period in prior year, mainly due to the acquisition of the minority equity of individual subsidiaries during the reporting period.

3.2 Analysis and explanation on the progress of significant events and their effects and solutions

Applicable Not applicable

The Company's progress in implementing the Restricted A Share Incentive Plan is as follows:

1. On 7 July 2020, Zhongxingcai Guanghua Certified Public Accountants LLP verified the actual payment for subscribing the restricted shares made by the Company's participants and issued the Capital Verification Report numbered "ZXCGHSYZ (2020) No. 315001".
2. On 24 July 2020, the Company completed the registration of part of the Restricted A Shares under the first grant of Restricted A Share Incentive Plan with the Shanghai Branch of China Securities Depository and Clearing Co., Ltd.
3. On 12 August 2020, the Company completed the registration procedures for the change in the registered capital in its business license.

For more details, please refer to the Company's related announcements dated 28 and 30 July 2020 published on the website of Shanghai Stock Exchange (www.sse.com.cn).

3.3 Implementation of undertakings made by the Company and its shareholders holding over 5% of the shares

Applicable Not applicable

3.4 Any predictable substantial losses in accumulated net profit from the beginning of the year to the end of the next reporting period or warnings or causes for any substantial variance from the corresponding period in prior year

Applicable Not applicable

Please refer to the website of Shanghai Stock Exchange (<http://www.sse.com.cn>) and the website of the Company (<http://stock.tsingtao.com.cn>) for the unaudited balance sheets, income statements and cash flow statements of the Company as at 30 September 2020.

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

Qingdao, the People's Republic of China
29 October 2020

As at the date of this Announcement, the board members of the Company are listed as follows:

Executive Directors: Mr. HUANG Ke Xing (Chairman), Mr. YU Zhu Ming and Mr. WANG Rui Yong

Non-executive Director: Mr. SHI Kun

Independent Non-Executive Directors: Mr. YU Zeng Biao, Mr. XIAO Geng, Mr. SHENG Lei Ming and Mr. JIANG Xing Lu