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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)

2019 First Quarterly Report

This announcement is made pursuant to the disclosure requirements of Rule 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 Securities and Futures Ordinance (Chapter 571 of Law of Hong Kong).

The 2019 first quarterly report (unaudited, the "Quarterly Report") contained in this announcement has been prepared in accordance with China Accounting Standards of Business Enterprises and the requirements on preparation and disclosure of quarterly report issued by 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 undertake the authenticity, accuracy and completeness of the contents contained in this Quarterly Report without false representation, misleading statement or material omissions, and they jointly and severally accept full responsibility.
- 1.2 The Quarterly Report has been considered and approved at the sixth meeting of the ninth session of the Board (the "Meeting") through communications. 9 of the total 9 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) warrant that the financial statements contained in this Quarterly Report are authentic, accurate and complete.
- 1.5 The first quarterly financial report of the Company has been reviewed by Audit and Internal Control Committee under 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	Increase/Decrease (%)
Total assets	35,217,612,873	34,075,265,005	3.35
Net assets attributable to shareholders of the Company	18,781,322,997	17,970,471,086	4.51
	From the beginning of the year to the end of the reporting period	From the beginning of prior year to the end of the reporting period in prior year	Increase/Decrease (%)
Net cash flows from operating activities	1,756,417,552	2,504,422,385	-29.87
	From the beginning of the year to the end of the reporting period	From the beginning of prior year to the end of the reporting period in prior year	Increase/Decrease (%)
Revenue	7,951,216,293	7,139,063,233	11.38
Net profit attributable to shareholders of the Company	807,528,602	667,158,070	21.04
Net profit attributable to shareholders of the Company after deducting non-recurring profit or loss	717,639,148	566,293,225	26.73
Weighted average return on net asset (%)	4.39	3.82	Increased by 0.57 percentage point
Basic earnings per share (<i>Yuan per share</i>)	0.598	0.494	21.04
Diluted earnings per share (<i>Yuan per share</i>)	0.598	0.494	21.04

Item and amounts of non-recurring profit or loss

✓Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount of this reporting period
Gains/(Losses) on disposal of non-current assets	-22,782,197
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	139,539,532
Other non-operating income and expenses other than aforesaid items	680,042
Impact on the non-controlling interests, net of tax	-4,682,031
Impact of income tax expense	-22,865,892
Total	89,889,454

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 35,820 shareholders including 35,542 holders of A-share and 278 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 Status	Number	Nature of shareholder
HKSCC Nominees Limited	613,835,647	45.44	0	Unknown		Overseas legal person
Tsingtao Brewery Group Company Limited (“Tsingtao Group”)	443,467,655	32.83	0	Nil	0	State-owned legal person
China Securities Finance Corporation Company	32,708,915	2.42	0	Nil	0	State-owned legal person

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	
China Jianyin Investment Company Ltd.	17,574,505	1.30	0	Nil	0	State-owned legal person
Hong Kong Securities Clearing Company Limited	11,800,145	0.87	0	Nil	0	Overseas legal person
Central Huijin Asset Management Ltd.	10,517,500	0.78	0	Nil	0	State-owned legal person
Industrial and Commercial Bank of China Co., Ltd. — Dongfanghong Industry Upgrade Flexible Configuration Hybrid Securities Investment Fund	8,521,456	0.63	0	Nil	0	Other
HONG KONG Monetary Authority — Internal Funds	6,685,797	0.49	0	Nil	0	Overseas legal person
China Merchants Bank Co., Ltd., — Dongfanghong Ruize Three-year Regular Open Flexible Configuration Hybrid Securities Investment Fund	6,119,973	0.45	0	Nil	0	Other
National Social Security Fund Four-One-Eight Portfolio	5,296,000	0.39	0	Nil	0	Other

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	613,835,647	Overseas listed foreign shares	613,835,647
Tsingtao Brewery Group Company Limited	443,467,655	RMB-denominated ordinary shares	405,132,055
		Overseas listed foreign shares	38,335,600

Name of shareholder	Number of listed shares not subject to sales restriction held	Class and number of shares	
		Class	Number
China Securities Finance Corporation Company	32,708,915	RMB-denominated ordinary shares	32,708,915
China Jianyin Investment Company Ltd.	17,574,505	RMB-denominated ordinary shares	17,574,505
Hong Kong Securities Clearing Company Limited	11,800,145	RMB-denominated ordinary shares	11,800,145
Central Huijin Asset Management Ltd.	10,517,500	RMB-denominated ordinary shares	10,517,500
Industrial and Commercial Bank of China Co., Ltd. — Dongfanghong Industry Upgrade Flexible Configuration Hybrid Securities Investment Fund	8,521,456	RMB-denominated ordinary shares	8,521,456
HONG KONG Monetary Authority — Internal Funds	6,685,797	RMB-denominated ordinary shares	6,685,797
China Merchants Bank Co., Ltd., — Dongfanghong Ruize Three-year Regular Open Flexible Configuration Hybrid Securities Investment Fund	6,119,973	RMB-denominated ordinary shares	6,119,973
National Social Security Fund Four-One-Eight Portfolio	5,296,000	RMB-denominated ordinary shares	5,296,000

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| Explanation of associations or actions in concert among the above shareholders | <p>1. The total number of shares held by 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.</p> <p>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.</p> |
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Name of shareholder	Number of listed shares not subject to sales restriction held	Class and number of shares	
		Class	Number
	3.	According to the notes of Fosun International Limited, five entities under Fosun International Limited hold 243,108,236 H-shares of the Company, accounting for about 17.99% of the Company's total share capital. As at the end of the reporting period, the shares were held by HKSCC Nominees Limited on behalf of the five entities of Fosun.	
		Save as disclosed above, the Company is unaware of whether there are any associations among these top ten shareholders or if they are of the parties acting in concert.	
Explanation of holders of preferred shares with resumed voting right and the number of shares held	N/A.		

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

During the reporting period, the Company sped up development by grasping the opportunity of the recovery in domestic beer market and consumption structural upgrading. It accelerated innovation-driven and product structural optimization and upgrading, proactively expanded domestic and overseas markets, and achieved sound and rapid development with big increase in sales volume, income and profits on all fronts. In the first quarter of 2019, the Company's sales volume of beer reached 2.166 million kl in aggregate, an increase of 6.6% from the corresponding period in prior year, including 1.175 million kl of the core brand, Tsingtao Beer, an increase of 8.5% on year-on-year basis, and 0.588 million kl of high-end products, such as Augerta, Hong Yun Dang Tou, Classic 1903 and Draft Beer, an increase of 10.5% on y-o-y basis. During the reporting period, the Company realized RMB7.951 billion of revenue, an increase of 11.38% on year-on-year basis; and realized RMB808 million of net profits attributable to shareholders of the Company, an increase of 21.04% on year-on-year basis.

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 the corresponding reporting period in prior year	Increased/Decreased	
			Increased/ Decreased amount	Increased/ Decreased percentage (%)
Notes receivable and accounts receivable	113,397	164,507	-51,110	-31.07
Advances to suppliers	245,352	173,565	71,787	41.36
Other current assets	398,552	734,942	-336,390	-45.77
Right-of-use assets	60,204		60,204	
Other non-current assets	86,608	62,438	24,170	38.71
Current portion of non-current liabilities	19,885	420	19,465	4,630.89
Other current liabilities	327	229	98	42.95
Long-term borrowings	405	630	-225	-35.74
Lease liabilities	38,385		38,385	
Long-term payables	396,337	222,324	174,013	78.27

(1) Notes receivable and accounts receivable

Notes receivable and accounts receivable as at the end of the reporting period decreased by 31.07% from the beginning of the reporting period, which was mainly due to that some notes receivable was endorsed in the reporting period.

(2) Advances to suppliers

Advances to suppliers as at the end of the reporting period increased by 41.36% from the beginning of the reporting period, which was mainly due to the increase in advances to suppliers for the purchase of raw materials in the reporting period.

(3) Other current assets

Other current assets as at the end of the reporting period decreased by 45.77% from the beginning of the reporting period, which was mainly due to that the treasury bonds reverse repo held by Tsingtao Brewery Finance Co., Ltd. ("Finance Company"), a wholly-owned subsidiary of the Company, matured in the reporting period.

(4) *Right-of-use assets*

Right-of-use assets as at the end of the reporting period increased by RMB60,204,000 from the beginning of the period, which was mainly due to that the right to use lease assets within the lease term was recognized as right-of-use assets according to the *Accounting Standards for Business Enterprises No. 21 — Leases*.

(5) *Other non-current assets*

As at the end of the reporting period, other non-current assets increased by 38.71% from the beginning of the reporting period, which was mainly due to the increase of some subsidiaries' advances for projects and payments for the purchase of equipment in the reporting period.

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

Current portion of non-current liabilities as at the end of the reporting period increased by RMB19,465,000 from the beginning of the period, which was mainly due to that the present value of the payment amount of the unpaid lease payments with a payment term of less than one year was recognized as current portion of non-current liabilities according to the *Accounting Standards for Business Enterprises No. 21 — Leases*.

(7) *Other current liabilities*

Other current liabilities as at the end of the reporting period increased by 42.95% from the beginning of the reporting period, which was mainly due to the increase in the tax of items to be written off under VAT of some subsidiaries in the reporting period.

(8) *Long-term borrowings*

Long-term borrowings as at the end of the reporting period decreased by 35.74% from the beginning of the reporting period, which was mainly due to that some subsidiaries repaid borrowings in the reporting period.

(9) *Lease liabilities*

Lease liabilities as at the end of the reporting period increased by RMB38,385,000 from the beginning of the period, which was mainly due to that the present value of the payment amount of the unpaid lease payments with a payment term of more than one year was recognized as lease liabilities according to the *Accounting Standards for Business Enterprises No. 21 — Leases*.

(10) *Long-term payables*

Long-term payables as at the end of the reporting period increased by 78.27% from the beginning of the reporting period, which was mainly due to that some subsidiaries received compensation payments for relocation from the government in 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- March 2019	January- March 2018	Increased/ Decreased amount	Increased/ Decreased percentage (%)
Revenue	7,951,216	7,139,063	812,153	11.38
Cost of sales	4,797,844	4,343,917	453,927	10.45
Selling and distribution expenses	1,391,284	1,194,083	197,201	16.51
Asset impairment losses	82	2,369	-2,287	-96.55
Gains on disposals of assets	-22,782	-4,724	-18,058	-382.25
Non-operating income	1,305	4,614	-3,309	-71.72

(1) Revenue

During January-March 2019, revenue increased by 11.38% from the corresponding period in prior year, which was mainly due to the increase in product sales volume and product structure optimization in the reporting period.

(2) Cost of sales

During January-March 2019, cost of sales increased by 10.45% from the corresponding period in prior year, which was mainly due to the increase in the price of main packing materials, increase in product sales volume and changes in product structure in the reporting period.

(3) Selling and distribution expenses

During January-March 2019, selling and distribution expenses increased by 16.51% from the corresponding period in prior year, which was mainly due to that the Company strengthened brand promotion in the reporting period.

(4) Asset impairment losses

During January-March 2019, asset impairment losses decreased by 96.55% from the corresponding period in prior year, which was mainly due to that the impairment losses from fixed assets withdrawn by some subsidiaries in the reporting period decreased from the corresponding period in prior year.

(5) *Gains on disposals of assets*

During January-March 2019, gains on disposals of assets decreased by 382.25% from the corresponding period in prior year, which was mainly due to that the losses from disposal of fixed assets of individual subsidiaries in the reporting period increased from the corresponding period in prior year.

(6) *Non-operating income*

During January-March 2019, non-operating income decreased by 71.72% from the corresponding period in prior year, which was mainly due to that the income irrelevant to routine operations recognized by some subsidiaries in the reporting period decreased from the corresponding period in prior year.

3.1.3 Analysis of fluctuation in major items in cash flow statement

Unit: '000 Yuan Currency: RMB

Item in cash flow statement	January- March 2019	January- March 2018	Increased/ Decreased	Increased/ Decreased
			amount	percentage (%)
Net cash flows from operating activities	1,756,418	2,504,422	-748,004	-29.87
Net cash flows from investing activities	24,129	-505,029	529,158	104.78
Net cash flows from financing activities	-3,392	-2,045	-1,347	-65.89

(1) *Net cash flows from operating activities*

During January-March 2019, net cash flows from operating activities decreased by 29.87% from the corresponding period in prior year, which was mainly due to that the cash paid for the purchase of commodities and labor services in the reporting period increased from the corresponding period in prior year.

(2) *Net cash flows from investing activities*

During January-March 2019, net cash flows from investing activities increased by 104.78% from the corresponding period in prior year, which was mainly due to that the reserves deposited in The People's Bank of China and net expenditure in wealth management in the reporting period by Finance Company, a wholly-owned subsidiary of the Company, decreased from the corresponding period in prior year.

(3) Net cash flows from financing activities

During January-March 2019, net cash flows from financing activities decreased by 65.89% from the corresponding period in prior year, which was mainly due to that the interests paid for borrowings by some subsidiaries in the reporting period increased from the corresponding period in prior year.

3.1.4 Explanation on the changes in the accounting policy

According to the requirements of the *Accounting Standards for Business Enterprises No. 21 — Leases* published by the Ministry of Finance, the Company has implemented the standard since 1 January 2019, and the effects on the Company's financial statements dated 1 January 2019 are as follows: In the consolidated balance sheet, advances to suppliers have been reduced by RMB766,446, right-of-use assets have been increased by RMB59,074,100, non-current liabilities due within one year have been increased by RMB18,309,553, and lease liabilities have been increased by RMB39,998,101.

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

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

During the Company's share reform, the State-owned Assets Supervision & Administration Commission of the People's Government of Qingdao ("SASACQ"), the former controlling shareholder, committed to proposing to the Board for setting up and implementing long-term incentive schemes including the stock option incentive after the completion of the share reform.

In April 2017, after Tsingtao Group had become the controlling shareholder of the Company through the unconditional transfer, Tsingtao Group had accepted all the obligations which should be undertaken and all undertakings which were made by SASACQ after the implementation of the Company's share reform.

On 25 June 2014, the Company received a notice from its controlling shareholder, Tsingtao Group, that, to better combine the interests among the Company's management team, shareholders and the Company, and to implement the undertakings made in the share reform and comply with the regulatory requirements, Tsingtao Group would, pursuant to the relevant laws and regulations, urge the Company to propose long-term incentive schemes of the management team before the end of June 2020, which would be submitted to the Company's general meeting for consideration and approval of putting into practice after obtaining approval from related authorities.

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 31 March 2019.

By Order of the Board
Tsingtao Brewery Co., Ltd.
ZHANG Rui Xiang
Company Secretary

Qingdao, the People's Republic of China
29 April 2019

The Company's Directors as at the date of this announcement are:

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

Non-executive Director: *Mr. TANG Bin*

Independent Non-executive Directors: *Mr. YU Zeng Biao, Mr. BEN Sheng Lin, Mr. JIANG Min and Mr. JIANG Xing Lu*