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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)**

### **Price Sensitive Information 2011 Third Quarterly Report**

This announcement is made pursuant to the disclosure requirements of Rule 13.09(1) and 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

#### **1. IMPORTANT NOTICE**

- 1.1 The Company’s Board of Directors (the “Board”), the Board of Supervisors and its directors, supervisors and members of senior management undertake that this report contains no false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the authenticity, accuracy and completeness of its content.
- 1.2 The third quarterly report for 2011 has been considered and approved in written form at the third meeting of the Seventh Board of Directors of the Company.
- 1.3 The Company’s third quarterly financial report has been reviewed by the Audit & Finance Committee under the Board, but has not been audited.
- 1.4 JIN Zhi Guo, the legal representative of the Company, and YU Zhu Ming, the person in charge of the accounting affairs (chief accountant) and Head of Finance Management Department, declare that the financial report contained in this quarterly report is true and complete.

## 2. BASIC INFORMATION OF THE COMPANY

### 2.1 Major financial information and financial indicators

*Currency: RMB*

	<b>As at the end of the reporting period</b>	<b>As at the end of last reporting period</b>	<b>Increase/ Decrease from the end of last year (%)</b>
Total assets ( <i>Yuan</i> )	21,956,581,668	17,777,115,858	23.51
Owners' interests (or shareholders' interests) ( <i>Yuan</i> )	11,033,297,312	9,603,112,032	14.89
Net assets per share attributable to shareholders of listed companies ( <i>Yuan/share</i> )	8.17	7.11	14.89
	<b>From the beginning of the year to the end of the reporting period (Jan-Sep)</b>		<b>Increase/Decrease from the corresponding period of prior year (%)</b>
Net cash flow from operating activities ( <i>Yuan</i> )	2,747,067,324		-24.00
Net cash flow from operating activities per share ( <i>Yuan/share</i> )		2.03	-24.00
	<b>Reporting period (Jul-Sep)</b>	<b>From the beginning of the year to the end of the reporting period (Jan-Sep)</b>	<b>Increase/ Decrease from the corresponding period of prior year (%)</b>
Net profit attributable to shareholders of listed companies ( <i>Yuan</i> )	674,234,265	1,664,136,348	-0.88
Basic earnings per share ( <i>Yuan/share</i> )	0.499	1.232	-0.88
Basic earnings per share after extraordinary items ( <i>Yuan/share</i> )	0.461	1.126	7.71
Diluted earnings per share ( <i>Yuan/share</i> )	0.499	1.232	-0.88
Weighted average return on net assets (%)	6.31	16.07	Decreased 1.05 percentage points
Weighted average return on net assets after extraordinary items (%)	5.83	14.68	Decreased 0.43 percentage points

**Extraordinary items and amount:**

*Unit: .00 Currency: RMB*  
**Amount from the beginning  
of the year to the end  
of the reporting period  
(Jan-Sep)**

<b>Item</b>	
Profits/(Losses) on disposal of non-current assets	-480,692
Governmental subsidies included in the profits/(losses) of the period (excluding those relating to the Company's business and in accordance with the standard set amount or set quantity unified by the State laws and regulations)	173,528,368
Other non-operating incomes and expenses excluding the aforesaid items	-3,095,660
Affected amount of income tax	-24,037,416
Affected amount of minority shareholders' interests (after-tax)	-2,751,918
Total	143,162,682

**2.2 List of total number of shareholders and top ten holders of listed shares without sales restriction as at the end of the reporting period**

*Unit: Share*

Total number of shareholders at the end of the reporting period (shareholder)	27,720
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**Particulars of top ten holders of listed shares without sales restriction**

<b>Name of shareholders (Full name)</b>	<b>Number of listed shares without sales restriction held at the end of reporting period</b>	<b>Class of shares</b>
HKSCC Nominees Limited	373,729,484	Overseas listed shares
Asahi Group Holdings Ltd.	270,127,836	Overseas listed shares
China Life Insurance Co., Ltd. — Dividends — Personal dividends — 005L — FH002Hu	14,548,359	RMB-denominated ordinary shares
Taikang Life Insurance Co., Ltd. — Dividend — Personal dividends — 019L — FH002Hu	10,526,089	RMB-denominated ordinary shares
Morgan Stanley & Co. International PLC. — Morgan Stanley China A-share Fund	10,122,539	RMB-denominated ordinary shares
National Social Security Fund 108	9,400,000	RMB-denominated ordinary shares
Taikang Life Insurance Co., Ltd. — Universal insurance — Personal universal insurance	7,011,633	RMB-denominated ordinary shares
Industrial Bank Co., Ltd. — Xingquan Trend Investment Mixed Securities Investment Fund	6,761,893	RMB-denominated ordinary shares
Taikang Asset Management Co., Ltd. — Kaitai — Steady Growth Investment Product	6,153,433	RMB-denominated ordinary shares
China Agricultural Bank — Jingshun Great Wall Domestic Needs Growth II Stock Securities Investment Fund	5,448,001	RMB-denominated ordinary shares

*Note:* The H-shares are held by HKSCC Nominees Limited on behalf of different clients, and excluding the H-shares held by the wholly-owned subsidiary of Tsingtao Brewery Group Company Limited, the controlling shareholder of the Company.

### 3. SIGNIFICANT EVENTS

#### 3.1 Analysis to overall operations during the reporting period

During January to September in 2011, the Company's sales volume of beer reached 60.4 million hl, representing an increase of 14.5% comparing with that of the same period in prior year; sales revenues reached RMB18.89 billion, representing an increase of 17% comparing with that of the same period in prior year; net profit attributable to the shareholders of listed company reached RMB1.66 billion, representing an increase of 11.4% comparing with that of the same period in prior year; in which the sales volume of its principal brand, Tsingtao beer, reached 32.6 million hl, representing an increase of 17.7% comparing with that of the same period in prior year. Although the price of raw materials were still high, and the competition in the market became more and more severe, the Company still maintained the continuous growth of the beer's sales volume at a faster speed than that of the whole beer industry. According to the information from the National Bureau of Statistics, during January to September in 2011, the beer's output volume in China reached 395.6 million hl, representing an increase of 8.6% comparing with that of the same period in prior year.

#### 3.2 Material changes to main accounting items and financial indicators and the reasons

Applicable       N/A

*Unit: RMB'000*

	End of the reporting period	End of last reporting period	Increased/Decreased amount	Increase/Decrease Percentage
<b>1. Items in balance sheet</b>				
Notes receivable	75,305	12,605	62,700	497.42%
Accounts receivable	127,720	89,810	37,910	42.21%
Advances to suppliers	287,728	49,776	237,952	478.05%
Constructions in progress	727,740	282,566	445,174	157.55%
Intangible assets	2,252,404	1,318,786	933,618	70.79%
Goodwill	1,081,685	122,816	958,869	780.74%
Other non-current assets	452,388	148,994	303,394	203.63%
Accounts payable	1,745,546	1,262,630	482,916	38.25%
Advances from customers	354,045	775,415	-421,370	-54.34%
Taxes payable	755,147	514,219	240,928	46.85%
Other payables	3,717,319	2,520,113	1,197,206	47.51%
Long-term borrowings	458,551	10,722	447,829	4,176.73%
Payables for specific projects	479,073	184,215	294,858	160.06%
Deferred tax liabilities	215,492	31,094	184,398	593.03%

	<b>Jan-Sep 2011</b>	<b>Jan-Sep 2010</b>	<b>Increased/ Decreased amount</b>	<b>Increase/ Decrease Percentage</b>
<b>2. Items in profit statement</b>				
Operating incomes	19,173,354	16,347,917	2,825,437	17.28%
Operating costs	10,913,452	9,119,304	1,794,148	19.67%
Operating taxes and plus	1,696,705	1,375,784	320,921	23.33%
Distribution costs	3,608,907	3,283,810	325,097	9.90%
Administrative expenses	793,877	661,405	132,472	20.03%
Financial expenses	-20,231	31,443	-51,674	-164.34%
Non-operating incomes	199,657	157,189	42,468	27.02%

	<b>Jan-Sep 2011</b>	<b>Jan-Sep 2010</b>	<b>Increased/ Decreased amount</b>	<b>Percentage</b>
<b>3. Items in cash flow statement</b>				
Cash flow from operating activities				
— net	2,747,067	3,614,595	-867,528	-24.00%
Cash flow from investing activities				
— net	-3,491,031	-333,505	-3,157,526	-946.77%
Cash flow from financing activities				
— net	55,525	-259,173	314,698	121.42%

- (1) The notes receivable increased 497.42% from the end of last reporting period, which was mainly due to the increase of accepted bills of exchanges received by some subsidiaries caused by the increase of sales during the reporting period.
- (2) The accounts receivable increased 42.21% from the end of last reporting period, which was mainly due to the increase of accounts receivable affected by the acquisition of subsidiaries during the reporting period.
- (3) The advances to suppliers increased 478.05% from the end of last reporting period, which was mainly due to the increase of the prepayments for the raw materials purchased by some subsidiaries during the reporting period.
- (4) The constructions in progress increased 157.55% from the end of last reporting period, which was mainly due to the increase of investments for the technical restructuring and expansion projects, and the construction of relocated plants of some subsidiaries during the reporting period.
- (5) The intangible assets increased 70.79% from the end of last reporting period, which was mainly due to the increase of trademarks, distribution networks from the newly acquired subsidiaries, and the increase of land use right from the newly constructed and relocated plants during the reporting period.

- (6) The goodwill increased 780.74% from the end of last reporting period, which was mainly due to the increase of goodwill from the acquisition of Shandong Xin Immense Brewery Co., Ltd. during the reporting period.
- (7) The other non-current assets increased 203.63% from the end of last reporting period, which was mainly due to the increase of investing prepayments for the relocated and newly constructed plants during the reporting period.
- (8) The accounts payable increased 38.25% from the end of last reporting period, which was mainly due to the increase of outstanding accounts payable at the end of the reporting period.
- (9) The advances from customers decreased 54.34% from the end of last reporting period, which was mainly due to the decrease of products sold in form of receiving advances from customers during the reporting period.
- (10) The taxes payables increased 46.85% from the end of last reporting period, which was mainly due to the increase of payable value-added taxes and income taxes caused by the growth of sales incomes and total profits during the reporting period.
- (11) The other payables increased 47.51% from the end of last reporting period, which was mainly due to the increase of expenses pending for payments of some subsidiaries during the reporting period.
- (12) The long-term borrowings increased 4176.73% from the end of last reporting period, which was mainly due to the increase of bank borrowings of Tsingtao Brewery (Hong Kong) Trade Company Limited during the reporting period.
- (13) The payables for specific projects increased 160.06% from the end of last reporting period, which was mainly due to the increase of relocation subsidies received by some subsidiaries from the local governments during the reporting period.
- (14) The deferred tax liabilities increased 593.03% from the end of last reporting period, which was mainly due to the recognition of deferred tax liabilities on the appreciation in value of the assets of the subsidiaries acquired during the reporting period.
- (15) In 2011, the operating incomes increased 17.28% from the corresponding period of prior year, which was mainly due to that, during the reporting period, firstly, the percentage of principal brand increased after the optimization of the product mix; secondly, the operating incomes increased caused by the growth of the sales of the Company's principal products.
- (16) In 2011, the operating costs increased 19.67% from the corresponding period of prior year, which was mainly due to the increase of operating costs caused by the expansion of the Company's sales scale and the price-hike of raw materials during the reporting period.

- (17) In 2011, the operating taxes and plus increased 23.33% from the corresponding period of prior year, which was mainly due to the growth of sales volume as driven by the satisfying growth of the sales of principal products during the reporting period.
- (18) In 2011, the distribution costs increased 9.9% from the corresponding period of prior year, which was mainly due to the increase of promotional expenses caused by the sound growth of sales volume of high-end products after the optimization of product mix during the reporting period.
- (19) In 2011, the administrative expenses increased 20.03% from the corresponding period of prior year, which was mainly due to the increase of operating costs and staff remuneration caused by the Company's volume growth during the reporting period.
- (20) In 2011, the financial expenses decreased 164.34% from the corresponding period of prior year, which was mainly due to the increase of interest incomes during the reporting period.
- (21) In 2011, the non-operating incomes increased 27.02% from the corresponding period of prior year, which was mainly due to the increase of governmental subsidies received during the reporting period.
- (22) The net cash flow from operating activities decreased 24% from the corresponding period of prior year, which was mainly due to that the increase of cash paid for purchasing the goods or receiving the service was higher than the increase of cash received for selling the goods or providing the service during the reporting period.
- (23) The net cash flow from investing activities decreased 946.77% from the corresponding period of prior year, which was mainly due to that, during the reporting period, firstly, the increase of cash paid for some subsidiaries' technical reconstruction and expansion, and for the fixed assets of the newly constructed plants; secondly, the increase of cash paid for the acquisition of some subsidiaries.
- (24) The net cash flow from financing activities increased 121.42% from the corresponding period of prior year, which was mainly due to the increase of cash obtained by Tsingtao Brewery (Hong Kong) Trade Company Limited from the bank loans during the reporting period.

### **3.3 Explanation on significant events and their impacts and resolutions**

Applicable       N/A

### **3.4 Implementation of undertakings made by the Company, shareholders as well as actual controlling parties**

Applicable       N/A

As undertaken by the former non-tradable shareholder of the Company in the share reform: (1) No shares held by it shall be listed or transferred on the A-share market within 60 months since the date of such shares can be listed; (2) After the completion of the share reform, the controlling shareholder will propose to the Board for setting up long-term incentive scheme including stock option. And the Board will implement such long-term incentive scheme under the relevant State regulations or implement after submitting to the general meeting for approval. After the completion of the Company's transfer of state-owned shares, Tsingtao Brewery Group Company Limited has accepted all obligations which should be taken by the State-owned Assets Supervision and Administration Commission of Qingdao (the former controlling shareholder of the Company) and all undertakings required to be made by it after the implementation of the Company's proposed share reform.

### **3.5 Warning and explanation in reasons for any substantial losses predictably in accumulated net profit from the year beginning to the end of next reporting period or any substantial variance against last year.**

Applicable       N/A

### **3.6 Implementation of cash dividends during the reporting period**

The Company proposed a final dividend of RMB0.18 (with tax) per share, totaling to RMB243,176,903 (with tax), to all shareholders in the Company's profit distribution (including dividends distribution) scheme for the year of 2010, which was approved at the Company's 2010 Annual General Meeting convened on 16 June 2011. As at 2 August 2011, the Company had completed the distribution of cash dividend.

For the unaudited balance sheet, profit statement and cash flow statement of the Company as at 30 September 2011, please refer to the website of Shanghai Stock Exchange (<http://www.sse.com.cn>) and the Company (<http://stock.tsingtao.com.cn>).

By Order of the Board of Directors  
**Tsingtao Brewery Company Limited**  
**ZHANG Xue Ju      ZHANG Rui Xiang**  
*Joint Company Secretaries*

Qingdao, the People's Republic of China  
27 October 2011



*Directors of the Company as at the date hereof are:*

*Executive Directors:*

*Mr. JIN Zhi Guo (Chairman), Mr. WANG Fan (Vice Chairman), Mr. SUN Ming Bo, Ms. JIANG Hong and Mr. SUN Yu Guo*

*Non-executive Directors:*

*Mr. Fumio YAMAZAKI and Mr. CHEN Zhi Cheng*

*Independent Non-executive Directors:*

*Mr. WANG Xue Zheng, Mr. ZHAO Chang Wen, Mr. WU Xiao Bo and Mr. MA Hai Tao*