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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)

2017 First Quarterly Report

This announcement is made pursuant to the disclosure requirements of Rule 13.09 (2) and 13.10B of 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 Part XIVA of Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong).

The 2017 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, 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 omission, and they jointly and severally accept full responsibility.
- 1.2 The Quarterly Report has been considered and approved at the seventeenth meeting of the eighth 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 SUN Ming Bo, 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 this reporting period	As at the end of prior year	Increase/Decrease (%)
Total assets	30,868,477,412	30,077,158,487	2.63
Net assets attributable to shareholders of the Company	16,894,609,909	16,313,952,729	3.56
	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 amount of cash flows from operating activities	1,549,858,660	1,770,315,771	-12.45
	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	7,039,943,927	6,861,626,267	2.60
Net profits attributable to shareholders of the Company	579,311,983	533,859,403	8.51
Net profits attributable to shareholders of the Company after deducting non-recurring profits or losses	544,488,989	503,561,459	8.13
Weighted average return on net assets (%)	3.49	3.30	Increased by 0.19 percentage point
Basic earnings per share (Yuan/share)	0.429	0.395	8.51
Diluted earnings per share (Yuan/share)	0.429	0.395	8.51

Items and amounts of non-recurring profits or losses

✓Applicable □ N/A

Item	<i>Unit: Yuan Currency: RMB</i> Amount of this period
Profits/(Losses) on disposal of non-current assets	-3,425,148
Government grants recognized in profits/(losses) of the corresponding period, but 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	60,851,170
Other non-operating income and expenses other than the aforesaid items	-14,063,418
Affected amount of non-controlling interests (after-tax)	-3,259,084
Affected amount of income tax	-5,280,526
Total	34,822,994

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 24,704 shareholders including 24,424 holders of A-share and 280 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
Tsingtao Brewery Group Company Limited	416,448,055	30.83	0	Nil	N/A	State-owned legal person
HKSCC Nominees Limited	370,463,448	27.42	0	Unknown		Overseas legal person
Asahi Group Holdings Ltd.	270,127,836	19.99	0	Unknown		Overseas legal person
China Securities Finance Corporation Company	40,395,979	2.99	0	Unknown		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	
PICC Life Insurance Co., Ltd. — Dividends — Dividends for personal insurance	26,520,225	1.96	0	Unknown		Others
China Jiayin Investment Company Ltd.	17,574,505	1.30	0	Unknown		State-owned legal person
Hong Kong Securities Clearing Company Limited	13,854,459	1.03	0	Unknown		Overseas legal person
Central Huijin Asset Management Ltd.	10,517,500	0.78	0	Unknown		State-owned legal person
Guosen Securities Co., Ltd.	9,471,774	0.70	0	Unknown		Others
ICBC Co., Ltd. — Southern Consumption Energy Flexible Allocation Mixed Initiating Securities Investment Fund	5,672,782	0.42	0	Unknown		Others

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
Tsingtao Brewery Group Company Limited (“Tsingtao Group”, <i>Note 1</i>)	416,448,055	RMB-denominated ordinary shares	405,132,055
		Overseas listed foreign shares	11,316,000
HKSCC Nominees Limited (<i>Note 2</i>)	370,463,448	Overseas listed foreign shares	370,463,448
Asahi Group Holdings Ltd.	270,127,836	Overseas listed foreign shares	270,127,836
China Securities Finance Corporation Company	40,395,979	RMB-denominated ordinary shares	40,395,979

Name of shareholder	Number of listed shares not subject to sales restriction held	Class and number of shares	
		Class	Number
PICC Life Insurance Co., Ltd. — Dividends — Dividends for personal insurance	26,520,225	RMB-denominated ordinary shares	26,520,225
China Jianyin Investment Company Ltd.	17,574,505	RMB-denominated ordinary shares	17,574,505
Hong Kong Securities Clearing Company Limited	13,854,459	RMB-denominated ordinary shares	13,854,459
Central Huijin Asset Management Ltd.	10,517,500	RMB-denominated ordinary shares	10,517,500
Guosen Securities Co., Ltd.	9,471,774	RMB-denominated ordinary shares	9,471,774
ICBC Co., Ltd. — Southern Consumption Energy Flexible Allocation Mixed Initiating Securities Investment Fund	5,672,782	RMB-denominated ordinary shares	5,672,782

Explanation of associations or actions in concert among the above shareholders

Note:

- (1) The total number of shares held by Tsingtao Group includes 11,316,000 shares of H-share held in the Company by itself and through 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 those held by the wholly-owned subsidiary of Tsingtao Group, while the A-shares are held by Hong Kong Securities Clearing Company Limited on behalf of different clients as well.

Save as disclosed above, the Company is unaware of whether there are any associations among the top ten shareholders or whether 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, there was no obvious improvement in the overall consumption environment in China's beer market that the output of beer industry in the first quarter reached 97.4 million hl, decreased by 0.9% from the corresponding period in prior year (source: National Bureau of Statistics). With the strategy of "stabling the growth, adjusting the structure", the Company actively responded to the development in the domestic beer industry and the challenges from the latest market situation, continued to actively expand domestic and overseas markets, and kept accelerating the transformation and upgrade of product mix. In the first quarter, the Company had accumulatively sold 20.1 million hl of beer, increased by 3% from the corresponding period in prior year, including 10.6 million hl of its principal brand, Tsingtao Beer, and 4.9 million hl of high-end products such as Augerta, Hong Yun Dang Tou, Classic 1903 and draft beer. During the reporting period, the Company maintained an operating trend of steady and solid improvement that it realized RMB7.04 billion of revenue, increased by 2.60% from the corresponding period in prior year, and RMB579 million of net profits attributable to shareholders of the Company, increased by 8.51% from the corresponding period in prior year.

III. SIGNIFICANT EVENTS

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

Applicable N/A

3.1.1 Analysis of changes in major items in balance sheet

Unit: '000 Yuan Currency: RMB

Items 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 amount	Increased/ Decreased percentage (%)
Financial assets calculated with fair value and its changes being recognized in profits/(losses) of the corresponding period	20,033	—	20,033	—
Advances to suppliers	137,318	51,806	85,512	165.06
Dividends receivable	14,811	—	14,811	—
Interests receivable	100,207	71,557	28,650	40.04
Other receivables	160,368	233,844	-73,476	-31.42
Notes payable	214,575	307,517	-92,942	-30.22
Advances from customers	696,484	1,320,882	-624,398	-47.27
Taxes payable	731,862	396,467	335,395	84.60

(1) *Financial assets calculated with fair value and its changes being recognized in profits/(losses) of the corresponding period*

Financial assets calculated with fair value and its changes being recognized in profits/(losses) of the corresponding period as at the end of the reporting period increased by RMB20,033 thousand from the beginning of the reporting period, which was mainly due to the monetary funds purchased by Tsingtao Brewery Finance L.L.C (“Finance Company”), a wholly-owned subsidiary of the Company, during the reporting period.

(2) *Advances to suppliers*

Advances to suppliers as at the end of the reporting period increased by 165.06% from the beginning of the reporting period, which was mainly due to the increase in settlement with advances to suppliers of bottles stored in low seasons made by the production subsidiaries of the Company during the reporting period.

(3) *Dividends receivable*

Dividends receivable as at the end of the reporting period increased by RMB14,811 thousand from the beginning of the reporting period, which was mainly due to the increase in receivable dividends of associated companies at the end of the reporting period.

(4) *Interests receivable*

Interests receivable as at the end of the reporting period increased by 40.04% from the beginning of the reporting period, which was mainly due to the increase in receivable interests of funds deposited by Finance Company at the external financial institutes during the reporting period.

(5) *Other receivables*

Other receivables as at the end of the reporting period decreased by 31.42% from the beginning of the reporting period, which was mainly due to that the investment for government bonds reverse repo agreement made by Finance Company matured during the reporting period.

(6) *Notes payable*

Notes payable as at the end of the reporting period decreased by 30.22% from the beginning of the reporting period, which was mainly due to the decrease in percentage of settlement of goods with notes during the reporting period.

(7) *Advances from customers*

Advances from customers as at the end of the reporting period decreased by 47.27% from the beginning of the reporting period, which was mainly due to the decrease in the amount of advances of beer during the reporting period.

(8) *Taxes payable*

Taxes payable as at the end of the reporting period increased by 84.60% from the beginning of the reporting period, which was mainly due to that the value-added tax payable, consumption tax payable and income tax payable as at the end of the reporting period had increased from the beginning of the reporting period.

3.1.2 Analysis of changes in major items in income statement

Unit: '000 Yuan Currency: RMB

Items in income statement	Jan. – Mar. 2017	Jan. – Mar. 2016	Increased/ Decreased amount	Increased/ Decreased percentage (%)
Revenue	7,039,944	6,861,626	178,318	2.60
Cost of sales	4,157,022	4,041,179	115,843	2.87
Taxes and surcharges	592,803	485,919	106,884	22.00
Selling and distribution expenses	1,278,612	1,336,005	-57,393	-4.30
Investment income	14,699	-8,901	23,600	265.13
Non-operating income	67,258	39,338	27,920	70.97
Non-operating expenses	23,896	2,468	21,428	868.23
Non-controlling profits/losses	26,473	-2,037	28,510	1,399.69

(1) *Revenue*

Revenue during the period between January and March 2017 increased by 2.60% from the corresponding period in prior year, which was mainly due to the increase in revenue caused by the growth of sales volume of the Company's core products during the reporting period.

(2) *Cost of sales*

Cost of sales during the period between January and March 2017 increased by 2.87% from the corresponding period in prior year, which was mainly due to the increase in cost of sales caused by the growth of sales volume of the Company's core products during the reporting period.

(3) *Taxes and surcharges*

Taxes and surcharges during the period between January and March 2017 increased by 22.00% from the corresponding period in prior year, which was mainly due to that, during the reporting period, the consumption tax increased caused by the growth of sales volume, and the Company recognized the taxes including property tax, land use tax, vehicle and vessel use tax and stamp duty in taxes and surcharges for calculation according to the relevant requirements of the Ministry of Finance.

(4) *Selling and distribution expenses*

Selling and distribution expenses during the period between January and March 2017 decreased by 4.30% from the corresponding period in prior year, which was mainly due to the decrease in market expenses in some regions during the reporting period.

(5) *Investment income*

Investment income during the period between January and March 2017 increased by 265.13% from the corresponding period in prior year, which was mainly due to the recognition of investment losses in Tsingtao Brewery (Shanghai) Investing Co., Ltd., which was an associated company of the Company, during the corresponding reporting period in prior year.

(6) *Non-operating income*

Non-operating income during the period between January and March 2017 increased by 70.97% from the corresponding period in prior year, which was mainly due to the increase in governmental grants received by some subsidiaries during the reporting period.

(7) *Non-operating expenses*

Non-operating expenses during the period between January and March 2017 increased by 868.23% from the corresponding period in prior year, which was mainly due to the disposal of fixed assets and the temporary shut-down for the renewal of equipment of several subsidiaries according to the requirements of the government's plan during the reporting period.

(8) *Non-controlling profits/losses*

Non-controlling profits/losses during the period between January and March 2017 increased by 1,399.69% from the corresponding period in prior year, which was mainly due to the presence of the non-controlling shareholders in Tsingtao Brewery (Shanghai) Industrial Co., Ltd. of whom its operating were shared during the corresponding reporting period in prior year.

3.1.3 Analysis of changes in major items in cash flow statement

Unit: '000 Yuan Currency: RMB

Items in cash flow statement	Jan. – Mar.	Jan. – Mar.	Increased/ Decreased amount	Increased/ Decreased percentage (%)
	2017	2016		
Net cash flows from operating activities	1,549,859	1,770,316	-220,457	-12.45
Net cash flows from investing activities	-260,108	-986,149	726,041	73.62
Net cash flows from financing activities	-1,949	-337,615	335,666	99.42

- (1) Net cash flows from operating activities decreased by 12.45% from the corresponding period in prior year, which was mainly due to the decrease in the amount of advances of goods received from customers and the increase in other cash in relation to operating activities such as the pledges for bottles and plastic containers paid during the reporting period.
- (2) Net cash flows from investing activities increased by 73.62% from the corresponding period in prior year, which was mainly due to the withdrawal of principal of wealth management products by Finance Company during the reporting period.
- (3) Net cash flows from financing activities increased by 99.42% from the corresponding period in prior year, which was mainly due to the decrease in cash paid for the repayment of debts by some subsidiaries during the reporting period.

3.2 Analysis and explanation of the progress of significant events and their impacts and solutions

Applicable N/A

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

Applicable N/A

During the Company's share reform, the State-owned Assets Supervision and 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 2007, after Tsingtao Group had become the Company's controlling shareholder through the unconditional transfer, it had accepted all obligations which should be undertaken and all undertakings which were made by SASACQ after the implementation of the share reform of the Company.

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 next reporting period or warnings or causes for any substantial variance from the corresponding period in prior year

Applicable N/A

For the unaudited balance sheet, income statement and cash flow statement of the Company as at 31 March 2017, please refer to the websites of Shanghai Stock Exchange (<http://www.sse.com.cn>) and the Company (<http://stock.tsingtao.com.cn>).

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

Qingdao, the People's Republic of China
27 April 2017

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

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*