TSINGTAO BREWERY COMPANY LIMITED

(a Sino-foreign joint stock limited company established in the People's Republic of China)

(Stock Code: 168)

2020 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of Tsingtao Brewery Company Limited (the "Company") hereby presents the preliminary consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020 (the "Reporting Period") extracted from the audited consolidated financial statements of the Group prepared in accordance with the China Accounting Standards for Business Enterprises.

1. FINANCIAL INFORMATION

(All amounts in RMB Yuan unless otherwise stated)

Consolidated Balance Sheet

	Note	**31 December 2020**	31 December 2019
ASSETS			
Current assets			
Cash at bank and on hand		**18,466,880,608**	15,301,983,408
Financial assets held for trading		**1,888,862,835**	1,523,793,019
Notes receivable		**5,648,580**	75,100,000
Accounts receivable	*2*	**119,506,428**	151,069,427
Advances to suppliers		**239,884,336**	117,156,091
Other receivables		**73,893,587**	86,269,436
Inventories		**3,281,033,526**	3,181,769,333
Other current assets		**552,409,778**	564,677,336
Total current assets		**24,628,119,678**	21,001,818,050
Non-current assets			
Long-term equity investments		**374,333,837**	376,641,802
Other non-current financial assets		**600,000**	600,000
Investment properties		**27,183,434**	36,504,682
Fixed assets		**10,302,628,630**	10,222,034,465
Construction in progress		**339,805,369**	178,993,842
Right-of-use assets		**168,329,047**	66,970,435
Intangible assets		**2,503,842,988**	2,558,572,455
Goodwill		**1,307,103,982**	1,307,103,982
Long-term prepaid expenses		**86,258,334**	35,255,388
Deferred tax assets		**1,718,307,625**	1,455,035,532
Other non-current assets		**57,672,911**	72,852,914
Total non-current assets		**16,886,066,157**	16,310,565,497
TOTAL ASSETS		**41,514,185,835**	37,312,383,547

Consolidated Balance Sheet *(continued)*

	Note	**31 December 2020**	31 December 2019
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings		**703,273,054**	270,906,631
Notes payable		**149,491,592**	220,825,323
Accounts payable	*3*	**2,222,601,042**	2,167,178,181
Contract liabilities		**6,567,320,256**	5,970,644,849
Employee benefits payable		**1,906,199,446**	1,458,665,786
Taxes payable		**548,026,847**	513,058,160
Other payables		**3,074,878,208**	2,424,857,501
Current portion of non-current liabilities		**42,089,297**	22,208,025
Other current liabilities		**296,065,856**	305,436,538
Total current liabilities		**15,509,945,598**	13,353,780,994
Non-current liabilities			
Long-term borrowings		–	209,180
Lease liabilities		**115,839,869**	37,471,885
Long-term payables		**462,046,060**	372,579,660
Deferred income		**2,899,626,024**	2,519,926,935
Long-term employee benefits payable		**991,111,582**	931,008,557
Deferred tax liabilities		**167,564,536**	184,035,480
Total non-current liabilities		**4,636,188,071**	4,045,231,697
Total liabilities		**20,146,133,669**	17,399,012,691
Equity			
Share capital		**1,364,182,795**	1,350,982,795
Capital surplus		**3,675,291,623**	3,444,317,455
Less: Treasury stock		**(279,576,000)**	–
Other comprehensive income		**(19,851,339)**	(47,347,633)
Surplus reserve		**1,400,704,380**	1,400,704,380
General reserve		**260,344,554**	234,715,680
Undistributed profits	*4*	**14,220,864,502**	12,788,210,357
Total equity attributable to shareholders of the Company		**20,621,960,515**	19,171,583,034
Non-controlling interests		**746,091,651**	741,787,822
Total equity		**21,368,052,166**	19,913,370,856
TOTAL LIABILITIES AND EQUITY		**41,514,185,835**	37,312,383,547

Consolidated Income Statement

	Note	Year ended 2020	Year ended 2019
Revenue	*5*	**27,759,710,926**	27,983,760,363
Less: Cost of sales	*5*	**(16,540,609,624)**	(17,080,443,282)
Taxes and surcharges	*6*	**(2,219,072,099)**	(2,313,322,793)
Selling and distribution expenses		**(4,984,549,837)**	(5,103,505,734)
General and administrative expenses		**(1,678,050,722)**	(1,881,053,486)
Research and development expenses		**(21,467,092)**	(21,088,710)
Finance expenses		**470,921,460**	484,172,216
Including: Interest expenses		**(13,662,682)**	(13,621,266)
Interest income		**524,029,340**	514,830,422
Add: Other income		**517,048,836**	602,897,696
Investment income		**25,243,596**	24,508,766
Including: Share of profit of associates and a joint venture		**18,098,320**	21,182,903
Profits arising from changes in fair value (Losses are listed with "-")		**55,092,634**	56,754,451
Credit impairment losses (Losses are listed with "-")		**1,574,159**	7,091,211
Asset impairment losses (Losses are listed with "-")		**(130,553,700)**	(121,051,420)
Gains on disposals of assets (Losses are listed with "-")	*7*	**(5,204,016)**	59,170,551
Operating profit		**3,250,084,521**	2,697,889,829
Add: Non-operating income		**14,586,892**	34,664,591
Less: Non-operating expenses		**(25,122,089)**	(5,643,591)
Total profit		**3,239,549,324**	2,726,910,829
Less: Income tax expense	*8*	**(912,580,519)**	(797,794,436)
Net profit		**2,326,968,805**	1,929,116,393
Classified by continuity of operations			
Net profit from continuing operations		**2,326,968,805**	1,929,116,393
Net profit from discontinued operations		–	–
Classified by ownership of the equity			
Attributable to non-controlling interests		**125,645,249**	77,013,017
Attributable to shareholders of the Company		**2,201,323,556**	1,852,103,376
Other comprehensive income, net of tax		**27,496,294**	(2,650,829)
Other comprehensive income attributable to shareholders of the Company, net of tax			
Items that will not be subsequently reclassified to profit or loss			
Changes arising from remeasurement of defined benefit plan		**17,790,000**	907,000
Items that will be subsequently reclassified to profit or loss			
Shares of other comprehensive income of investees accounted for using the equity method that will be subsequently reclassified to profit or loss		**72,326**	9,413
Currency translation differences		**9,633,968**	(3,567,242)
Total comprehensive income		**2,354,465,099**	1,926,465,564
Attributable to shareholders of the Company		**2,228,819,850**	1,849,452,547
Attributable to non-controlling interests		**125,645,249**	77,013,017
Earnings per share	*9*		
Basic earnings per share (RMB Yuan)		**1.629**	1.371
Diluted earnings per share (RMB Yuan)		**1.627**	1.371

Note:

1 Basis of preparation

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises — Basic Standards and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 — General Rules on Financial Reporting issued by the China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

2 Accounts receivable

	31 December 2020	31 December 2019
Accounts receivable	**302,944,075**	337,040,440
Less: Provision for bad debts	**(183,437,647)**	(185,971,013)
	119,506,428	151,069,427

The majority of the Group's domestic sales are made by advances from customers. The remainders are settled by letters of credit, bank acceptance notes or providing credit terms from 30 to 100 days.

The ageing of accounts receivable based on their recording dates is analyzed below:

	31 December 2020	31 December 2019
Within 1 year	**119,520,059**	151,053,718
1 to 2 years	**12,134**	47,764
2 to 3 years	**1,610**	239,525
3 to 4 years	**197,440**	7,393
4 to 5 years	**6,946**	—
Over 5 years	**183,205,886**	185,692,040
	302,944,075	337,040,440

Accounts receivable are mainly recorded based on the dates of transaction. The ageing of accounts receivable represented on their recording date is basically the same as the ageing represented on the dates of invoice.

3 Accounts payable

The ageing of accounts payable based on their recording dates is analyzed as below:

	31 December 2020	31 December 2019
Within 1 year	**2,207,455,041**	2,153,166,928
1 to 2 years	**6,103,714**	4,998,759
2 to 3 years	**2,476,483**	2,245,977
Over 3 years	**6,565,804**	6,766,517
	2,222,601,042	2,167,178,181

4 Dividend

Pursuant to the resolution at the Annual General Meeting dated 8 June 2020, the Company approved a cash dividend of RMB0.55 per share (tax included) to the shareholders of the Company of RMB743,040,537 for the year of 2019, based on a total number of 1,350,982,795 issued shares (2019: cash dividend of RMB0.48 per share (tax included) to the shareholders of the Company of RMB648,471,742 for the year of 2018, based on a total number of 1,350,982,795 issued shares).

Pursuant to the resolution at the Board Meeting dated 26 March 2021, the Board proposed a cash dividend of RMB0.75 per share (tax included) to the shareholders of the Company with RMB1,023,137,096, based on a total number of 1,364,182,795 issued shares. Such dividend distribution is subject to the approval at the forthcoming Annual General Meeting.

5 Revenue and cost of sales

	Year ended 31 December 2020	Year ended 31 December 2019
Revenue from main operation	**27,337,977,919**	27,618,479,426
Revenue from other operations	**421,733,007**	365,280,937
	27,759,710,926	27,983,760,363

	Year ended 31 December 2020	Year ended 31 December 2019
Cost of main operation	**(16,236,204,483)**	(16,862,865,858)
Cost of other operations	**(304,405,141)**	(217,577,424)
	(16,540,609,624)	(17,080,443,282)

6 Taxes and surcharges

	Year ended 31 December 2020	Year ended 31 December 2019
Consumption tax	**1,670,968,049**	1,741,751,782
City maintenance and construction tax	**224,269,519**	234,094,099
Education surcharges	**169,702,554**	176,064,841
Real estate tax	**57,257,021**	61,093,344
Land use tax	**55,081,454**	59,972,034
Stamp tax	**26,024,477**	25,222,029
Others	**15,769,025**	15,124,664
	2,219,072,099	2,313,322,793

7 Gains on disposals of assets

	Year ended 31 December 2020	Year ended 31 December 2019
Gains/(Losses) on disposals of fixed assets	**(8,886,580)**	4,322,131
Gains on disposals of intangible assets	**3,682,564**	54,848,420
	(5,204,016)	59,170,551

8 Income tax expense

	Year ended 31 December 2020	Year ended 31 December 2019
Current income tax calculated according to tax law and related regulations — China enterprise income tax	**1,190,529,816**	1,064,649,714
Current profits tax calculated according to tax law and related regulations — Hong Kong profits tax	**1,136,338**	1,589,540
Current profits supplemental tax calculated according to tax law and related regulations — Macau profits supplemental tax	**657,402**	716,028
Deferred income tax	**(279,743,037)**	(269,160,846)
	912,580,519	797,794,436

8 Income tax expense *(continued)*

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expense is listed below:

	Year ended 31 December 2020	Year ended 31 December 2019
Total profit	**3,239,549,324**	2,726,910,829
Income tax expense calculated at applicable tax rates	**809,445,498**	680,439,443
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	**28,736,725**	51,299,027
Income not subject to tax	**(20,076,572)**	(20,264,893)
Utilization of previously unrecognized deferred tax assets due to the influence of deductible tax losses and deductible temporary differences	**(74,776,247)**	(78,522,279)
Deductible temporary differences for which no deferred tax assets were recognized	**100,917,885**	91,566,667
Deductible tax losses for which no deferred tax assets were recognized	**68,333,230**	73,276,471
Income tax expense	**912,580,519**	797,794,436

(1) Enterprise income tax

The applicable enterprise income tax rate of the Company and its subsidiaries incorporated and operated in mainland China for the current year is 25%.

(2) Hong Kong profits tax, Macau profits supplemental tax and Vietnam corporate income tax

Tsingtao Brewery Hong Kong Trading Co., Ltd, Asia Brewery (Macau) Co., Ltd and Tsingtao Brewery Vietnam Co., Ltd., the Company's subsidiaries, were established in Hong Kong, Macau and Vietnam, applying Hong Kong profits tax, Macau profits supplemental tax and Vietnam corporate income tax respectively.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year. Macau profits supplemental tax is imposed on the estimated taxable profit for the year at a progressive rate scale ranging from 3% to 12%. Vietnam corporate income tax has been provided at the rate of 20% on the estimated assessable profit for the year.

9 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average numbers of ordinary shares outstanding:

	Year ended 31 December 2020	Year ended 31 December 2019
Consolidated net profit attributable to ordinary shareholders of the Company	**2,201,323,556**	1,852,103,376
Weighted average number of ordinary shares outstanding	**1,350,982,795**	1,350,982,795
Basic earnings per share	**1.629**	1.371
Including:		
— Basic earnings per share from continuing operations:	**1.629**	1.371

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary share by the adjusted weighted average number of the Company's ordinary shares outstanding. In 2020, the restricted share incentive plan implemented by the Company has a dilutive effect on earnings per share, which is calculated as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Consolidated net profit attributable to ordinary shareholders of the Company	**2,201,323,556**	1,852,103,376
Weighted average number of ordinary shares outstanding	**1,350,982,795**	1,350,982,795
Weighted average number of ordinary shares increased due to share-based payment	**1,751,325**	—
Weighted average number of ordinary shares outstanding after dilution	**1,352,734,120**	1,350,982,795
Diluted earnings per share	**1.627**	1.371
Including:		
— Diluted earnings per share from continuing operations:	**1.627**	1.371

10 Segment information

As the Group is mainly engaged in the production and distribution of beer, etc., the reportable segments of the Group are business units operating in different regions. Different region requires different marketing strategies, and the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions on resources allocation to these segments and to assess their performance.

Tsingtao Brewery Finance LLC. ("Finance Company"), the Group's subsidiary, is principally engaged in the financial businesses of wealth management and agency collection and payment for its members. Due to the unique business characteristics of Finance Company, the Group manages its operation independently and evaluates its operating results separately, to determine its resources allocation and assess its performance.

The Group identified seven reportable segments as follows:

— Shandong region segment, responsible for the production and distribution in Shandong region and surrounding regions

— South China region segment, responsible for the production and distribution in South China region

— North China region segment, responsible for the production and distribution in North China region

— East China region segment, responsible for the production and distribution in East China region

— Southeast China region segment, responsible for the production and distribution in Southeast China region

— Hong Kong, Macau and other overseas region segment, responsible for the distribution in Hong Kong SAR, Macau SAR and other overseas regions

— Finance Company segment, engaged in the financial businesses of wealth management and agency collection and payment for its members

Inter-segment transfer pricing is based on mutually-agreed prices.

Assets are allocated based on the operation of the segments and the physical location of the assets. Liabilities are allocated based on the operation of the segments.

10 Segment information *(continued)*

(a) Segment information as at and for the year ended 31 December 2020 is as follows:

	Shandong Region	South China Region	North China Region	East China Region	South-east China Region	Hong Kong, Macau and other overseas Region	Finance Company	Unallocated	Elimination	Total
Revenue from external customers	16,514,342,724	2,445,971,225	4,730,193,364	2,566,634,134	819,697,132	670,599,557	10,436,434	1,836,356	–	27,759,710,926
Inter-segment revenue	2,554,545,983	878,205,837	1,807,540,823	272,961,792	5,306,412	206,394,997	22,637,988	600,767	(5,748,194,599)	–
Cost of sales	(12,614,487,680)	(2,159,345,029)	(4,269,190,702)	(1,957,815,166)	(581,390,511)	(673,786,797)	(50,930)	(980,477)	5,716,437,668	(16,540,609,624)
Selling and distribution expenses	(2,984,795,079)	(508,477,016)	(749,047,089)	(493,045,907)	(149,661,587)	(99,523,159)	–	–	–	(4,984,549,837)
Interest income	61,064,085	19,425,998	48,147,299	8,548,306	1,649,746	1,570,025	312,458,619	213,202,092	(142,036,830)	524,029,340
Interest expenses	(3,062,146)	(4,411,988)	(8,621,039)	(13,424,529)	(271,331)	(6,136,161)	(147,071,155)	–	169,335,667	(13,662,682)
Share of profits of associates and a joint venture	–	–	–	–	–	–	–	18,098,320	–	18,098,320
Credit impairment reversals/(losses)	1,535,791	–	11,622	(43,870)	–	(38,703)	2,087,783	(1,978,464)	–	1,574,159
Asset impairment losses	(30,994,109)	(79,407,712)	(5,905,315)	(5,873,510)	(8,373,054)	–	–	(150,000,000)	150,000,000	(130,553,700)
Depreciation and amortization	(514,285,646)	(174,491,817)	(213,075,320)	(165,971,582)	(34,776,497)	(3,788,374)	(1,298,495)	(55,003,596)	–	(1,162,691,327)
Total profit/(losses)	1,787,432,307	201,421,596	959,522,718	(18,829,435)	(993,069)	75,938,793	250,973,105	(162,737,946)	146,821,255	3,239,549,324
Income tax expense	(504,716,575)	(89,644,639)	(225,014,568)	(11,397,179)	(3,534,677)	(18,847,883)	(61,704,734)	–	2,279,736	(912,580,519)
Net profit/(losses)	1,282,715,732	111,776,957	734,508,150	(30,226,614)	(4,527,746)	57,090,910	189,268,371	(162,737,946)	149,100,991	2,326,968,805
Total assets	15,753,629,994	4,227,865,813	8,308,118,457	3,227,576,541	795,321,511	595,835,038	18,103,764,156	8,386,187,181	(17,884,112,856)	41,514,185,835
Total liabilities	10,630,781,909	1,963,626,854	5,272,901,199	2,839,028,527	574,751,090	626,633,163	15,270,671,528	761,137,287	(17,793,397,888)	20,146,133,669
Non-cash expenses other than depreciation and amortization	15,235,050	906,755	5,493,926	1,103,869	272,704	75,788	–	974,387	–	24,062,479
Long-term equity investments in associates and a joint venture	–	–	–	–	–	–	–	374,333,837	–	374,333,837
Additions of non-current assets (i)	904,332,902	115,019,296	365,546,464	175,538,162	18,805,761	919,701	2,236,149	74,690,191	(12,472,257)	1,644,616,369

(i) Non-current assets do not include financial assets, long-term equity investments and deferred tax assets.

10 Segment information *(continued)*

(b) Segment information as at and for the year ended 31 December 2019 is as follows:

	Shandong Region	South China Region	North China Region	East China Region	South-east China Region	Hong Kong, Macau and other overseas Region	Finance Company	Unallocated	Elimination	Total
Revenue from external customers	16,631,700,990	2,534,711,735	4,665,814,854	2,654,448,617	816,708,244	671,917,097	6,472,783	1,986,043	–	27,983,760,363
Inter-segment revenue	2,763,421,494	943,070,055	1,653,239,139	174,139,013	12,474,726	237,172,284	26,991,899	600,767	(5,811,109,377)	–
Cost of sales	(12,893,169,337)	(2,314,657,613)	(4,214,174,358)	(2,118,337,014)	(627,327,035)	(656,256,119)	(58,800)	(981,607)	5,744,518,601	(17,080,443,282)
Selling and distribution expenses	(3,043,366,720)	(524,125,972)	(746,733,745)	(526,392,926)	(143,435,769)	(119,450,602)	–	–	–	(5,103,505,734)
Interest income	51,627,885	14,101,490	44,072,780	6,515,846	1,015,665	4,817,818	366,027,699	162,558,066	(135,906,827)	514,830,422
Interest expenses	(4,067,263)	(5,078,081)	(13,810,375)	(11,211,095)	–	(8,929,720)	(137,806,625)	–	167,281,893	(13,621,266)
Share of profits of associates and a joint venture	–	–	–	–	–	–	–	21,182,903	–	21,182,903
Credit impairment reversals/(losses)	7,023,981	35,951	637,569	(5,324)	–	12,137	2,474,780	(3,087,883)	–	7,091,211
Asset impairment losses	(12,791,370)	(27,830,810)	(1,914,854)	(32,869,574)	(45,644,812)	–	–	(255,000,000)	255,000,000	(121,051,420)
Depreciation and amortization	(498,305,855)	(172,014,866)	(203,289,572)	(161,878,920)	(40,024,936)	(3,791,509)	(1,065,410)	(57,261,883)	–	(1,137,632,951)
Total profit/(losses)	1,926,778,218	212,160,718	670,943,257	(315,920,386)	(85,899,383)	130,340,702	311,541,764	(341,721,990)	218,687,929	2,726,910,829
Income tax expense	(486,580,928)	(46,531,614)	(145,039,856)	(18,565,383)	(2,063,217)	(32,475,388)	(76,437,769)	–	9,899,719	(797,794,436)
Net profit/(losses)	1,440,197,290	165,629,104	525,903,401	(334,485,769)	(87,962,600)	97,865,314	235,103,995	(341,721,990)	228,587,648	1,929,116,393
Total assets	14,625,692,028	4,115,782,097	7,532,937,080	2,992,229,576	811,942,844	636,114,822	16,233,804,952	6,935,449,805	(16,571,569,657)	37,312,383,547
Total liabilities	9,183,653,284	1,915,298,061	4,995,947,761	2,624,277,944	584,174,944	649,424,720	13,591,139,975	341,089,744	(16,485,993,742)	17,399,012,691
Non-cash expenses other than depreciation and amortization	13,587,052	550,944	5,842,619	799,128	132,765	148,370	–	153,310	–	21,214,188
Long-term equity investments in associates and a joint venture	–	–	–	–	–	–	–	376,641,802	–	376,641,802
Additions of non-current assets (i)	460,860,352	60,176,702	405,304,010	58,662,118	11,805,020	4,345,478	2,617,570	69,548,095	(34,445,011)	1,038,874,334

(i) Non-current assets do not include financial assets, long-term equity investments and deferred tax assets.

10 Segment information *(continued)*

(c) ***The Group's revenue from external customers in domestic and overseas markets, and the total non-current assets other than financial assets and deferred tax assets located domestically and in foreign countries or geographical areas are summarized as follows:***

Revenue from external customers	**Year ended 31 December 2020**	Year ended 31 December 2019
Mainland China	**26,996,914,522**	27,265,576,602
Hong Kong and Macau SAR	**192,658,422**	207,720,222
Other overseas regions	**570,137,982**	510,463,539
	27,759,710,926	27,983,760,363

Total non-current assets	**31 December 2020**	31 December 2019
Mainland China	**15,153,383,039**	14,840,360,043
Hong Kong and Macau SAR	**13,775,495**	14,569,922
	15,167,158,534	14,854,929,965

II. DISCUSSION AND ANALYSIS MADE BY THE MANAGEMENT

(I) Business Performance Review during the Reporting Period

1. Development Strategies and Business Plan Implementation Description

In 2020, the domestic beer industry, having been affected by the COVID-19 pandemic, faced enormous difficulties and challenges in market sales. During the Reporting Period, the domestic beer industry produced 34.11 million kiloliters of beer in total, representing a year-on-year decline of 7%. (Data source: National Bureau of Statistics; statistic scope: all industrial corporate enterprises with an annual principal business revenue of over RMB20 million.)

During the Reporting Period, our staff as a whole as led by the Board and our management, did not wait or rely on others, forged ahead amidst difficulties, coordinated and mastered overall plans for epidemic prevention and control and business development and resolutely drove the implementation of high-quality development strategy. The Company fully realised the brand and quality advantages of Tsingtao Beer, carried out multiple measures to actively develop domestic and overseas product markets. At the same time, the Company actively increased sources of revenue and controlled expenditures, reduced costs and increased efficiency, continued to optimize the fine cost management system, improved the effectiveness of sales promotion expenses and marketing efficiency, and achieved growth in profits in the face of headwinds. During the Reporting Period, the Company achieved a total of 7.82 million kiloliters of product sales, realized an operating revenue of RMB27.76 billion and a net profit attributable to shareholders of the Company of RMB2.2 billion, with a year-on-year increase of 18.9%.

The Company swiftly responded in view of the impact of COVID-19 pandemic on the domestic consumer market, by accelerating the expansion of online consumption channels and the implementation of "Contactless Delivery" services pioneered the development of "Digital Map for Contactless Delivery" in the beer industry for the whole of China to achieve the perfect integration of online sales and offline delivery. The Company has also launched big discount activities for million-societies online and million-communities offline, established and improved a multi-dimensional sales platform of "e-commerce + stores + producers outlets" and opened up a new marketing channel in a pandemic situation.

During the Reporting Period, the Company continued to deepen the implementation of the brand strategy of "Tsingtao Beer as Core Brand + Laoshan Beer as Second Brand", promote innovation-driven and product structure optimization and upgrading, continuously enhancing brand influence through pervasive all-round brand promotion, and successfully achieved product category upgrade through higher quality, more fashionable and attractive packaging, and more international and interactive branding exposure. During the year, the Company developed and sold new ultra high-end products such as "Tsingtao Centennial Journey and Amber Lager", which achieved a leaping breakthrough from "fundamental quality + characteristic quality" to "charismatic quality", led the consumption trend for the ultra high-end market, and greatly improved the Company's product image and market competitiveness. Centering on consumer experience, the Company has planned more than 200 Tsingtao1903 Tsingtao Beer Bars across the country, through promoting high-quality development by creating new channels and new venues, to interact with consumers with high-end, personalized, and fashionable products and continuously meeting their multi-level needs such as personalization, sceneization, convenience and high-end. During the Reporting Period, the main brand of the Company, Tsingtao Beer, achieved a total sales volume of 3.879 million kiloliters, of which high-end products such as "Tsingtao Centennial Journey, Amber Lager, Augerta, Hong Yun Dang Tou, Classic 1903 and draft beer" achieved a sales volume of 1.792 million kiloliters, which maintained the Company's competitive advantage in domestic mid- to high-end beer market, and led the high-quality development under a new trend of consumer structure upgrade.

The Company accelerated the pace of digital production transformation, intelligent manufacturing and industrial internet development. By accelerating the integrated application of new technologies such as Internet of Things, big data and artificial intelligence in building systematic and intelligent production base, the Company built intelligent manufacturing demonstration factories and drove upstream and downstream enterprises to upgrade the modernization level of the production chain. It commenced the reconstruction and expansion projects, such as the Expansion of Tsingtao Brewery Smart Industry Demonstration Park with the Capacity of 1 Million KL Beer and the Expansion and Upgrading of the Intelligent Manufacturing Demonstration Plant of Tsingtao Brewery Factory. Tsingtao Brewery was rated as the world's first industrial internet "Lighthouse Brewery" for the beer industry by the World Economic Forum, which improved the supply capability of high-end products and promoted the transformation and upgrading of the Company.

At the peak of the COVID-19 pandemic, the Board promptly formulated and launched the first post-listing "Restricted A Share Incentive Plan", and set a relatively challenging growth target for its future financial results that greatly boosted the confidence of the employees and the capital market. The Company achieved a significant increase in its market value during the Reporting Period and created new value for investors.

(II) Future Prospects

1. Industrial Competition Pattern and Development Trends

As the world's largest beer production and consumption market, China's beer industry is showing phased stabilization from decades of continued development. Large-scaled enterprises in the industry are accelerating the speed of production capacity optimization and integration and continue to promote large-scale production to improve operational efficiency. Foreign-owned beer and imported beer are also accelerating their deployment in the domestic market. At present, China's top five beer enterprises account for nearly 80% of the market share. Market concentration has continued to rise, forming a relatively stable market competition pattern.

With continuous development of China's economy in the future, the beer consumption market still has a relatively large development potential, increasing consumption and profitability can be achieved through further optimization of capacity, upgrade of product structure and price adjustment. Meanwhile, market competition will remain relatively fierce due to factors such as overcapacity, weak market demand and rising cost.

The upgrade of consumption and diversification of consumer demand in the Chinese beer market is causing the pace of the consumption structure transformation in the beer industry to continuously accelerate. Consumers begin to pursue higher quality and more personalized beer product. Market competition turns from the expansion of production capacity and scale to competition mainly based on quality and differentiation. Medium- to high-end markets will continue to grow, and the proportion of high-end products represented by canned beer and craft beer will increase and maintain a good development trend.

COVID-19 pandemic has affected the sales channels and scenarios of beer productions and the consumption habits of market consumers. The proportion of traditional channels dominated by the ready-to-drink markets such as the food and beverage market has declined. The e-commerce platforms have developed quickly. Mature e-commerce applications have also promoted the digital transformation of product sales, bringing a more convenient and efficient way of consumption for consumers.

2. The Company's Development Strategy

The Company will firmly promote high-quality development strategy, give full play to the advantages of Tsingtao Brewery's brand, quality, production base, and channel network and other platform resources, and strive to promote the transformation of development method. Under the six strategic guidelines of "Led by Brand, Driven by Innovation, Quality First, Prioritizing Efficiency, Optimizing Structure and Coordinated Development", the Company will strengthen its core business by implementing a number of strategic measures, including building the strategic belt of market base, speeding up product structure upgrade, enhancing brand equity, creating attractive quality, expanding the global market, continuing to unswervingly strengthen and improve the main beer business with large-scale and intelligent upgrades to help enhance the enterprise's market competitiveness, achieve high-quality sustainable development and build a first-class international brand enterprise.

3. Business Plan

The Company will base itself on the main beer industry and seize the development opportunity brought by the recovery of the domestic beer consumption market and consumption upgrades. The Company will fully utilize Tsingtao Brewery's brand and quality advantages and integrate platform and resources to actively expand the domestic and international markets and intensify marketing promotion, accelerate transformation and upgrade. Through increasing output, restructure, price adjustments, increasing cost efficiency, the main beer business will be unswervingly strengthened and optimized. With excellent cost control and enterprise management ability to increase business efficiency and core competitiveness, the Company will achieve high-quality development.

The Company will continue to take advantage of the production and sales network layout that cover main markets across China, actively expand the domestic and international markets, continue to consolidate and improve the strategic belt of the base market, rely on the competitive edge at the base market, radiate to drive the growth in peripheral markets. At the international market, the Company will continue to strengthen the international brand communication and promotion from the angle of Tsingtao Brewery's high-quality, competitive pricing and high visibility, constantly increasing sales and international influence.

The Company will continue to deepen the promotion of the brand strategy of "Tsingtao Beer as Core Brand + Laoshan Beer as Second Brand". With sports marketing, music marketing and experience marketing, the Company will continue to improve brand influence and Tsingtao Brewery's brand to become more international, youthful and fashionable through immersive brand experience. The Company will accelerate innovation, and continue to shape and improve the attractive quality with the characteristics of Tsingtao Brewery to brew a differentiated product of "fundamental quality + characteristic quality + charismatic quality". The Company will accelerate the deployment of the high-end and ultra-high-end markets, and the transformation and upgrading of the high-value products represented by canned and craft beer products to continue to consolidate and enhance the Company's competitive advantages in medium- and high-end products.

The Company will firmly implement digital transformation, continue to accelerate the construction of factories with an intelligent system and the construction of intelligent supply chain and industrial internet, improve the modernization level of industrial chain and supply chain to form advantageous industrial clusters. The Company will continue to accelerate the transformation of digital marketing and integrate the overall digital marketing planning to complete the deployment of digital channels, increase online sales, and form a dual engine for industrial upgrade through new channels and new categories.

The Company will continue to develop new businesses such as health drinks and fashionable bars and develop the chain business, Tsingtao1903 Tsingtao Beer Bars, quickly in China to further create a new height of beer immersion experience; taking the advantage of the opportunity of transformation and upgrading of the beer production bases, the Company will co-ordinate beer brewing, warehousing and logistics, industrial tourism, fashionable bars and other businesses formats to create a diversified consumption ecosystem that is complementary, mutually beneficial and win-win by integrating consumer experience, cultural communication and brand promotion.

In 2021, the Board and the management of the Company will lead the staff to speed up its transformation from old growth drivers to new ones, and maximize the advantages of quality, brand and technology to constantly improve core competitiveness and sustainable development ability of the Company to achieve high-quality development and create higher value for the shareholders.

4. Potential Business Risks

The beer industry, especially in overseas markets, are slow in recovery due to COVID-19 pandemic. The epidemic prevention and control have caused a decrease of people mobility and reduced demand for social catering, thus causing changes to the consumption habits and consumption channels of people, which means the proportion of the ready-to-drink market has declined, and traditional channels and ultimate barriers have been greatly impacted.

With multiple factors such as the continuous increase of market concentration of the domestic beer market and the upgrading of the trend of the consumption structure in China, the rapid development of overcapacity in the industry and the rapid development of substitutes (liquor and wine etc.), the trend of younger consumers, changes in consumption behavior caused by the concept of healthy drinking, and the accelerated deployment and promotion of foreign-owned beer and imported beer in the domestic market, the pressure of industry growth has aggravated, making market competition of mid- to high-end products to remain relatively fierce. Market expenses such as advertising and promotion continue to increase, and operating pressure brought by the continuous increase in the prices of raw materials for beer and packaging materials and labor costs will have an impact on the future sales, revenue and profit growth of the Company.

III. SHARE CAPITAL

1. During the Reporting Period, the Company implemented the Restricted A-Share Incentive Plan. The total share capital of the Company was changed from 1,350,982,795 shares to 1,364,182,795 shares.

2. During the Reporting Period, the Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

IV. FINAL DIVIDEND DISTRIBUTION PROPOSAL

The Board proposes the distribution of the final dividend of the Company for the year ended 31 December 2020, and the amount shall be RMB0.75 per share in cash (taxes included). Any dividend distribution proposal shall be subject to the consideration and approval at the Company's 2020 annual general meeting, and the final dividend is expected to be distributed to the shareholders on 10 August 2021. Information in relation to the period for the closure of register of members for H-share shareholders of the Company would be set out in the notice of annual general meeting to be published by the Company separately.

V. CORPORATE GOVERNANCE

The Company is committed to maintaining a high level of corporate governance. For the year ended 31 December 2020, the Company had complied with the provisions of the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for Code Provision A.2.1. Since Mr. Fan Wei resigned from the position of executive director and president of the Company on 28 February 2020 because of reaching the statutory retirement age, the position of the president of the Company is temporarily vacant at the moment because the successor of the president of the Company is still under negotiation. To ensure the normal operation of the Company, the chairman of the Board has performed the duties of the president as appropriate according to the requirements of maintaining a good and stable corporate governance structure that meets the needs of the Company. Details of the corporate governance practices of the Company will be set out in the Company's annual report for 2020.

VI. AUDIT AND INTERNAL CONTROL COMMITTEE

The audit and internal control committee is subordinated to the Board of Directors. In conformity with Rule 3.21 of the Listing Rules, the Group's audited annual financial statements for the fiscal year as at 31 December 2020 have been checked and approved by the audit and internal control committee.

VII. AUDITOR'S SCOPE OF WORK

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, PricewaterhouseCoopers Zhong Tian LLP ("PwC"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on this preliminary results announcement.

VIII. SIGNIFICANT EVENTS

(I) Restricted A Share Incentive Plan

On 8 June 2020, the 2019 Annual General Meeting, the 2020 First A Share and H Share Class Meetings of the Company considered and approved the adoption of the Restricted A Share Incentive Plan (the "Incentive Plan"). On 29 June 2020, the Board considered and approved the resolutions in relation to the adjustment to the grant price and the list of participants of a part of the first grant of the Incentive Plan and the number of shares to be granted, and the resolution in relation to the first grant of Restricted A Shares to the participants. On 24 July 2020, the Company completed the registration of a part of the Restricted A Shares under the first grant of the Incentive Plan with

China Securities Depository and Clearing Co., Ltd. Shanghai Branch. On 29 July 2020, the Board approved the resolutions in relation to the change in registered capital, amendments to the articles of association of the Company and application for change of industrial and commercial registration as a result of the first grant of a part of the Restricted A Shares. On 22 March 2021, the Board approved the resolution in relation to the reserved grant of a part of the Restricted Shares to participants under the Incentive Plan.

For more details, please refer to the Company's announcements dated 23 March 2020, 8 June 2020, 29 June 2020, 27 July 2020, 29 July 2020, 22 March 2021 and the circular dated 29 April 2020.

(II) Significant Investment during the Reporting Period

1. The Company held the 2019 fourth extraordinary meeting of the ninth session of the Board on 6 December 2019, which approved the feasibility report of the Tsingtao Brewery Smart Industry Demonstration Park (Phase I) project with an investment budget of approximately RMB150 million for such project and a new beer production capacity of 240,000 kiloliters/year. The project was completed and put into operation in July 2020.

2. On 13 January 2020, the Company held the ninth meeting of the ninth session of the Board and approved the feasibility report on the project concerning the establishment of Tsingtao Beer (Zaozhuang) Co., Ltd. (the "Zaozhuang Company") with the capacity of 600,000 kl beer production. The Zaozhuang Company was invested and established by the Company (as the sole shareholder) on 4 June 2020, with a registered capital of RMB200 million. The construction of such project started in February 2021.

3. On 29 October 2020, the Company held the thirteenth meeting of the ninth session of the Board to review and approve the feasibility report of Tsingtao Brewery West Coast Craft Beer Garden project, and approved Tsingtao Brewery Culture Communication Co., Ltd. ("Culture Company") to build a craft beer garden in Golden Beach Beer Town in West Coast New Area with a total fixed asset investment of approximately RMB250 million. After the completion of such project, the project will become a new location for brand promotion, consumer experience and craft beer consumption of Tsingtao Brewery. Tsingtao Brewery (West Coast) Culture and Tourism Development Co., Ltd. was registered on 26 March 2020 by Culture Company, with a registered capital of RMB9 million. The Company made a capital increase of approximately RMB170 million to Tsingtao Brewery (West Coast) Culture and Tourism Development Co., Ltd., holding 95% of equity in such company, and invested in the construction of craft beer garden with such company as the main entity. Culture Company continues to hold 5% of equity in Tsingtao Brewery (West Coast) Culture and Tourism Development Co., Ltd..

(III) Others

1. During the Reporting Period, the Company was not involved in any new material litigation or arbitration.

On behalf of the Board of Directors
Tsingtao Brewery Company Limited
Chairman
HUANG Ke Xing

Qingdao, the People's Republic of China
26 March 2021

The Company's Directors on the date of announcement:

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*