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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)

ANNOUNCEMENT

**CONTINUING CONNECTED TRANSACTIONS
WITH TSINGTAO BREWERY GROUP AND ITS SUBSIDIARIES**

On 1 February 2021, the Company entered into (i) the Comprehensive Services Framework Agreement with Tsingtao Brewery Group, the term of which is from 1 January 2021 to 31 December 2021; (ii) the Entrusted Production and Sales Framework Agreement with Youjia Health, the term of which is from 1 January 2021 to 31 December 2021; and (iii) the Supply Chain Services Framework Agreement with Zhilan Shunda, the term of which is from 1 March 2021 to 31 December 2021.

Tsingtao Brewery Group is a controlling shareholder of the Company, directly and indirectly holding 32.51% of shares in the Company. Youjia Health and Zhilan Shunda are indirectly wholly-owned subsidiaries of Tsingtao Brewery Group and associates of Tsingtao Brewery Group. Therefore, Tsingtao Brewery Group, Youjia Health and Zhilan Shunda are connected persons of the Company, and the entering into of the Comprehensive Services Framework Agreement, the Entrusted Production and Sales Framework Agreement and the Supply Chain Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the respective applicable percentage ratios for the estimated annual cap (calculated on an aggregated basis) of the transactions contemplated under the Comprehensive Services Framework Agreement, the Entrusted Production and Sales Framework Agreement and the Supply Chain Services Framework Agreement are higher than 0.1% but less than 5%, such transactions are subject to the reporting and announcement requirements, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Particulars of the agreements entered into between the Company and Tsingtao Brewery Group, Youjia Health and Zhilan Shunda on 1 February 2021 respectively are set out below:

1. COMPREHENSIVE SERVICES FRAMEWORK AGREEMENT

Date: 1 February 2021

Parties: the Company; and
Tsingtao Brewery Group

Term: 1 January 2021 to 31 December 2021

Nature of transaction: The Company shall provide health beverage product development services, quality examination services, information network services and human resources services for Tsingtao Brewery Group and its subsidiaries.

Pricing basis: According to the costs to be incurred in 2021, with reference to the quotations provided by third parties currently cooperating with the Company, and not less than the sum of all costs incurred due to the provision of services, including but not limited to equipment costs, consumable costs, labour costs, travel costs, etc.

The method of payment will be agreed upon by both parties in signing specific agreements. Based on the differences of items under comprehensive services, specific agreements will be signed to control the process, and financial settlements will be carried out according to the agreements.

Annual cap

The annual cap of the continuing connected transactions contemplated under the Comprehensive Services Framework Agreement is estimated to be RMB18,000,000. The estimated annual cap amount is determined with reference to the services to be provided in 2021 as calculated based on the sum of its actual costs and estimated transaction amounts.

2. ENTRUSTED PRODUCTION AND SALES FRAMEWORK AGREEMENT

Date: 1 February 2021

Parties: the Company; and
Youjia Health

Term: 1 January 2021 to 31 December 2021

- Nature of transaction: (i) Youjia Health Group shall entrust the Group with producing the brands of “Nestlé Pure Life”, etc. of packaged drinking water products (“**Entrusted Production Services**”); and
- (ii) The Group shall sell health beverages of brands of “Prince” and “Light” produced by the Group (including but not limited to soda water, hawthorn fresh fruit beverages, etc.) to Youjia Health Group (“**Sale of Health Beverages**”).

- Pricing basis: (i) In relation to the Entrusted Production Services

The Group shall provide the Entrusted Production Services for Youjia Health Group. The pricing principle of the purchase prices of finished products through entrusted processing production is based on the following agreement:

(Production costs + expenses + tax) × (1 + not less than 3% of profit) × (1 + value-added tax rate).

The method of payment in relation to the Entrusted Production Services will be agreed upon by parties in signing specific services agreements. Youjia Health usually should settle the payment of the current month before the end of the following month.

- (ii) In relation to the Sale of Health Beverages

The Group shall sell the health beverages produced by the Group to Youjia Health at prices not lower than the sale prices of comparable products sold by the Group to independent third-party distributors in similar transactions.

The method of payment will be agreed upon by parties in signing specific services agreements. According to the trading model of the Company, Youjia Health usually should prepay the corresponding payment before the collection of goods.

Annual cap

The annual cap of the continuing connected transactions contemplated under the Entrusted Production and Sales Framework Agreement is estimated to be RMB189,760,000. The estimated annual cap amount is determined with reference to the product sales plan of 2021, the entrusted processing plan of 2021 provided by Youjia Health and the pricing principle.

3. SUPPLY CHAIN SERVICES FRAMEWORK AGREEMENT

- Date: 1 February 2021
- Parties: the Company; and
Zhilan Shunda
- Term: 1 March 2021 to 31 December 2021
- Nature of transaction: Zhilan Shunda Group shall provide the Group with (i) product transportation services such as product transportation routes for beer, etc., e-commerce logistics, etc. (“**Product Transportation Services**”); and (ii) warehousing and logistics services such as distribution centres, regional distribution centres and factories leasing, etc. (“**Warehousing and Logistics Services**”). Zhilan Shunda Group shall lease the idle warehouse resources of the Group for operation (“**Warehouse Leasing Services**”).
- Pricing basis: (i) The pricing policy of the Product Transportation Services will take into account of the following factors:
- (a) not higher than the logistics transportation services prices in 2021 determined by the Company’s bidding process;
 - (b) based on the basic principle of not increasing the logistic costs of the Company, and at the same time establishing a sharing mechanism for the Company and Zhilan Shunda for improving efficiency and reducing costs;
 - (c) implement the oil freight rate discount management mechanism of the Company based on the actual transportation prices from January to February 2021; and
 - (d) new routes and oil price fluctuations will strictly follow the Company’s pricing management mechanism.

The method of payment in relation to the Product Transportation Services will be agreed upon by both parties in signing specific agreements. The Group usually should pay after the Product Transportation Services provided by Zhilan Shunda are completed and accepted after examination.

(ii) The pricing policy of the Warehousing and Logistics Services:

Warehouse rent and management fees, and loading and unloading fees are determined in accordance with the lower of the fair market prices or the contract prices executed by the Company in 2021, not adding additional logistics costs to the Company.

The method of payment in relation to the freight storage logistics service will be agreed upon by both parties in signing specific agreements. The Group usually pays the fees to Zhilan Shunda within a specific period of time following receipt and examination of the correctness of invoices.

(iii) The pricing policy of the Warehouse Leasing Services:

Based on the market prices of where the subsidiaries of the Company are located, not lower than the local fair rental prices.

The method of payment in relation to the Warehouse Leasing Services will be agreed upon by both parties in signing specific agreements. Zhilan Shunda usually should pay the Group within a specific period of time following receipt and examination of the correctness of invoices.

Annual cap

The annual caps of (i) the Product Transportation Services and Warehousing and Logistics Services; and (ii) the Warehouse Leasing Services contemplated under the Supply Chain Services Framework Agreement are estimated to be RMB583,400,000 and RMB10,000,000 respectively. The estimated annual cap amounts are determined with reference to (i) the calculation based on the scope of logistics and transportation services to be provided by Zhilan Shunda and the pricing basis; (ii) the calculation based on the actual costs and the scope of labour services to be provided by Zhilan Shunda; and (iii) the calculation based on the area of warehouses to be leased by Zhilan Shunda and reference to market rental prices.

4. REASONS AND BENEFITS OF ENTERING INTO THE COMPREHENSIVE SERVICES FRAMEWORK AGREEMENT, THE ENTRUSTED PRODUCTION AND SALES FRAMEWORK AGREEMENT AND THE SUPPLY CHAIN SERVICES FRAMEWORK AGREEMENT

In order to realize its diversified development strategy, Tsingtao Brewery Group acquired the drinking water business in the PRC of Nestlé through its drinking water company, forming a multi-business mutually complementary and beneficial and win-win ecosystem. The Company can make use of its production advantages to provide entrusted production services and sell products to the drinking water company under Tsingtao Brewery Group. The supply chain platform under Tsingtao Brewery Group can also make use of its professional advantages to provide the Company with services such as product transportation, warehousing and logistics, warehouse leasing, etc.

Youjia Health currently operates its brand of “Nestlé Pure Life” packaged drinking water business and it has certain advantages in drinking water production and sales channels in Shanghai, Yunnan, etc. in the PRC. The soda water products of the Company can utilise the sales networks and channels of Youjia Health to develop at a fast pace. Youjia Health will expand into the national market in the future and its existing packaged drinking water production capacity is limited. Youjia Health can utilise the factories of the subsidiaries of the Company to process the packaged drinking water products. Through entrusted processing, the fixed costs of the factory processes of the Company can be diluted and the profitability of the Company can be increased. Through the above arrangements, strategic synergies can be achieved in some production bases and sales channels to create a mutually beneficial and win-win situation.

Zhilan Shunda can utilise its own advantages to provide logistics and warehousing services for the Company, and through increasing the proportion of pallet transportation, optimising direct distribution from factories and optimising e-commerce warehouse networks, reduce the overall costs of the Company and enhance the effectiveness of the logistics and supply of the Company.

The Directors (including independent non-executive Directors) considered that the Comprehensive Services Framework Agreement, the Entrusted Production and Sales Framework Agreement and the Supply Chain Services Framework Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that the terms of the agreements and the annual cap are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Other than Mr. HUANG Ke Xing, Mr. YU Zhu Ming and Mr. WANG Rui Yong who are also employed by Tsingtao Brewery Group and have abstained from voting on the relevant Board resolutions relating to the transactions, none of the Directors have a material interest in the transactions contemplated under the Comprehensive Services Framework Agreement, the Entrusted Production and Sales Framework Agreement and the Supply Chain Services Framework Agreement.

5. LISTING RULES IMPLICATIONS

Tsingtao Brewery Group is a controlling shareholder of the Company, directly and indirectly holding 32.51% of shares in the Company. Youjia Health and Zhilan Shunda are indirectly wholly-owned subsidiaries of Tsingtao Brewery Group and associates of Tsingtao Brewery Group. Therefore, Tsingtao Brewery Group, Youjia Health and Zhilan Shunda are connected persons of the Company, and the entering into of the Comprehensive Services Framework Agreement, the Entrusted Production and Sales Framework Agreement and the Supply Chain Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the respective applicable percentage ratios for the estimated annual cap (calculated on an aggregated basis) of the transactions contemplated under the Comprehensive Services Framework Agreement, the Entrusted Production and Sales Framework Agreement and the Supply Chain Services Framework Agreement are higher than 0.1% but less than 5%, such transactions are subject to the reporting and announcement requirements, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The responsibilities and obligations of the Company under the Comprehensive Services Framework Agreement, the Entrusted Production and Sales Framework Agreement and the Supply Chain Services Framework Agreement will be subject to the Company's compliance with the relevant requirements under the Listing Rules and the applicable rules of the Shanghai Stock Exchange in respect of continuing connected transactions.

6. INFORMATION ON THE PARTIES

The Group is principally engaged in the production and sales of brewery products and related business.

Tsingtao Brewery Group is principally engaged in the operation and investment of state-owned assets, and is ultimately owned by the State-owned Assets Supervision and Administration Bureau of the People's Government of Qingdao Municipality* (青島市人民政府國有資產監督管理委員會).

Youjia Health is principally engaged in the business relating to beverages.

Zhilan Shunda is principally engaged in the business relating to trade, logistics and supply chain finance.

7. DEFINITIONS

In this announcement, the following expressions have the following respective meanings set adjacent below, unless the context requires otherwise:

“associate”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Tsingtao Brewery Company Limited, a Sino-foreign joint stock limited company established in the PRC, the H shares and A shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange respectively

“Comprehensive Services Framework Agreement”	the framework agreement, in relation to the Company shall provide comprehensive services to Tsingtao Brewery Group and its subsidiary, dated 1 February 2021 between the Company and Tsingtao Brewery Group, the terms of which are set out in this announcement
“connected person”	has the meaning as ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Entrusted Production and Sales Framework Agreement”	the framework agreement, in relation to the Entrusted Production Services and the Sale of Health Beverages, dated 1 February 2021 between the Company and Youjia Health, the terms of which are set out in this announcement
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	the percentage ratios calculated according to Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Chain Services Framework Agreement”	the framework agreement, in relation to Zhilan Shunda shall provide supply chain services to the Group, dated 1 February 2021 between the Company and Zhilan Shunda, the terms of which are set out in this announcement
“Tsingtao Brewery Group”	Tsingtao Brewery Group Company Limited, a limited liability company registered and established in the PRC and a controlling shareholder of the Company, and holds approximately 32.51% of shares in the Company as at the date of this announcement

“Youjia Health”	Tsingtao Brewery Youjia Health Beverage Company Limited* (青島啤酒優家健康飲品有限公司), a limited liability company registered and established in the PRC and an indirectly wholly owned subsidiary of Tsingtao Brewery Group
“Youjia Health Group”	Youjia Health and its subsidiaries
“Zhilan Shunda”	Tsingtao Zhilian Shunda Technology Company Limited* (青島智鏈順達科技有限公司), a limited liability company registered and established in the PRC and an indirectly wholly owned subsidiary of Tsingtao Brewery Group
“Zhilan Shunda Group”	Zhilan Shunda and its subsidiaries
“%”	per cent

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

Qingdao, PRC
1 February 2021

Directors of Tsingtao Brewery Company Limited as at the date of this announcement are:

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

* For identification purpose only