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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 13 January 2022, the Company entered into (i) the Comprehensive Services Framework Agreement with Tsingtao Brewery Group, the term of which is from 1 January 2022 to 31 December 2022; (ii) the Entrusted Production Framework Agreement with Youjia Health, the term of which is from 1 January 2022 to 31 December 2022; and (iii) the Supply Chain Services Framework Agreement with Zhilian Shunda, the term of which is from 1 January 2022 to 31 December 2022.

Tsingtao Brewery Group is a controlling shareholder of the Company, directly and indirectly holding approximately 32.50% of shares in the Company. Youjia Health and Zhilian Shunda are indirect wholly-owned subsidiaries of Tsingtao Brewery Group and associates of Tsingtao Brewery Group. Therefore, Tsingtao Brewery Group, Youjia Health and Zhilian Shunda are connected persons of the Company, and the entering into of the Comprehensive Services Framework Agreement, the Entrusted Production 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 highest applicable percentage ratio for the estimated annual cap (calculated on an aggregate basis) of the transactions contemplated under the Comprehensive Services Framework Agreement, the Entrusted Production Framework Agreement and the Supply Chain Services Framework Agreement is higher than 0.1% but less than 5%, such transactions are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Particulars of the agreements entered into between the Company and Tsingtao Brewery Group, Youjia Health and Zhilian Shunda on 13 January 2022 respectively are set out below:

## 1. COMPREHENSIVE SERVICES FRAMEWORK AGREEMENT

Date:	13 January 2022
Parties:	the Company; and Tsingtao Brewery Group
Term:	1 January 2022 to 31 December 2022
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 (“ <b>Comprehensive Services</b> ”).
Pricing basis:	According to the costs to be incurred in 2022, 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 the Comprehensive 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 the Comprehensive Services, specific agreements will be signed to control the process, and financial settlements will be carried out according to the agreements.

### **Historical figures for the Comprehensive Services transactions and annual cap**

The 2021 annual cap for the Comprehensive Services transactions between the Company and Tsingtao Brewery Group and its subsidiaries for the period from 1 January 2021 to 31 December 2021 was RMB18 million, and the aggregate amount paid by Tsingtao Brewery Group and its subsidiaries to the Company for the period from 1 January 2021 to 31 December 2021 was approximately RMB10.51 million (unaudited).

The 2022 annual cap of the continuing connected transactions contemplated under the Comprehensive Services Framework Agreement is estimated to be RMB18 million. The estimated annual cap amount is determined with reference to the services to be provided in 2022 as calculated based on the sum of its actual costs and estimated transaction amounts.

## 2. ENTRUSTED PRODUCTION FRAMEWORK AGREEMENT

Date:	13 January 2022
Parties:	the Company; and Youjia Health
Term:	1 January 2022 to 31 December 2022
Nature of transaction:	Youjia Health Group shall entrust the Group with producing packaged drinking water products and other beverage products of the brand series of “Nestlé Pure Life”, “Pure Life” and “優活家” (“ <b>Entrusted Production Services</b> ”)
Pricing basis:	The Group shall provide the Entrusted Production Services for Youjia Health Group. The pricing principle of the entrusted processing production is based on the following agreement:

*(Production costs + expenses + tax) × (1 + not less than 3% of profit)*

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

### **Historical figures for the Entrusted Production Services transactions and annual cap**

The 2021 annual cap for the entrusted production and sales services transactions between the Group and Youjia Health Group for the period from 1 January 2021 to 31 December 2021 was RMB189.76 million (the 2021 internal annual cap for the Entrusted Production Services transactions was approximately RMB44.37 million), and the aggregate amount paid by Youjia Health Group to the Group in connection with the Entrusted Production Services for the period from 1 January 2021 to 31 December 2021 was approximately RMB0.27 million (unaudited).

With a change of the product mix of Youjia Health Group, its production needs have also been updated. The 2022 annual cap of the continuing connected transactions contemplated under the Entrusted Production Framework Agreement is estimated to be RMB37.76 million. The estimated annual cap amount is determined with reference to the entrusted processing plan of 2022 provided by Youjia Health and the pricing principle.

### 3. SUPPLY CHAIN SERVICES FRAMEWORK AGREEMENT

- Date: 13 January 2022
- Parties: the Company; and  
Zhilian Shunda
- Term: 1 January 2022 to 31 December 2022
- Nature of transaction: Zhilian Shunda Group shall provide the Group with (i) logistics and transportation services (transportation services for the Group’s products and materials for the product ecological chain such as raw materials, packaging etc.) (“**Logistics and Transportation Services**”); and (ii) warehousing services such as distribution centres and regional distribution centres and value-added services such as secondary packaging and express delivery (“**Warehousing and Value-added Services**”). Zhilian Shunda Group shall lease part of the idle warehouses in the factories of the Group for operation purposes (“**Warehouse Leasing Services**”).
- Pricing basis:
- (i) The pricing policy of the Logistics and Transportation Services will take into account the following factors:
    - (a) not higher than the logistics transportation services prices in 2022 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 Zhilian 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 in January 2022; 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 Logistics and Transportation Services will be agreed upon by both parties in signing specific agreements. The Group usually should pay after the Logistics and Transportation Services provided by Zhilian Shunda are completed and accepted after examination.

**(ii) The pricing policy of the Warehousing and Value-added 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 2022, 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 Zhilian 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. Zhilian Shunda usually should settle the rent for the current month within a specific period of time following receipt and examination of the correctness of invoices.

**Historical figures for the Logistics and Transportation Services, Warehousing and Value-added Services and Warehouse Leasing Services and annual cap**

The 2021 annual cap of the product transportation services, warehousing and logistics services and warehouse leasing services transactions between the Group and Zhilian Shunda Group for the period from 1 March 2021 to 31 December 2021 was RMB593.40 million, and the aggregate amount paid by the Group to Zhilian Shunda Group in connection with the product transportation services and warehousing and logistics services and received from Zhilian Shunda Group in connection with the warehouse leasing services for the period from 1 March 2021 to 31 December 2021 was approximately RMB498.92 million (unaudited).

The 2022 annual cap of the continuing connected transactions contemplated under the Logistics and Transportation Services, Warehousing and Value-added Services and Warehouse Leasing Services is estimated to be RMB229 million. The estimated annual cap amount is determined with reference to (i) the calculation based on the scope of Logistics and Transportation Services to be provided by Zhilian Shunda and the pricing basis; (ii) the calculation based on the actual costs and the scope of labour services to be provided by Zhilian Shunda; and (iii) the calculation based on the area of warehouses to be leased by Zhilian Shunda and reference to market rental prices.

#### **4. REASONS FOR AND BENEFITS OF ENTERING INTO THE COMPREHENSIVE SERVICES FRAMEWORK AGREEMENT, THE ENTRUSTED PRODUCTION 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 Nestle 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 Logistics and Transportation Services, Warehousing and Value-added Services, and leasing the idle warehouses in the factories of the Group for operation purposes.

Youjia Health currently operates its brand of “Nestle Pure Life” packaged drinking water and beverages businesses and it has certain advantages in drinking water production and sales channels in Shanghai, Yunnan, etc. in the PRC. Youjia Health will expand into the national market in the future and its existing beverages production capacity is limited. Youjia Health can utilise the factories of the subsidiaries of the Company to process some of the beverage 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.

Zhilian Shunda can utilise its own advantages to provide Logistics and Transportation Services 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, providing value-added services such as secondary packaging and express delivery, reduce the overall costs of the Company and enhance the effectiveness of the logistics and supply chain of the Company.

The Directors (including independent non-executive Directors) considered that the Comprehensive Services Framework Agreement, the Entrusted Production 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 caps 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 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 approximately 32.50% of shares in the Company. Youjia Health and Zhilian Shunda are indirect wholly-owned subsidiaries of Tsingtao Brewery Group and associates of Tsingtao Brewery Group. Therefore, Tsingtao Brewery Group, Youjia Health and Zhilian Shunda are connected persons of the Company, and the entering into of the Comprehensive Services Framework Agreement, the Entrusted Production 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.

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The responsibilities and obligations of the Company under the Comprehensive Services Framework Agreement, the Entrusted Production 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 Group is principally engaged in the business relating to beverages.

Zhilian Shunda Group 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 dated 13 January 2022 entered into between the Company and Tsingtao Brewery Group, pursuant to which the Company shall provide Comprehensive Services to Tsingtao Brewery Group and its subsidiaries, 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 Framework Agreement”	the framework agreement dated 13 January 2022 entered into between the Company and Youjia Health, pursuant to which Youjia Health Group shall entrust the Group with the provision of the Entrusted Production Services, 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 ratio(s)”	the percentage ratio(s) 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 dated 13 January 2022 entered into between the Company and Zhilian Shunda, pursuant to which Zhilian Shunda shall provide supply chain services to the Group, 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 32.50% 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 indirect wholly-owned subsidiary of Tsingtao Brewery Group
“Youjia Health Group”	Youjia Health and its subsidiaries
“Zhilian 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 indirect wholly-owned subsidiary of Tsingtao Brewery Group
“Zhilian Shunda Group”	Zhilian Shunda and its subsidiaries
“%”	per cent

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

Qingdao, the PRC  
13 January 2022

*Directors of the Company 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. XIAO Geng, Mr. SHENG Lei Ming, Mr. JIANG Xing Lu and Ms. Rania ZHANG

*\* For identification purpose only*