



Tsingyuan Brewery Ltd. Investor Presentation

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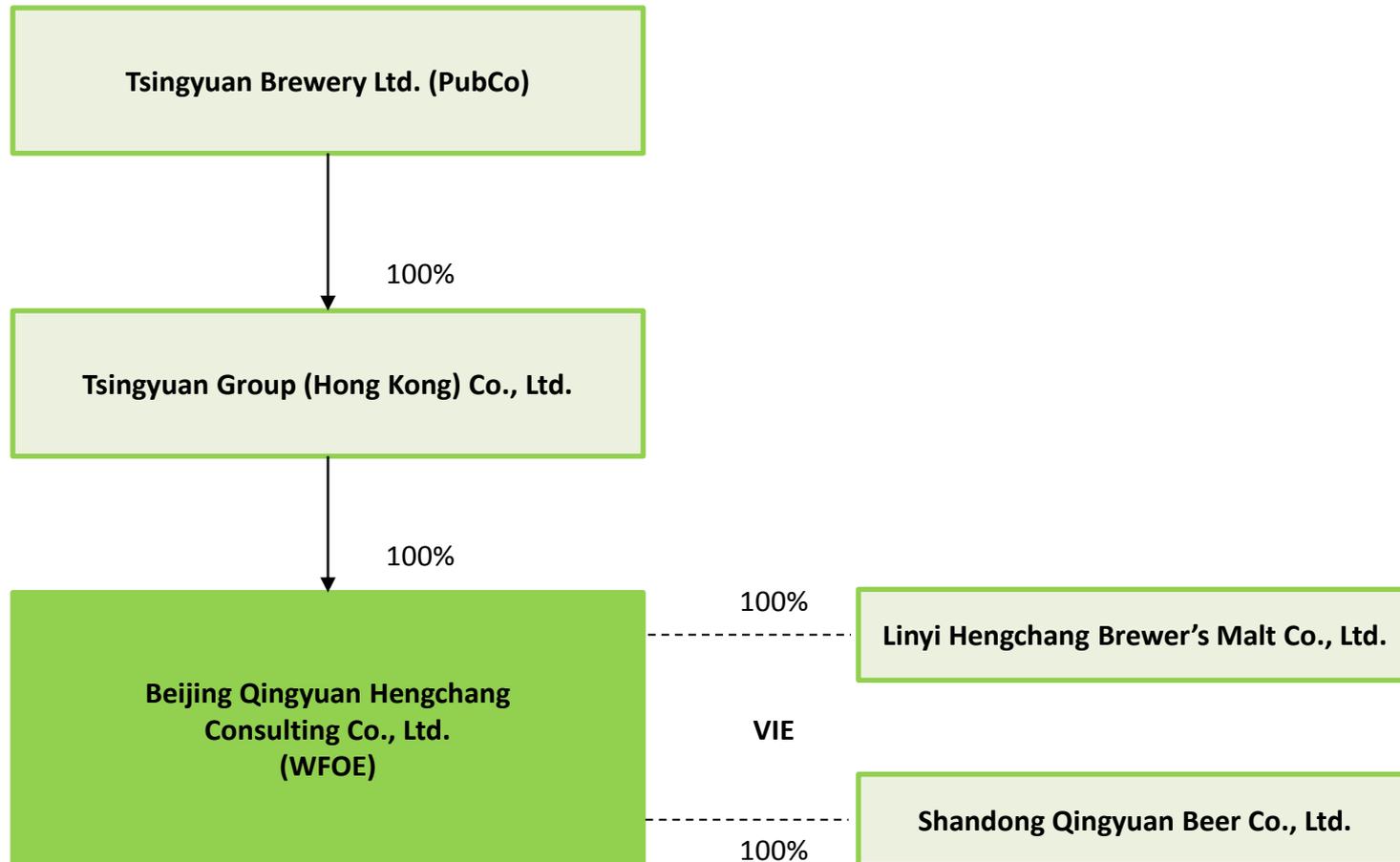
Company Overview



- ❖ Founded in 2005 and headquartered in Linyi, Shandong Province, we are one of the leading regional breweries engaged in the production and distribution of brewer's malt and branded beer in China
- ❖ We have a fully integrated operation, with internally produced malt used in our own brand of beers. We also sell our malt to other breweries
- ❖ We currently offer 9 varieties of beers under 3 brand names: "Qinglin", "Qingyin" and "Qingyuan"
- ❖ We position ourselves as a mid-market brewery, focusing on providing finely-crafted beer at an affordable price to middle-class consumers in 2nd and 3rd tier cities throughout China
- ❖ For the 9 months ended in September 30, 2010, our revenue and net income was \$32.9mm and \$4.8mm, respectively, over 3x higher compared to the same period last year



Company Structure





Investment Highlights

Leading Regional Producer with Integrated Operations

- ❖ We are the largest malt producer and 5th largest beer producer in Shandong Province (when ranked by capacity)
- ❖ We are an integrated producer with both malt production and bottling capabilities
- ❖ Our ability to produce high-quality malt allows us to ensure the consistent quality while reducing production costs

Effective Brand Positioning

- ❖ We position ourselves as a mid-market brewer, focusing on providing finely-crafted beer at an affordable price to middle-class consumers in 2nd and 3rd tier cities, where demand is growing and underserved
- ❖ We differentiate ourselves by building brands that resonate with quality and affordability
- ❖ Our brands are known for being finely-crafted yet affordable

Advanced Production Technology

- ❖ We utilize advanced German brewing equipment and technology in our beer production
- ❖ We use the highest grade of barley in our malt production
- ❖ We draw water from our own natural springs and carefully monitor purity levels

Large and Growing Market

- ❖ China is the largest beer consumer in the world and the market is expected to grow at a CAGR of 5% from 2008 to 2012
- ❖ Beer consumption is expected to undergo a sustained period of growth driven by rising disposable income and the Chinese consumers developing taste for beer
- ❖ With limited nationally recognized brands, the fragmented market allows for consolidation opportunities

Impressive Financial Performance

- ❖ Revenue and net income are expected to grow at CAGR of 122% and 428%, respectively from 2008 to 2011
- ❖ Beer segment growth is especially robust. For the 9 months ended Sep. 30, 2010, beer segment generated \$11.9 mm in revenue, representing a 413% increase as compared to the same period in 2009



Management Team

**Dingyou
Zhang**
CEO

- ❖ Member of the Dezhou Business Committee and the Linyi County Standing Committee
- ❖ Founded Hengchang Malt Co. in 2004
- ❖ Received a law degree from the Shandong Governmental Law School and attended executive training programs at Tsinghua University School of Business

**Weiwei
Huang**
EVP of Operation

- ❖ Executive Vice President of operation since 2008
- ❖ Over 15 years of experience in business operation. Worked in the senior management capacity in charge of operation at several enterprises
- ❖ Attended executive training programs at Tsinghua University School of Business

Mingxia Yuan
CFO

- ❖ General Counsel and CFO of Shandong Qingyuan Beer
- ❖ Previously served as Accounting Manager at Shandong Qingyuan
- ❖ Graduated from Jinan University with a degree in Accounting

Helen Huo
VP of Operation

- ❖ Over 6 years of experience in financial media and journalism
- ❖ Previously worked as chief operating officer for CHDA, a U.S. listed Chinese public company
- ❖ Served as a correspondent to a Chinese newspaper, the "Global Times"
- ❖ Received a bachelor and a master degree from the University of Colorado and City College of Baruch



MARKET OVERVIEW



Large and Growing Beer Market

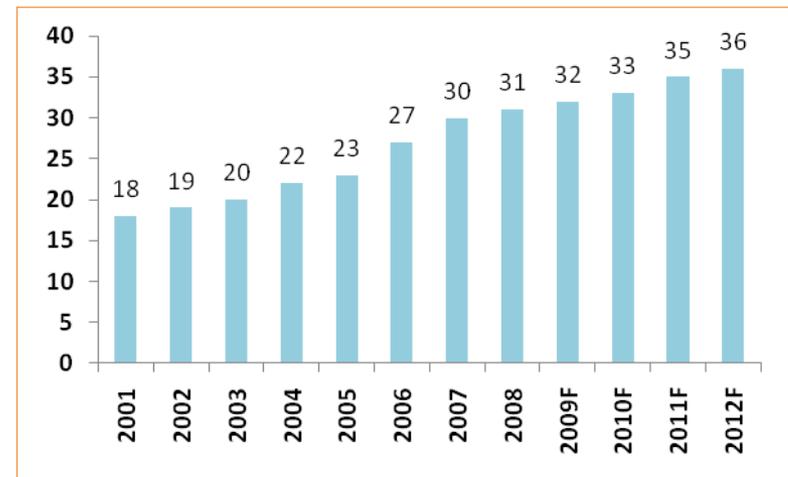
- ❖ In 2003, China outpaced the U.S. to become the largest beer market in the world
 - Sales volume of 41 billion liters in 2008, according to the Chinese National Bureau of Statistics
- ❖ China accounted for 20% of global beer consumption in 2010
- ❖ China's beer market is expected to reach 50 billion liters by 2012, representing a CAGR of 5% from 2008 to 2012. Per capita beer consumption is expected to grow at a CAGR of 4% during the same period

Total Beer Consumption in China (billion liter)



Source: National Bureau of Statistics of China

Per Capita Beer Consumption in China (liter)



Source: National Bureau of Statistics of China

Key Growth Drivers of Beer Market



❖ Rising Disposable Income and Accelerating Urbanization Process

- Personal disposable income in urban and rural areas increased at a CAGR of 12.7% and 11%⁽¹⁾, respectively, over the past five years. In addition, private consumption expenditure is growing the fastest in rural areas
- Roughly 40% of the total population lives in urban areas, which account for nearly 65% of total beer retail sales in China. With more people migrating to urban area, we expect a sizable increase in beer consumption

❖ Opportunity for Penetration

- China's per capita consumption was only 31 liters in 2008⁽²⁾, much lower than the average per capita consumption rate of the top 10 beer markets. There is plenty of room for growth

❖ Favorable Government Policy

- China is trying to shift from being an export-led economy to being a consumption-led economy. Measures such as tax-reform policies and consumption coupons will likely help to expand domestic demand, benefiting the China consumer sector

(1) China Statistical Yearbook

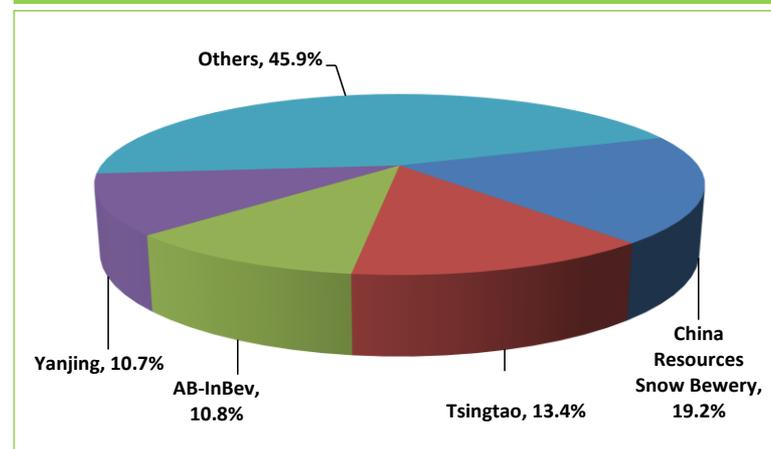
(2) National Bureau of Statistics of China



Competitive Landscape

- ❖ Despite more than a decade of industry consolidation, China's beer industry is still very fragmented
 - The top three players in China account for 43% of the total market share⁽¹⁾
 - In the top ten global markets (excluding China), the top three players account for an average of 70% of market share⁽¹⁾
- ❖ The Chinese beer market is characterized by regional strongholds. Very few brands have national exposure
- ❖ We believe the lack of national brands coupled with a fragmented market will further prompt consolidation at the local and regional level, creating opportunities for us to either acquire compatible targets or to be acquired by larger brewers
- ❖ As shown by recent acquisitions by larger brewers (see appendix for detail), the most effective way to penetrate into new regions is to acquire local brands. Brand such as ours that have meaningful followings are especially appealing to potential acquirers

Market Share of Top 4 Brewers in China (2009)



Name	Strategic Foreign Shareholder	Key Brands
China Resources Snow Brewery	SAB Miller: 49%	Snow, Shenyang
Tsingtao	Asahibrewery: 20%	Tsingtao, Hansi Laoshan, Shasui
Yanjing	State-owned: 100%	Yanjing, Huiquan, Liquan
Harbin	AB-InBev: 100%	Harbin, Harbin 1990
Sedrin	AB-InBev: 100%	Sedrin
Zhujiang	AB-InBev: 28.5%	Pearl River, Xuebao

(1) Euromonitor



BUSINESS OVERVIEW



Malt Business Segment

- ❖ Operate through our 100% owned operating subsidiary Linyi Hengchang Malt, which was established in 2004
- ❖ We are known for producing high-quality malt:
 - Malting high-quality barleys imported from Australia, Canada and France
 - Yeast used in malt production is imported from Germany
 - Low temperatures and long fermentation process' ensure optimal quality
- ❖ We are the largest malt producer in Shandong with an annual production capacity of 120,000 ton
- ❖ We use 12.5% of our malt in our own beer production and sell the remaining portion to other breweries
- ❖ For the 9 month ended Sep. 30, 2010, malt segment accounted for 63% of the total revenue, with a gross margin of 21.5%



Beer Business Segment



- ❖ Through our 100% owned operating subsidiary Shandong Qingyuan Beer, which was established in 2005, we expanded into downstream beer production to take advantage of the synergies that arise from integrating our high-quality malt production
- ❖ We position ourselves as a mid-market brewer, offering finely-crafted beer at an affordable price to middle-class consumers in 2nd and 3rd tier cities
- ❖ We differentiate ourselves by building brands that resonate with quality and affordability
- ❖ We are the 5th largest beer producer in Shandong with an annual production capacity of 200,000 ton
- ❖ Currently offer 9 varieties of beers under 3 brand names: “Qinglin”, “Qingyi” and “Qingyuan”
- ❖ For the 9 month ended Sep. 30, 2010, beer segment accounted for 37% of the total revenue, with a gross margin of 18.6%



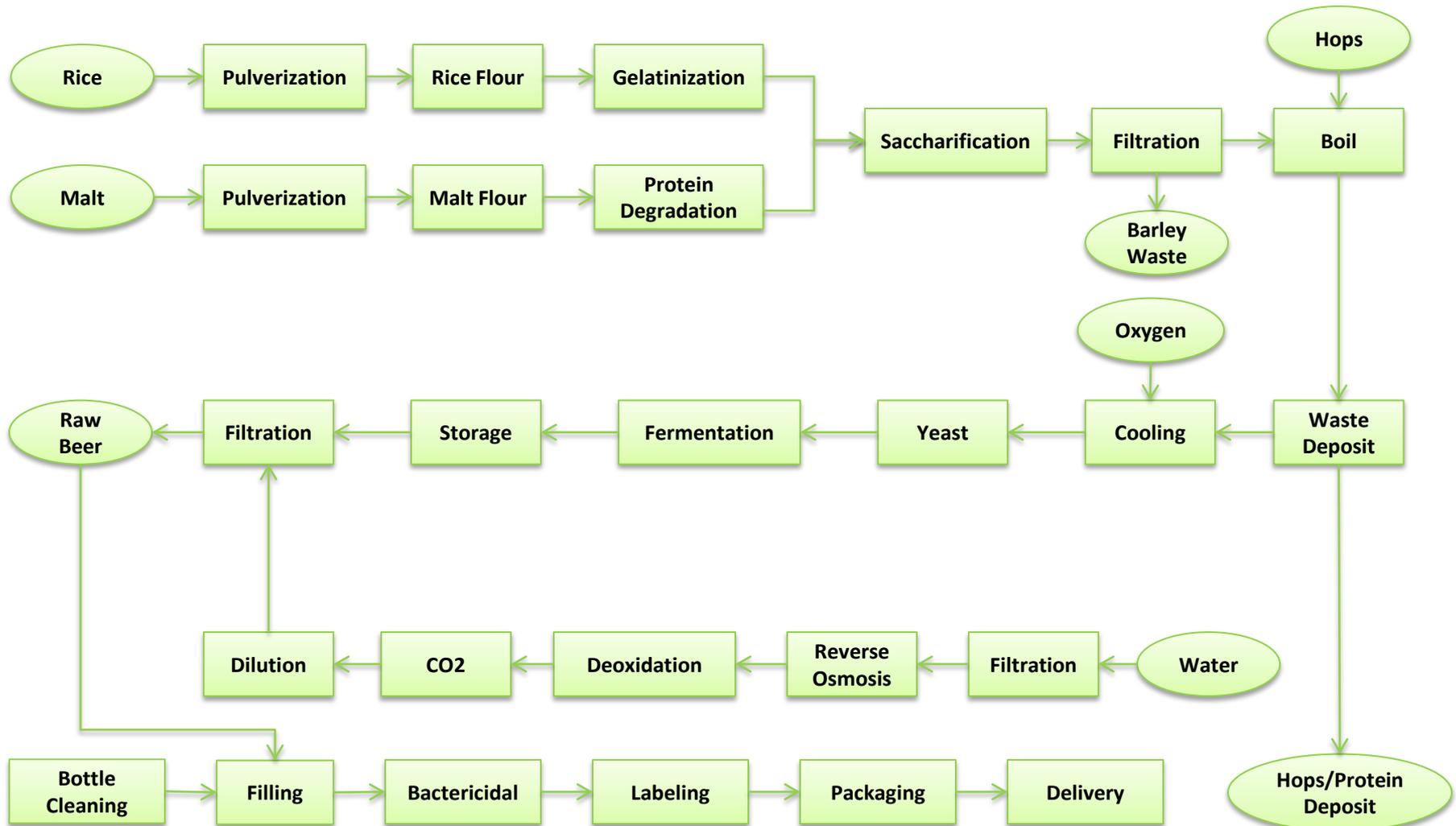
Beer Product Overview



	Qinglin	Qingyi	Qingyuan
Beer Type	Qinglin Original Draft	Qingyi Original Draft Qingyi Pure	Qingyuan Light Beer Qingyuan Aumaiwang Qingyuan Qingyi Beer Qingyuan Woniucheng Beer Qingyuan Qingdao Qingyi Beer Qingyuan Golden Wheat Dry
Price Range	RMB 1.2 per bottle	RMB 0.7 – RMB 1.1 per bottle	RMB 0.7 – RMB 2.0 per bottle
Beer Revenue Contribution	25.0%	21.2%	53.8%



Production Process



Unique and Effective Brand Positioning



- ❖ We position ourselves as a mid-market brewer, focusing on providing finely-crafted beer at an affordable price to middle-class consumers in 2nd and 3rd tier cities
- ❖ We believe our target market segment is underserved as:
 - Most dominant domestic brewers and large multinational brewers tend to focus on developing premium beer brand targeted to 1st tier metropolitan cities, where prestige is a dominant factor in shaping brand awareness. While these high-priced brands are attractive to urbanities seeking to develop a cosmopolitan image, most Chinese residents cannot afford them on a daily basis
 - The low-end market is crowded with domestic and foreign brewers competing almost exclusively on price, with little brand or taste differentiation. 90% of the beer produced in China today remains the low quality, low price beer developed to cater to the mass market. These mediocre brand or generic beers are not suitable for the more sophisticated middle-class consumers who value quality and brand identity
- ❖ We have an established brand name in Shandong and in other regions in which we operate. We differentiate ourselves by building brands that resonate with quality and affordability
- ❖ As illustrated by the growth of our business, we believe that our unique brand positioning allows us to effectively capture market share and build brand loyalty:
 - For the 9 months ended September 30, 2010, our beer segment generated \$11.9 mm in revenue, representing a 413% increase as compared to the same period in 2009

Superior Product Quality



- ❖ We are committed to the highest standard of quality in our production of malt and beer
 - High-quality barley imported from Australia, Canada
 - Import yeast from Germany
 - Use high-quality Dongbei rice that is locally grown, and hops from Ganshu Province
 - Draw water from our own natural spring and carefully monitor for purity
- ❖ Production process is done in-house to ensure quality
 - From raw material sourcing to final packaging, the entire process is done in-house
 - Our ability to produce high-quality malt ensures the output quality and consistency of our beer
- ❖ Technology-driven production process improves quality
 - Utilize advanced German brewing equipment and technology in our beer production
 - Unique malting technology that allows us to adjust the timing and ventilation process to provide the optimal malting conditions for each variety of grain that we use
- ❖ We were awarded the Quality Management System Certification by the Beijing United Intelligence Certificate Co., Ltd.

Extensive Distribution Network



- ❖ We sell directly to distributors, who in turn sell to wholesalers. The wholesalers are responsible for securing and stocking our retailers
- ❖ Our multi-tier network is particularly effective in achieving the widespread distribution necessary in achieving a leading market position in the cities and villages in which we focus
- ❖ We are licensed to sell our beers throughout China. Currently, our beers are distributed by retailers in six provinces in both eastern and northern China: Shandong, Hebei, Tianjin, Henan Anhui, Jiangsu and Shanxi

Future Growth Opportunity



Organic Growth

- Maintain our strength in malt production while aggressively ramping up beer production to further penetrate the niche market
- Strengthen product quality through technological advancement
- Expand footprint beyond our operating region and explore export market
- Add a draft beer bottling line to support the ramp up in beer production
- Continue building our brand image and position ourselves as a leading brewer in the mid-market segment

Acquisition

- Take advantage of the market consolidation opportunity through opportunistic acquisition of local / regional brewers that have similar market focus
- Broaden brand portfolio and distribution channel



FINANCIAL OVERVIEW

Financial Overview



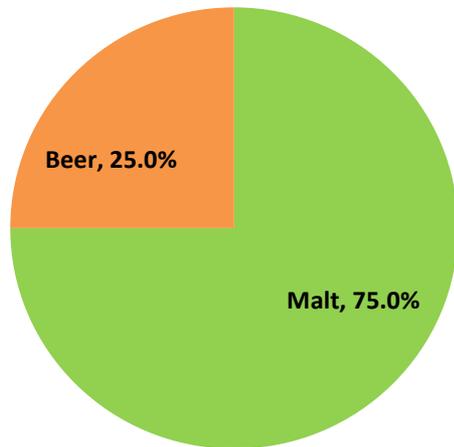
Financials <i>(in million USD)</i>	Fiscal Year Ending Dec 31		9 Mo. Ended Sep. 30	3 Mo. Ended Sep. 30	
	2008A	2009A	2010A	2009A	2010A
Total Revenue	<u>\$7.9</u>	<u>\$11.9</u>	<u>\$32.8</u>	<u>\$3.8</u>	<u>\$18.5</u>
Gross Profit	<u>0.2</u>	<u>2.6</u>	<u>6.7</u>	<u>1.1</u>	<u>4.0</u>
<i>Gross Margin</i>	2.5%	21.8%	20.4%	29.0%	21.6%
Operating Income	<u>(0.0)</u>	<u>2.3</u>	<u>6.3</u>	<u>1.0</u>	<u>3.9</u>
<i>Operating Margin</i>	-0.2%	19.3%	19.2%	26.1%	21.1%
Income Before Tax	<u>(0.5)</u>	<u>2.2</u>	<u>6.3</u>	<u>0.9</u>	<u>3.9</u>
<i>EBT Margin</i>	-5.7%	18.5%	19.2%	23.7%	21.1%
Tax	<u>(0.0)</u>	<u>0.5</u>	<u>1.6</u>	<u>0.2</u>	<u>1.0</u>
<i>Tax Rate</i>	NA	22.7%	25.2%	25.6%	25.4%
Net Income	<u>(0.4)</u>	<u>1.7</u>	<u>4.8</u>	<u>0.7</u>	<u>2.9</u>
<i>Net Income Margin</i>	-5.2%	14.0%	14.6%	17.7%	15.7%
Basic Shares Out. ⁽¹⁾	126.8	126.8	126.8	126.8	126.8
Basic EPS	(\$0.00)	\$0.01	\$0.04	\$0.01	\$0.02
Fully Diluted Shares Out. ⁽¹⁾	126.8	126.8	126.8	126.8	126.8
Fully Diluted EPS	(\$0.00)	\$0.01	\$0.04	\$0.01	\$0.02
Growth Rate			Growth Rate		
Revenue Growth	NA	50.63%	175.63%	NA	388.13%
Net Income Growth	NA	NA	186.83%	NA	332.84%

(1) non-weighted shares out.

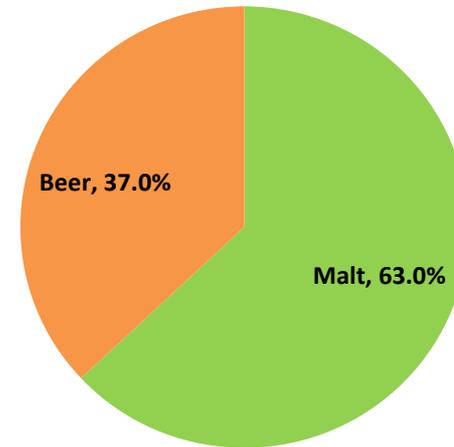
Revenue Mix



2009 Revenue Breakdown



9 Months 2010 Revenue Breakdown



Financial Overview



Selected Balance Sheet Items <i>(in million USD)</i>	FY 2010 <i>(As of Sep. 30)</i>
Cash & Cash Equivalents	0.4
Account Receivable	3.7
Inventories	3.4
PP&E	17.0
Total Assets	\$25.9
Short Term Bank Loans	0.0
Account Payable	1.2
Due to Related Parties	4.4
Total Liabilities	\$8.6
Total Shareholders' Equity	\$17.3



Investment Highlights

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Impressive Financial Performance

- ❖ Revenue and net income are expected to grow at CAGR of 122% and 428%, respectively from 2008 to 2011
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APPENDIX

M&A Activities in China's Beer Industry



Close Date/ Announcement Date	Target	Buyer	% Sought	Implied EV/EBITDA	Implied P/E
12/07/2010	Shandong Xin Immense Brewery Company Limited	Tsingtao Brewery Co., Ltd. (SEHK: 168)	71%	-	-
12/27/2010	Chongqing Brewery Co., Ltd. (SHSE:600132)	Carlsberg Brewery Hong Kong Ltd.	12%	61.62x	125.93x
11/29/2010	Hangzhou Xihu Beer Asahi Co., Ltd.	China Resources Snow Breweries Ltd.	45%	-	-
09/21/2010	Molson Coors Si'hai Brewing Company	Molson Coors Brewing Company (NYSE: TAP)	51%	-	-
08/31/2010	Henan Yueshan Brewery Co. Ltd.	Beijing Yanjing Brewery Co., Ltd. (SZSE: 000729)	90%	-	-
12/31/2009	The Home World Group and China Resources (Liaocheng) Brewery Co., Ltd.	China Resources Enterprise Ltd. (SEHK: 291)	-	-	-
06/30/2009	Tsingtao Brewery (Zhuhai) Co., Ltd.	Shenzhen Tsingtao Brewery South China Investment Company Limited	21%	-	-
06/11/2009	Shandong Hupo Brewery	China Resources Snow Breweries Ltd.	10%	-	-
05/06/2009	Tsingtao Brewery Co., Ltd. (SEHK:168)	Asahi Breweries Ltd. (TSE: 2502)	20%	13.78x	28.52x
04/10/2009	Xinjiang Hops Co., Ltd. (SHSE:600090)	Xinjiang Lanjian Jianiang Investment Co., Ltd.	11%	21.82x	141.82x
03/31/2009	Tsingtao Brewery Shanghai Songjiang Company Limited	Tsingtao Brewery Hong Kong Trading Co., Ltd.	25%	-	-
01/09/2009	Yantai Beer Tsingtao Asahi Co Ltd.	Tsingtao Brewery Co., Ltd. (SEHK:168) s	39%	-	-
Median			25%	21.82x	125.93x