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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)

2022 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 2022 (the “Reporting Period”) extracted from the audited consolidated financial statements of the Group prepared in accordance with the China Accounting Standards for Business Enterprises.

I. FINANCIAL INFORMATION

(All amounts in RMB Yuan unless otherwise stated)

Consolidated Balance Sheet

ASSETS	Note	31 December 2022	31 December 2021
Current assets			
Cash at bank and on hand		17,854,931,855	14,597,590,313
Financial assets held for trading		2,683,817,846	2,778,400,866
Notes receivable		4,500,000	200,000
Accounts receivable	2	119,599,728	124,729,816
Advances to suppliers		281,866,630	227,987,238
Other receivables		682,770,179	674,818,381
Inventories		4,152,187,132	3,492,997,857
Other current assets		6,222,809,869	7,061,894,939
Total current assets		32,002,483,239	28,958,619,410
Non-current assets			
Long-term equity investments		368,128,466	366,040,084
Other non-current financial assets		600,000	600,000
Investment properties		29,056,456	25,694,960
Fixed assets		11,009,077,139	10,148,833,313
Construction in progress		456,529,051	762,289,882
Right-of-use assets		154,916,167	167,762,564
Intangible assets		2,557,820,344	2,480,748,549
Goodwill		1,307,103,982	1,307,103,982
Long-term prepaid expenses		101,670,196	127,033,797
Deferred tax assets		2,250,079,564	2,131,373,398
Other non-current assets		74,235,192	86,904,552
Total non-current assets		18,309,216,557	17,604,385,081
TOTAL ASSETS		50,311,699,796	46,563,004,491

Consolidated Balance Sheet (continued)

LIABILITIES AND EQUITY	<i>Note</i>	31 December 2022	31 December 2021
Current liabilities			
Short-term borrowings		225,411,423	245,780,575
Notes payable		198,056,961	170,028,474
Accounts payable	3	3,463,768,573	3,127,872,424
Contract liabilities		8,909,252,504	8,123,275,272
Employee benefits payable	4	2,180,772,440	2,172,664,930
Taxes payable		771,894,656	854,042,924
Other payables		3,394,613,087	3,069,741,775
Current portion of non-current liabilities		49,263,731	48,428,344
Other current liabilities		478,755,359	446,808,798
Total current liabilities		19,671,788,734	18,258,643,516
Non-current liabilities			
Lease liabilities		98,401,477	112,778,668
Long-term payables		16,283,766	24,537,343
Deferred income		3,132,390,832	3,210,806,388
Long-term employee benefits payable		918,404,801	991,149,211
Deferred tax liabilities		202,117,651	171,398,023
Total non-current liabilities		4,367,598,527	4,510,669,633
Total liabilities		24,039,387,261	22,769,313,149
Equity			
Share capital		1,364,232,790	1,364,354,793
Capital surplus		4,154,076,977	3,956,209,113
Less: Treasury stock		(171,854,660)	(273,189,919)
Other comprehensive income		(75,800,581)	(59,632,540)
Surplus reserve		1,400,704,380	1,400,704,380
General reserve		295,071,942	294,853,079
Undistributed profits	5	18,528,390,855	16,318,545,692
Total equity attributable to shareholders of the Company		25,494,821,703	23,001,844,598
Non-controlling interests		777,490,832	791,846,744
Total equity		26,272,312,535	23,793,691,342
TOTAL LIABILITIES AND EQUITY		50,311,699,796	46,563,004,491

Consolidated Income Statement

	Note	Year ended 2022	Year ended 2021
Revenue	6	32,171,565,624	30,166,805,377
<i>Less:</i> Cost of sales	6	(20,317,934,822)	(19,091,130,744)
Taxes and surcharges	7	(2,390,725,323)	(2,318,835,745)
Selling and distribution expenses		(4,199,502,747)	(4,096,874,125)
General and administrative expenses		(1,473,368,004)	(1,692,545,246)
Research and development expenses		(62,954,899)	(30,890,245)
Finance expenses		420,805,540	243,187,765
Including: Interest expenses		(9,237,800)	(22,685,367)
Interest income		459,661,656	315,648,307
<i>Add:</i> Other income		543,278,784	555,940,452
Investment income		169,903,657	186,065,404
Including: Share of profit of associates and a joint venture		19,873,379	20,561,728
Profits arising from changes in fair value (losses are listed with “-”)		164,354,223	253,436,734
Credit impairment losses (losses are listed with “-”)		11,144,534	(12,651,673)
Asset impairment losses (losses are listed with “-”)		(26,123,742)	(189,060,479)
Gains on disposals of assets (losses are listed with “-”) 8		(9,517,758)	481,507,267
Operating profit		5,000,925,067	4,454,954,742
<i>Add:</i> Non-operating income		20,345,173	32,710,482
<i>Less:</i> Non-operating expenses		(15,128,954)	(8,689,759)
Total profit		5,006,141,286	4,478,975,465
<i>Less:</i> Income tax expense	9	(1,201,419,808)	(1,222,731,595)
Net profit		3,804,721,478	3,256,243,870
Classified by continuity of operations			
Net profit from continuing operations		3,804,721,478	3,256,243,870
Net profit from discontinued operations		—	—
Classified by ownership of the equity			
Attributable to shareholders of the Company		3,710,628,593	3,155,455,810
Attributable to non-controlling interests		94,092,885	100,788,060
Other comprehensive income, net of tax		(18,322,498)	(39,756,980)
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		(7,457,000)	(43,297,000)
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		94,081	(306,770)
Currency translation differences		(8,805,122)	3,822,569
Other comprehensive income attributable to non-controlling interests, net of tax		(2,154,457)	24,221
Total comprehensive income		3,786,398,980	3,216,486,890
Attributable to shareholders of the Company		3,694,460,552	3,115,674,609
Attributable to non-controlling interests		91,938,428	100,812,281
Earnings per share	10		
Basic earnings per share (RMB Yuan)		2.736	2.328
Diluted earnings per share (RMB Yuan)		2.728	2.324

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.

The new Hong Kong “Companies Ordinance” came into effect on 3 March 2014. According to the requirement of Hong Kong “Companies Ordinance”, there are changes to presentation and disclosures of certain information in the financial statements.

Significant changes in accounting policies

In 2021, the Ministry of Finance released the Circular on Issuing “Interpretation No. 15 of Accounting Standards for Business Enterprises”, in 2022 and 2023 the Ministry of Finance released “Interpretation No. 16 of Accounting Standards for Business Enterprises” and “Q&A on Implementation of Accounting Standards for Business Enterprises”. The financial statement for the year ended 31 December 2022 are prepared by the Group and the Company in accordance with the above notices and Q&A, and there is no significant impact on the financial statement of the Group and the Company.

2 Accounts receivable

	31 December 2022	31 December 2021
Accounts receivable	297,637,369	305,736,992
Less: Provision for bad debts	(178,037,641)	(181,007,176)
	<u>119,599,728</u>	<u>124,729,816</u>

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 180 days.

2 Accounts receivable *(continued)*

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

	31 December 2022	31 December 2021
Within 1 year	119,595,685	124,729,905
1 to 2 years	38,937	2,050
2 to 3 years	1,300	—
3 to 4 years	—	1,230
4 to 5 years	—	65,926
Over 5 years	178,001,447	180,937,881
	<u>297,637,369</u>	<u>305,736,992</u>

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 analysed as below:

	31 December 2022	31 December 2021
Within 1 year	3,448,520,398	3,116,430,995
1 to 2 years	7,146,485	1,957,747
2 to 3 years	912,839	3,068,726
Over 3 years	7,188,851	6,414,956
	<u>3,463,768,573</u>	<u>3,127,872,424</u>

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

4 Employee benefits payable

	31 December 2022	31 December 2021
Short-term employee benefits payable	1,749,475,431	1,693,577,033
Defined contribution plans payable (i)	23,871,003	22,129,771
Termination benefits payable	382,451,799	433,567,053
Supplemental post-employment benefits payable	24,974,207	23,391,073
	<u>2,180,772,440</u>	<u>2,172,664,930</u>

- (i) The Group pays the basic pension and unemployment insurance to the local labour and social security departments monthly, following the demanding proportion and base. There are no forfeited contributions can be deducted against amounts due for employees in the current and future periods.

5 Dividend

Pursuant to the resolution at the annual general meeting dated 28 June 2022, the Company approved a cash dividend of RMB1.10 per share (tax included) to the shareholders of the Company of RMB1,500,790,272 for the year of 2021, based on a total number of 1,364,354,793 issued shares, the amount of expected unrevised restricted shares' cash dividend is RMB225,705. (2021: cash dividend of RMB0.75 per share (tax included) to the shareholders of the Company, a total of RMB1,023,357,596 for the year of 2020, based on a total number of 1,364,476,795 issued shares. The 2021 cash dividend includes an expected unrevised restricted shares' cash dividend of RMB91,501.)

Pursuant to the resolution at the Board meeting dated 22 March 2023, the Board proposed a cash dividend of RMB1.30 per share (tax included) and a special dividend of RMB 0.50 per share (tax included). In total, the Board proposed a cash dividend RMB1.80 per share (tax included) to the shareholders of the Company with RMB2,455,619,022 based on a total number of 1,364,232,790 shares as at 31 December 2022. Such dividend distribution is subject to the approval at the forthcoming annual general meeting.

6 Revenue and cost of sales

	Year ended 31 December 2022	Year ended 31 December 2021
Revenue from main operation	31,697,342,623	29,672,697,265
Revenue from other operations	474,223,001	494,108,112
	<u>32,171,565,624</u>	<u>30,166,805,377</u>
	Year ended 31 December 2022	Year ended 31 December 2021
Cost of main operation	(20,038,520,561)	(18,774,779,956)
Cost of other operations	(279,414,261)	(316,350,788)
	<u>(20,317,934,822)</u>	<u>(19,091,130,744)</u>

7 Taxes and surcharges

	Year ended 31 December 2022	Year ended 31 December 2021
Consumption tax	1,792,707,139	1,746,675,547
City maintenance and construction tax	250,307,469	236,125,669
Education surcharges	186,637,842	178,032,865
Real estate tax	65,177,298	64,212,810
Land use tax	57,084,421	59,328,139
Stamp duty	32,258,349	27,378,481
Others	6,552,805	7,082,234
	<u>2,390,725,323</u>	<u>2,318,835,745</u>

8 Gains on disposals of assets

	Year ended 31 December 2022	Year ended 31 December 2021
Losses on disposals of fixed assets	(12,935,494)	(92,650,310)
Gains on disposals of intangible assets	2,622,931	573,550,215
Gains on disposals of right-of-use assets	794,805	607,362
	<u>(9,517,758)</u>	<u>481,507,267</u>

9 Income tax expense

	Year ended 31 December 2022	Year ended 31 December 2021
Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax	1,243,044,901	1,594,799,457
Current profits tax calculated according to tax law and related regulations in Hong Kong — Hong Kong profits tax	1,641,044	4,952,893
Current profits supplemental tax calculated according to tax law and related regulations in Macau — Macau profits supplemental tax	669,150	(128,631)
Deferred income tax	(43,935,287)	(376,892,124)
	<u>1,201,419,808</u>	<u>1,222,731,595</u>

9 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 2022	Year ended 31 December 2021
Total profit	5,006,141,286	4,478,975,465
Income tax expense calculated at applicable tax rates	1,249,649,535	1,117,233,479
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	17,289,977	28,006,248
Income not subject to tax	(19,119,069)	(24,038,882)
Utilization of previously unrecognized deferred tax assets due to the influence of deductible tax losses and deductible temporary differences	(109,323,388)	(59,424,949)
Deductible temporary differences for which no deferred tax assets were recognized	13,016,263	76,005,193
Deductible tax losses for which no deferred tax assets were recognized	49,906,490	84,950,506
Income tax expense	<u>1,201,419,808</u>	<u>1,222,731,595</u>

(1) China Enterprise income tax

Some of the Company's subsidiaries incorporated and operated in mainland China are Micro and Small Enterprises, and the applicable enterprise income tax rate is 20%; The applicable enterprise income tax rate of the Company and other subsidiaries incorporated and operated in mainland China is 25%.

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

The Company's subsidiaries, Tsingtao Brewery Hong Kong Trading Company Ltd., Asia Brewery (Macau) Company Ltd. and Tsingtao Brewery Vietnam Company Ltd., 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.

10 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 2022	Year ended 31 December 2021
Consolidated net profit attributable to shareholders of the Company	3,710,628,593	3,155,455,810
Less: Cash dividend of restricted stocks expected to be vested in the future	(9,779,624)	(10,028,999)
Consolidated net profit attributable to ordinary shareholders of the Company	3,700,848,969	3,145,426,811
Weighted average numbers of ordinary shares outstanding	1,352,799,223	1,350,982,795
Basic earnings per share	2.736	2.328
Including:		
— Basic earnings per share from continuing operations	2.736	2.328

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary share by the adjusted weighted average number of ordinary shares outstanding. In 2022, the restricted shares incentive plan (the “Incentive Plan”) implemented by the Company has a dilutive effect on earnings per share, which is calculated as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Consolidated net profit attributable to ordinary shareholders of the Company	3,710,628,593	3,155,455,810
Weighted average numbers of ordinary shares outstanding	1,352,799,223	1,350,982,795
Weighted average number of ordinary shares increased due to share-based payment	7,609,171	6,950,904
Weighted average number of ordinary shares outstanding after dilution	1,360,408,394	1,357,933,699
Diluted earnings per share	2.728	2.324
Including:		
— Diluted earnings per share from continuing operations	2.728	2.324

11 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.

11 Segment information (continued)

(a) Segment information as at and for the year ended 31 December 2022 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	19,338,419,626	2,724,838,170	5,892,008,341	2,562,248,581	916,259,041	714,565,660	15,549,095	7,677,110	—	32,171,565,624
Inter-segment revenue	3,395,887,277	767,816,685	2,078,280,801	292,369,336	8,140,643	468,822,296	13,578,067	32,001,040	(7,056,896,145)	—
Cost of sales	(15,329,233,273)	(2,381,882,901)	(5,620,814,292)	(2,106,126,887)	(672,550,224)	(1,026,845,834)	(79,630)	(38,163,207)	6,857,761,426	(20,317,934,822)
Selling and distribution expenses	(2,680,340,912)	(399,978,506)	(574,957,115)	(339,173,233)	(143,800,854)	(61,252,127)	—	—	—	(4,199,502,747)
Interest income	89,228,055	29,686,723	61,500,794	13,760,934	3,464,239	2,512,824	383,612,384	109,479,093	(233,583,390)	459,661,656
Interest expenses	(4,826,967)	(3,179,252)	(1,812,549)	(15,865,083)	(2,806,838)	(4,985,631)	(236,148,459)	—	260,386,979	(9,237,800)
Share of profits of associates and a joint venture	—	—	—	—	—	—	—	19,873,379	—	19,873,379
Credit impairment reversals/(losses)	8,953,081	(250)	(181,084)	—	—	(31,390)	2,240,697	(71,136,520)	71,300,000	11,144,534
Asset impairment losses	(16,892,457)	(2,468,331)	(3,470,556)	(2,747,218)	(202,284)	—	(157,799)	(185,097)	—	(26,123,742)
Depreciation and amortization	(489,420,835)	(146,147,337)	(231,590,174)	(141,231,208)	(33,628,736)	(4,224,497)	(2,013,484)	(77,222,974)	—	(1,125,479,245)
Total profit/(losses)	3,189,088,389	347,000,617	1,200,126,219	41,986,966	51,759,291	102,052,009	340,797,720	(91,922,058)	(174,747,867)	5,006,141,286
Income tax expense	(744,428,993)	(96,443,367)	(311,428,869)	(6,852,713)	(2,699,194)	(23,766,039)	(86,206,710)	59,845,422	10,560,655	(1,201,419,808)
Net profit/(losses)	2,444,659,396	250,557,250	888,697,350	35,134,253	49,060,097	78,285,970	254,591,010	(32,076,636)	(164,187,212)	3,804,721,478
Total assets	21,547,694,779	4,433,402,734	9,414,096,472	3,425,443,410	934,711,794	636,519,598	21,131,091,092	9,332,543,763	(20,543,803,846)	50,311,699,796
Total liabilities	14,986,490,257	2,276,582,449	5,224,981,460	2,919,947,039	595,806,172	624,318,289	17,791,759,358	177,009,639	(20,557,507,402)	24,039,387,261
Non-cash expenses other than depreciation and amortization	26,271,928	971,132	5,276,376	1,294,217	164,638	120,691	—	3,345,165	—	37,444,147
Long-term equity investments in associates and a joint venture	—	—	—	—	—	—	—	368,128,466	—	368,128,466
Additions of non-current assets (i)	1,389,197,364	73,078,204	182,426,118	86,256,530	10,288,889	2,201,190	686,954	97,003,257	(31,385,867)	1,809,752,639

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

11 Segment information (continued)

(b) Segment information as at and for the year ended 31 December 2021 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	17,880,615,068	2,724,203,817	5,375,527,897	2,587,178,518	895,372,837	685,953,168	12,741,368	5,212,704	—	30,166,805,377
Inter-segment revenue	2,970,562,416	735,832,945	1,985,889,151	261,688,358	6,540,148	140,370,100	16,913,963	29,816,219	(6,147,613,300)	—
Cost of sales	(14,192,999,221)	(2,311,025,407)	(5,251,741,902)	(2,085,720,365)	(622,624,631)	(709,881,349)	(41,287)	(33,232,545)	6,116,135,963	(19,091,130,744)
Selling and distribution expenses	(2,572,260,318)	(421,059,222)	(542,305,715)	(363,883,023)	(142,443,444)	(54,922,403)	—	—	—	(4,096,874,125)
Interest income	73,797,148	24,063,335	57,409,128	10,886,933	2,596,600	981,340	303,787,641	30,111,952	(187,985,770)	315,648,307
Interest expenses	(2,910,449)	(3,602,344)	(2,170,010)	(14,678,725)	(2,119,646)	(2,400,343)	(206,277,949)	—	211,474,099	(22,685,367)
Share of profits of associates and a joint venture	—	—	—	—	—	—	—	20,561,728	—	20,561,728
Credit impairment reversals/(losses)	(6,659,224)	—	108,949	(6,370)	—	(19,220)	(2,907,408)	(3,168,400)	—	(12,651,673)
Asset impairment losses	(14,674,748)	(88,369,722)	(7,368,022)	(77,415,136)	(564,739)	—	—	(119,523,695)	118,855,583	(189,060,479)
Depreciation and amortization	(492,927,103)	(167,334,730)	(228,538,860)	(159,695,327)	(25,619,518)	(3,436,144)	(1,921,181)	(64,867,153)	—	(1,144,340,016)
Total profit/(losses)	2,455,774,346	186,473,068	1,010,496,161	(65,447,804)	55,834,884	46,924,204	330,933,419	345,898,834	112,088,353	4,478,975,465
Income tax expense	(646,656,432)	(83,417,893)	(252,137,513)	(616,001)	(2,787,244)	(9,854,502)	(82,770,505)	(148,132,348)	3,640,843	(1,222,731,595)
Net profit/(losses)	1,809,117,914	103,055,175	758,358,648	(66,063,805)	53,047,640	37,069,702	248,162,914	197,766,486	115,729,196	3,256,243,870
Total assets	17,349,438,930	4,392,900,227	9,064,165,290	3,256,289,238	822,188,402	466,480,889	20,738,210,517	10,883,920,991	(20,410,589,993)	46,563,004,491
Total liabilities	13,755,881,675	2,048,988,743	5,394,049,917	2,872,499,134	613,022,640	503,691,136	17,655,042,594	154,470,868	(20,228,333,558)	22,769,313,149
Non-cash expenses other than depreciation and amortization	24,113,719	1,336,279	6,049,584	1,528,011	218,389	144,618	—	3,324,553	—	36,715,153
Long-term equity investments in associates and a joint venture	—	—	—	—	—	—	—	366,040,084	—	366,040,084
Additions of non-current assets (i)	1,140,799,275	111,947,960	399,198,511	70,922,153	8,358,484	4,159,753	2,861,643	109,570,373	(54,132,499)	1,793,685,653

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

11 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:*

	Year ended 31 December 2022	Year ended 31 December 2021
Revenue from external customers		
Mainland China	31,283,510,679	29,305,534,454
Hong Kong and Macau SAR	179,831,863	191,195,211
Other overseas regions	708,223,082	670,075,712
	<u>32,171,565,624</u>	<u>30,166,805,377</u>
Total non-current assets	31 December 2022	31 December 2021
Mainland China	16,044,851,478	15,457,991,487
Hong Kong and Macau SAR	13,685,515	14,420,196
	<u>16,058,536,993</u>	<u>15,472,411,683</u>

II. DISCUSSION AND ANALYSIS MADE BY THE MANAGEMENT

(I) Business Performance Review during the Reporting Period

In 2022, the domestic beer market was still affected by fluctuations in market consumption needs. The enterprises above designated size produced 35.687 million kiloliters of beer, up 1.1% year-on-year (Data source: National Bureau of Statistics; statistic scope: all corporate industrial enterprises with a principal business revenue of over RMB20 million per year).

Holding fast to the strategic anchoring force, the Board of the Company resolutely promoted and implemented the high-quality development strategy, accelerated the building of a new development paradigm, and drove high-quality development through innovation and digital transformation. The Company's management coordinated operations and the performance of social responsibilities, proactively developed domestic and foreign markets by leveraging the brand and quality of Tsingtao Beer, consolidated the development of the core market, vigorously developed emerging markets, and led the balanced development of regional markets. During the Reporting Period, the Company expedited the improvement of its product mix and concentrated resources on speeding up the development of mid-to-high-end markets. The Company made active efforts to create new marketing models and accelerated the pace of digital marketing, which led to the continuous recovery and growth of its sales volume on the market. It achieved substantial growth in business performance by taking a combination of measures, including increasing management and operation efficiency, developing sources of income, reducing costs and expenses, and improving product quality. During the Reporting Period, the Company counteracted the negative impact of fluctuations in market consumption needs and the pressure from considerable cost increases. In 2022, the Company sold 8.072 million kiloliters of products, up 1.8% year-on-year; it realized operating revenue of RMB32.17 billion, up 6.65% year-on-year; a net profit attributable to the Company's shareholders of RMB3.71 billion, up 17.6% year-on-year; and a net profit attributable to the Company's shareholders after deducting non-recurring profit/loss of RMB3.21 billion, up 45.4% year-on-year. The Company achieved good momentum, with a profit increase that exceeded the revenue increase and a revenue increase that exceeded the sales volume increase.

On the international market, the Company enriched its product lines and carried out diverse forms of brand promotions, including more international and interactive brand communication and channel innovation, thereby continuously expanding the coverage of distribution on the overseas market. During the Reporting Period, the Company's product sales volume on the overseas market increased by 4% year-on-year.

During the Reporting Period, the Company focused on sales combined with sports, music, and experience, cultivated business models for trending consumption, and continued to enhance its brand influence and competitiveness. In the context of international sports events such as the 2022 Winter Olympics and the 2022 FIFA World Cup, the Company rolled out a series of products, including “Tsingtao Beer Winter Olympics Can” and “Tsingtao Beer 1903 Colorful Cheers Can”, and “Tsingtao Draft Fans Carnival Can”. These products perfectly integrated consumers’ passion for beer and sports, providing a new model for consumers to enjoy an immersive brand experience. The Shores of Time craft beer garden pioneered by the Company offers consumers a new charming scene and an immersive experience of beer consumption; the “TSINGTAO1903” bar has covered 62 cities in 23 provinces and municipalities. The Company has held 53 sessions of the “Tsingtao Beer Festival” on various scales across the country. Through its active scene-based marketing practice, the Company boosted consumption by providing rich consumption atmospheres of beer culture and an immersive experience, thereby further elevating the brand’s influence and reputation.

The Company grasped favorable opportunities in the increasing demands on product quality by the consumers and accelerated the implementation of development strategies for mid-to-high-end products. By virtue of superb R&D capabilities, the Company further improved the “charming quality” of its products. The centennial series of super high-end products represented by “Tsingtao Centennial Journey” and “Century Legend” set a trend of consumption upgrading for the domestic beer market; the Company accelerated improvement to its product mix. The fast growth of new characteristic products, including Original Draft and Tsingtao White Beer, and products such as Tsingtao Classic consolidated and improved the Company’s competitive edge on mid-to-high-end markets. During the Reporting Period, the sales volume of Tsingtao Beer’s core brands reached 4.44 million kiloliters, up 2.6% year-on-year. In particular, the sales volume of products above mid-to-high-end reached 2.93 million kiloliters, up 4.99% year-on-year.

During the Reporting Period, the Company accelerated its transformation to digital and intelligent operations, built a high-level innovation platform, and developed the Tsingtao Beer research center. By virtue of its state key laboratory, the Company further refined the allocation of scientific and technological resources, improved the new innovation ecosystem of Tsingtao Brewery as well as the upstream and downstream industrial chains, and promoted deep integration between the innovation chain and the industrial chain. The Company developed a “quality management model based on the allure of end-to-end digital decoding”, sped up digital transformation for the whole supply chain, increased the digital coverage depth of channels, and built a smart supply chain system for the whole chain, from the supplier end to the distributor end. The Company accelerated the development of digital plants and focused on the capacity upgrades of advantaged industries. In 2022, the Company’s digital and intelligent plants, represented by the Tsingtao Brewery Industry Park 1.2 million kl expansion project, an all-chain integrated beer industry park project, were completed and put into production. These plants advanced the Company’s sustainable and sound development with their innovation strengths, scientific and technological development, digital and intelligent transformation, and other new development strengths.

The Board of the Company plans to distribute to all its shareholders cash dividends for 2022 at RMB1.30 per share (tax included); 2023 marks the 120th anniversary of the founding of the brand Tsingtao Beer and the 30th anniversary of the Tsingtao Brewery's listing. As Tsingtao Beer welcomes its 120th birthday, in appreciation of its shareholders' care and support for Tsingtao Beer, the Company plans to distribute a special dividend at RMB0.50 per share (tax included). In total, the Company will distribute cash dividends at RMB1.80 per share (tax included).

(II) Core Competitiveness Analysis during the Reporting Period

The Company's "Tsingtao Beer" is one of the first batches of China's Well-known Trademarks and has strong influence and high visibility on local and international markets. In 2022, "Tsingtao Beer" remained the top brand value in the Chinese beer industry with a brand value of RMB218.225 billion. The overall worth of "Tsingtao Beer", "Laoshan Beer", "Hans Brewery", "The World of Tsingtao", "Prince", and "TSINGTAO1903" owned by the Company has surpassed RMB340 billion (Data resource: World Brand Laboratory).

As a beer manufacturer with the longest history in China, the Company prioritizes product quality. Tsingtao Beer products have won several championships in domestic and foreign quality competitions as well as customer recognition both at home and abroad. The Company has boosted its major production equipment to the advanced international level through continuous improvement in recent years. Furthermore, by strengthening management and control of raw materials, production process, technologies, and operation procedures, the Company has ensured food safety and excellent product quality and maintains the consistency of product taste.

The Company has invested in the construction of Tsingtao Brewery Scientific and Technological R&D Center Co., Ltd., with industry-leading technology research and development capabilities. The Company possesses the only State Key Laboratory in the beer industry, State Key Laboratory of Biological Fermentation Engineering of Beer, and also possesses China's first-class R&D platform, a high-caliber R&D team, and a domestic leading capability for basic research. The Company has also developed a number of core technologies with proprietary intellectual property and maintained its technologically leading position in the domestic beer market. In recent years, the Company has launched several Tsingtao Beer products, such as "Century Legend", "Tsingtao Centennial Journey", "Amber Lager", "Augerta", "Hong Yun Dang Tou", "Classic 1903", "Keg Original Beer", "Pearson" and "Tsingtao IPA". These innovative products with distinctive characteristics that fit market needs have helped to drive the consumption trend for high-end beer products and improved the Company's profile.

The Company has established and constantly refined a network that covers the major markets in China and reaches the world. Its business expanded to more than 100 countries and regions. The Company has continued to strengthen marketing and deepen the development of its sales network, promote collaborative operations between manufacturers, and improve the sales value chain. It has steadily strengthened its ability to maintain and serve end customers, consolidated and enhanced its competitive edge in the base market, raised its growing market share, and pushed continual improvement in its market operations and profitability.

(III) Future Prospects

(I) Structure and Trend of the Industry

China's beer market has reached a new level of stability. Companies in the industry are accelerating their pace of capacity optimization and integration and continuously promoting intelligent, digital, and large-scale production. The market concentration keeps growing, with China's top five beer companies accounting for approximately 80% of the market. The market competition pattern is pretty consistent.

With economic development, the domestic beer market takes on a trend of continuous quality improving and upgrading in the consumption structure and demands. Market competition shifts toward diversified and high-end products. Mid-to high-end products such as canned beer and craft beer account for an increasingly larger percentage and have maintained a good momentum for development.

Increased transport costs, raw material prices, and labor costs in the domestic beer industry put companies under tremendous pressure. They are driven to enhance production and operation efficiency and lower costs through further improvement in product mix, digital transformation, capacity optimization and price adjustment.

In the future, with the recovery of relevant industries such as catering and tourism, coupled with the diversification of consumption scenarios, increasing of the demands on product quality by the consumers, and other relevant factors, the beer consumption market still has great potential for development and substantial room for the growth of consumption and profits. Changes in beer consumption scenarios and consumers' consumption habits have promoted the fast development of online sales channels. The mature application of e-commerce has driven the digital transformation of product sales, bringing more convenient and faster options to consumers.

(II) The Company's Development Strategy

The Company is committed to pursuing a high-quality development strategy, giving full play to the strength of its platform resources, such as Tsingtao Beer's brand, quality, and production base and channel network encompassing markets in the entire country, and strives to promote the transformation of its development pattern. Under the six strategic pillars of "Led by Brand, Powered by Innovation, Quality First, Prioritizing Efficiency, Optimizing Structure, and Coordination of Development". The Company will strengthen its core businesses through a variety of tactical measures, including expanding the market base's strategic belt, speeding up product structure upgrades, enhancing brand equity, establishing attractive quality, expanding the global market, and developing large and intelligent operations, in order to increase its market competitiveness, achieve high quality development, and establish a first-class international brand.

(III) Business Plan

The Company will grasp favorable opportunities brought by the country's promotion of consumption on all fronts and acceleration of consumption upgrading, focus on beer sales as its main business, leverage the brand and quality advantages of Tsingtao Beer, and proactively promote the upgrading of its product mix. It will step up efforts in marketing by taking a combination of measures online and offline, ensure stability in supply and sale, and continuously increase its profitability and market shares.

The Company will take advantage of its production and sales network that covers major markets in China, accelerate market expansion through the "one vertical and two horizons" strategic belt, consolidate its dominant position on the base market, actively expand emerging markets, and cultivate fast-developing markets. On the international market, the Company will stick to high quality, high prices, and high visibility, further promote its distribution coverage and brand communication on the overseas market, and keep improving the international image of Tsingtao Beer.

The Company will continue to accelerate the adjustment to its product mix, drive the growth of super high-end products, increase the scale of mid-to-high-end products, and strengthen its competitive edge on the mid-to-high-end markets. The Company will continue to resolutely implement the "1+1" brand strategy and drive its brand structure towards continuous improvement and upgrading. Focused on sales combined with sports, music, and experience, the Company will build an ecosystem in which multiple business models will be profoundly interconnected, complementary, symbiotic, and mutually beneficial. Based on the new high grounds of brand promotion represented by the "Shores of Time craft beer garden" and "TSINGTAO1903," consumer experience, and the sale of high-end beer such as fresh beer, the Company will continue to meet consumers' multi-level needs by offering scenario-based consumption and an immersive experience. The Company will expedite digital transformation and upgrade and elevate the level of its intelligent operations through scientific, technological, and digital development.

Under the Board's leadership, the Company will boost confidence and take firm action to strengthen its beer sales in the face of challenging obstacles, including cutthroat competition and rising prices of malting barley in 2023. The Company will drive its market operations and profitability towards continuous improvement, achieve high-quality development and increase shareholders' value.

(IV) Potential Business Risks

In the future, uncertainties such as consumption and climate may have an impact on the recovery and growth of the domestic beer market.

In the context of the increasing demands on product quality by the domestic consumption market, companies keep increasing investment in mid-to-high-end products, which will lead to ever-growing competitive products and further exacerbate competition on the domestic mid-to-high-end product market. This will in turn result in a continuous increase in advertising, promotion, and other related expenses. Meanwhile, the operational pressures caused by rising raw material prices for beer production and other bulk materials and rising labor costs will also affect the Company's future sales, revenue, and profits.

III. SHARE CAPITAL

Neither the Company nor its affiliates purchased, sold, or repurchased any of the Company's listed securities during the Reporting Period, with the exception of the repurchase and cancellation of restricted shares as described in "Significant Events" of this announcement.

IV. FINAL DIVIDEND AND SPECIAL DIVIDEND DISTRIBUTION PROPOSAL

The Board proposes the distribution of the final dividend of the Company for the year ended 31 December, 2022, and the amount shall be RMB1.30 Yuan per share in cash (taxes included). 2023 marks the 120th anniversary of the founding of the brand Tsingtao Beer and the 30th anniversary of the Tsingtao Brewery's listing. As Tsingtao Beer welcomes its 120th birthday, in appreciation of its shareholders' care and support for Tsingtao Beer, the Company plans to distribute a special dividend at RMB0.50 per share (tax included). In total, the Company will distribute cash dividends at RMB1.80 per share (tax included). Any dividend distribution proposal shall be subject to the consideration and approval at the Company's 2022 annual general meeting, and the final dividend and special dividend is expected to be distributed to the shareholders on 11 August, 2023. 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, 2022, 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 deviation from Code Provision C.2.1 of the Corporate Governance Code. 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 President of the Company was under negotiation and was temporarily vacant. To ensure normal operation of the Company, the chairman of the Board is acting as the President according to requirements of maintaining a good and stable corporate governance structure of the Company. On 21 June, 2022, the Board approved the appointment of Mr. JIANG Zong Xiang as the new President and the Company has therefore satisfied the requirement of the provision of the Corporate Governance Code as above. Details of the corporate governance practices of the Company will be provided in the annual report for 2022.

VI. AUDITOR'S COPE OF WORK

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes for the year ended 31 December, 2022 as set out in this preliminary announcement this preliminary announcement of the Group's results for the year ended 31 December, 2022 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.

VII. 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, 2022 have been reviewed and approved by the audit and internal control committee.

VIII. SIGNIFICANT EVENTS

(I) Unlocking and Listing of Restricted Shares under the Incentive Plan

At the sixth extraordinary meeting of 2022 of the tenth session of the Board and the fourth extraordinary meeting of 2022 of the tenth session of the Board of Supervisors held by the Company on 8 July, 2022, the "Proposal on Fulfillment of the Unlocking Conditions for the First Unlocking Period under the First Grant of the Restricted Shares under the Restricted A Share Incentive Plan" was reviewed and approved. The first locking period under the first grant under the Incentive Plan is expiring and the corresponding conditions for unlocking the restricted shares under the Incentive Plan has been fulfilled. It is therefore agreed that the Company shall deal with the relevant matters in relation to the 619 qualified participants with a total of 4,359,428 restricted shares. The listing and circulation time of the unlocked shares is 25 July, 2022. The directors and senior management of the Company, among the incentive subjects, shall abide by the relevant regulations when holding and trading the Company's shares upon release of the restricted shares.

For more details of the unlocking and listing of restricted shares under the Incentive Plan, please refer to the relevant announcements of the Company dated 8 July and 19 July, 2022.

(II) Repurchase and Cancellation of Some Restricted Shares

The Board considered and approved the Proposal on the Company's Repurchase and Cancellation of Some Restricted A Shares under the Incentive Plan on 28 September, 2022. Because 14 Company participants reached the statutory retirement age and retired, had their labor relationship with the Company terminated upon negotiation, resigned due to personal reasons, or died of illness, causing changes to the personal information of the participants, it was proposed that some or all of the Company's restricted A shares granted to the 14 participants but yet to be released from lockup be repurchased or canceled in accordance with relevant provisions of the Incentive Plan. There were a total of 122,003 of these shares. Registration procedures for the aforementioned repurchase and cancellation were completed on 9 December, 2022. The Company's total capital stock was reduced from 1,364,354,793 to 1,364,232,790.

For additional information, please refer to the relevant announcements of Company's on 28 September, 2022, and 6 December, 2022.

(III) Changes in the Directors and Supervisors of the Company During the Reporting Period

1. Mr. GUO Xiu Zhang resigned from current positions as Chairman of the Board of Supervisors and Shareholder Supervisor on 13 April, 2022 due to adjustment of work arrangements.
2. Mr. SHI Kun resigned from current positions as Non-Executive Director, a member of each of the Audit & Internal Control Committee, Nomination & Remuneration Committee and Strategy & Investment Committee and Mr. YAO Yu resigned from current positions as Shareholder Representative Supervisor on 7 June, 2022 due to the sale of all of the shares in the Company held by entities under Fosun International Limited (Stock Code: 00656).
3. Mr. YU Zhu Ming resigned from current positions as Executive Director and Chief Financial Officer on 21 June, 2022 as he has reached a retirement age.

During the annual general meeting and the extraordinary general meeting held on 28 June, 2022 and 18 July, 2022 respectively, the Company elected Mr. SONG Xue Bao as Independent Non-Executive Director of the tenth session of the Board and Mr. JIANG Zong Xiang and Mr. HOU Qiu Yan as Executive Directors of the tenth session of the Board. Their respective tenure starts from the date when the election result was approved by the general meeting and ends with the term of the tenth session of the Board.

4. Due to career moves, Mr. WANG Shao Bo resigned from his position as Vice President of the Company on 14 October, 2022. The Board approved the appointment of Mr. LI Hui as Vice President of the Company and Mr. YUAN Shui Yuan as Vice President and President of Supply Chain of the Company.

For more details on changes to the Company's directors and supervisors, please refer to the announcements dated 13 April, 7 June, 21 June, 28 June, 18 July and 14 October, 2022.

(IV) Other Significant Events during the Reporting Period

1. *Purchase and Storage of Land*

- 1.1 On 12 July, 2021, at the Board's meeting, the feasibility report for the government's purchase and storage of the Company's Yangjiaqun Yard Land and the feasibility report for the asset disposition in connection with the liquidation of Beijing Five-Star Tsingtao Brewery Co., Ltd. Were considered and approved. On 1 March, 2023, the Company received a total payment of RMB581,137,182.06 as compensation for the expropriation of Yangjiaqun Yard Land. As at the end of the Reporting Period, Five-Star had not commenced the procedures for land purchase and storage.

For details on this event, please refer to relevant announcements of the Company's on 12 July, 2021, 26 November, 2021, 17 December, 2021, and 1 March, 2023. The Company will closely monitor the progress of the purchase and storage of Beijing Five-Star's land and will continue to comply with applicable laws and regulations regarding information disclosure.

- 1.2 The land expropriation and upgrading project of Tsingtao Brewery was considered and approved by the Board on 25 August, 2022. The land to be expropriated and stored is 1,412.7 square meters, and the amount of compensation is RMB16.5356 million. The agreement was signed in September 2022. So far, the compensation of RMB4.96 million has been paid; the planning for the upgrading project has been submitted for approval.
- 1.3 The land purchase and storage project of Tsingtao Brewery (Huaian) Co., Ltd. was considered and approved by the Board in November 2022. The land to be purchased and stored is 32,873 square meters, and the estimated amount of compensation is RMB28.2636 million. Currently, the Company is having negotiations with the local government on compensation. The project is expected to be completed in the second quarter of 2023.

2. *Equity Purchase*

With Board's approval, on 5 December, 2022, the Company entered into the Equity Transfer Contract of Tsingtao Brewery (Hangzhou) Co., Ltd. with Jiande Zhongyue Holdings Co., Ltd. to purchase 20% of its equity with RMB60.97 million. On 27 December, the procedures for equity delivery were completed.

(V) Others

During the Reporting Period, the Company did not involve in any material litigation or arbitration.

By Order of the Board of Directors
Tsingtao Brewery Company Limited
HUANG Ke Xing
Chairman

Qingdao, the People's Republic of China
22 March, 2023

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

Executive Directors: *Mr. HUANG Ke Xing (Chairman), Mr. JIANG Zong Xiang,
Mr. WANG Rui Yong and Mr. HOU Qiu Yan*

*Independent Non-Executive
Directors:* *Mr. XIAO Geng, Mr. SHENG Lei Ming, Mr. JIANG Xing Lu,
Ms. Rania ZHANG and Mr. SONG Xue Bao*