TSINGTAO BREWERY COMPANY LIMITED

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

(Stock Code: 168)

2013 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 2013 (the "Reporting Period") prepared pursuant to China Accounting Standards for Business Enterprises as follows:

1. FINANCIAL INFORMATION

(All amounts in RMB Yuan unless otherwise stated)

Consolidated Balance Sheet

	Note	**31 December 2013**	31 December 2012
ASSETS			
Current assets			
Cash at bank and on hand		**8,531,720,086**	7,118,248,041
Notes receivable		**84,760,000**	61,800,000
Accounts receivable	*2*	**152,292,736**	82,685,056
Advances to suppliers		**132,345,527**	83,739,085
Interest receivable		**188,461,377**	63,996,403
Other receivables		**183,395,467**	87,291,890
Inventories		**2,534,551,935**	2,360,058,834
Other current assets		**466,863,422**	284,314,434
Total current assets		**12,274,390,550**	10,142,133,743

Consolidated Balance Sheet *(continued)*

	Note	**31 December 2013**	31 December 2012
Non-current assets			
Long-term equity investments	*17*	**1,271,947,380**	163,876,932
Investment properties		**7,924,988**	7,252,927
Fixed assets		**8,740,310,277**	8,343,690,353
Construction in progress		**506,624,256**	678,285,333
Fixed assets pending for disposal		**5,368,759**	9,917,059
Intangible assets		**2,533,027,393**	2,546,579,520
Goodwill		**1,079,925,496**	1,081,684,918
Long-term prepaid expenses		**21,525,082**	6,425,454
Deferred tax assets		**700,162,187**	485,349,168
Other non-current assets	*3*	**223,660,169**	195,910,178
Total non-current assets		**15,090,475,987**	13,518,971,842
TOTAL ASSETS		**27,364,866,537**	23,661,105,585
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings		**101,080,110**	147,617,652
Notes payable		**138,382,882**	81,883,234
Accounts payable	*4*	**2,707,070,770**	1,993,401,689
Advances from customers		**980,497,616**	656,414,452
Employee benefits payable		**823,317,140**	886,635,390
Taxes payable		**332,033,368**	350,866,482
Interest payable		**1,202,929**	1,735,072
Dividends payable		**1,020,000**	1,101,571
Other payables		**4,231,981,495**	3,213,582,340
Current portion of non-current liabilities		**1,797,167,198**	2,786,281
Total current liabilities		**11,113,753,508**	7,336,024,163

Consolidated Balance Sheet *(continued)*

	Note	**31 December 2013**	31 December 2012
Non-current liabilities			
Long-term borrowings		**4,881,294**	452,485,603
Debentures payable		—	1,409,316,153
Payables for specific projects		**450,935,656**	120,063,611
Deferred tax liabilities		**173,745,333**	178,572,908
Other non-current liabilities	*5*	**1,748,079,711**	1,381,212,241
Total non-current liabilities		**2,377,641,994**	3,541,650,516
Total liabilities		**13,491,395,502**	10,877,674,679
Shareholders' equity			
Share capital		**1,350,982,795**	1,350,982,795
Capital surplus	*6*	**4,078,793,635**	3,965,939,536
Surplus reserve		**1,059,469,127**	927,657,567
Undistributed profits	*7*	**7,505,514,981**	6,204,347,562
Difference on translation of foreign currency financial statements		**25,798,505**	19,025,550
Total equity attributable to shareholders of the Company		**14,020,559,043**	12,467,953,010
Minority interests	*6*	**(147,088,008)**	315,477,896
Total shareholders' equity		**13,873,471,035**	12,783,430,906
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**27,364,866,537**	23,661,105,585

Consolidated Income Statement

	Note	Year ended 31 December 2013	2012
Revenue	*8*	**28,290,978,428**	25,781,543,977
Less: Cost of sales	*8*	**(17,007,893,969)**	(15,433,869,536)
Taxes and surcharges	*9*	**(2,227,776,340)**	(2,201,082,461)
Selling and distribution expenses		**(5,610,693,817)**	(4,930,865,618)
General and administrative expenses		**(1,572,544,494)**	(1,269,421,699)
Financial expenses — net		**251,391,313**	178,141,002
Asset impairment losses		**(1,744,922)**	(1,004,586)
Add: Investment income		**229,225,467**	14,962,001
Including: Share of profit of associates and joint venture		**9,465,953**	14,844,764
Operating profit		**2,350,941,666**	2,138,403,080
Add: Non-operating income		**563,993,284**	394,830,713
Less: Non-operating expenses		**(248,401,282)**	(49,077,560)
Including: Losses on disposal of non-current assets		**(104,922,138)**	(36,682,557)
Total profit		**2,666,533,668**	2,484,156,233
Less: Income tax expenses	*10*	**(691,609,875)**	(639,393,988)
Net profit		**1,974,923,793**	1,844,762,245
Attributable to shareholders of the Company		**1,973,372,097**	1,758,863,400
Minority interests		**1,551,696**	85,898,845
Earnings per share	*11*		
Basic earnings per share		**1.461**	1.302
Diluted earnings per share		**1.461**	1.302
Other comprehensive income, net of tax		**5,969,722**	1,905,828
Other comprehensive income may be reclassified into profit or loss thereafter when specified preconditions are met			
Currency translation differences		**6,772,955**	1,905,828
Share of other comprehensive income of investments accounted for using the equity method		**(803,233)**	—
Total comprehensive income		**1,980,893,515**	1,846,668,073
Attributable to shareholders of the Company		**1,979,341,819**	1,760,769,228
Minority interests		**1,551,696**	85,898,845

1. Basis of preparation

The financial statements were prepared in accordance with the Basic Standard and specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as "CAS") 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 (2010 revised) issued by the China Securities Regulatory Commission.

The Ministry of Finance newly issued CAS No.39 — Fair value measurement and CAS No.40 — Joint arrangements, and revised CAS No.9 — Employee benefits, CAS No.30 — Financial statement presentation and CAS No.33 — Consolidated financial statements in 2014. These new and amended standards are effective on 1 July, 2014, however, overseas listed companies are encouraged to early adopt them. As the Company issued both A shares and H shares, the Group has decided to early adopt these new and amended standards in preparing the financial statements for the year ended 31 December 2013. Management of the Company has assessed that these developments have no significant effect on the consolidated financial statements of the Group, except for the effect of applying the revised CAS No.9 — Employee benefits.

Changes in significant accounting policies

Details and reasons for the changes	**Procedures for approval**	**Affected items**	**Amount**
As stated above, the Group early adopted the revised CAS No.9 — Employee benefits, issued by the Ministry of Finance in 2014, in preparing the financial statements of the Group. There is no impact on comparative figures since the Company implemented supplemental retirement benefits plan in 2013.	The changes in accounting policies have been approved by the Board of the Company.	Increase employee benefits payable and other non-current liabilities of the Group as of 31 December 2013, increase general and administrative expenses of the Group for the year ended 31 December 2013	RMB13,830,000 RMB181,880,000, and RMB195,710,000 respectively

2. Accounts receivable

	31 December 2013	31 December 2012
Accounts receivable	**354,377,376**	312,427,165
Less: provision for bad debts	**(202,084,640)**	(229,742,109)
	152,292,736	82,685,056

The majority of the Group's domestic sales are made with advances from customers. The remainings are settled by letters of credit, bank acceptance notes or credit terms from 30 to 150 days.

2. Accounts receivable *(continued)*

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

	31 December 2013	31 December 2012
Within 6 months	**150,525,869**	81,615,211
6 months to 1 year	**1,859,860**	234,437
1 to 2 years	**—**	1,694,260
2 to 3 years	**565,506**	298,209
Over 3 years	**201,426,141**	228,585,048
	354,377,376	312,427,165

3. Other non-current assets

	31 December 2013	31 December 2012
Prepayments for construction and equipment	**192,210,169**	195,910,178
Others *(i)*	**31,450,000**	—
	223,660,169	195,910,178

(i) As stated in Note 17(4), the Company and Suntory (China) Investment Company Limited ("Suntory Company") signed the supplemental agreement on 24 February 2014. In accordance with the supplemental agreement, Suntory Company will further inject supplementary capital amounting to RMB62,900,000 to Suntory Tsingtao Brewery (Shanghai) Co., Ltd. ("Manufacturing Company") as capital surplus. Such further injection will not affect the Company and Suntory Company's share of equity investment in Manufacturing Company. The Company recognised 50% of above-mentioned further capital injection as other non-current assets, which will convert to equity investment to Manufacturing Company after completion of the capital injection by Suntory Company.

4. Accounts payable

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

	31 December 2013	31 December 2012
Within 1 year	**2,670,930,780**	1,957,575,502
1 to 2 years	**14,474,250**	9,214,829
2 to 3 years	**3,017,998**	7,266,872
Over 3 years	**18,647,742**	19,344,486
	2,707,070,770	1,993,401,689

5. Other non-current liabilities

	31 December 2013	31 December 2012
Deferred income	**1,260,778,419**	1,381,212,241
Early retirement benefits	**305,421,292**	—
Supplemental retirement benefits *(a)*	**181,880,000**	—
	1,748,079,711	1,381,212,241

(a) Supplemental retirement benefits

According to the resolution of the Board of the Company on 16 December 2013, the Group implemented supplementary post-retirement benefit to qualified employees retired before 31 December 2013. The defined benefits that they can receive after retirement depended on their position and seniority. Such defined benefit obligations were calculated by an external independent actuary, Towers Watson, using the projected unit credit method.

6. Capital surplus & Minority interests

(1) Capital surplus

	31 December 2012	Increase in current year	Decrease in current year	**31 December 2013**
Share premium *(i)*	3,868,211,548	124,216,612	—	**3,992,428,160**
Other capital surplus-	97,727,988	—	(11,362,513)	**86,365,475**
Share of changes in equity other than profits of investees *(ii)*	1,636,986	—	(10,559,280)	**(8,922,294)**
Share of changes in other comprehensive income of investees	—	—	(803,233)	**(803,233)**
Transfer of capital surplus recognised under the previous accounting system	91,701,228	—	—	**91,701,228**
Others	4,389,774	—	—	**4,389,774**
	3,965,939,536	124,216,612	(11,362,513)	**4,078,793,635**

(i) The increase in current year includes: transferring the equity interest of sales business to Tsingtao Brewery Suntory (Shanghai) Sales Co., Ltd. ("Sales Company"), the Company's subsidiary jointly established by the Company and Suntory Company, is deemed as disposal of equity interests in subsidiaries to minority shareholders and recognised as capital surplus of RMB121,141,643 as stated in Note 17(3); Tsingtao Brewery (Hong Kong) Trading Co., Ltd., the Company's subsidiary, acquired 15% of Asia Brewery (Macau) Co., Ltd.'s equity with impact on capital surplus of RMB3,074,969.

6. **Capital surplus & Minority interests** *(continued)*

(1) ***Capital surplus*** *(continued)*

(ii) The decrease is due to Manufacturing Company, the associate of the company, having acquired 33.4% equity interest from minority shareholders of China Jiangsu Suntory Food Co., Ltd. ("Suntory Jiangsu") in current year. The difference between the increase in the cost of long-term equity investments as a result of acquisition of minority interests and the share of net assets of the subsidiary calculated continuously from the date of the acquisition based on the new shareholding proportion were adjusted against the capital surplus, amounting to RMB21,118,560, of which 50% were picked up and recognised in capital surplus by the Company using the equity method.

(2) Subsidiaries with significant minority interests

	As at 31 December 2013 Minority interests	**Year ended 31 December 2013 Minority interests**	**Total proposed dividend in the year ended 31 December 2013 attributable to the minority shareholders of subsidiaries**
Shenzhen Tsingtao Brewery Asahi Co., Ltd.	214,142,102	46,486,012	(37,852,500)
Sales Company	(486,133,665)	(86,533,866)	—
	(271,991,563)	(40,047,854)	(37,852,500)

7. **Undistributed profits**

	2013	2012
Undistributed profits at the beginning of the year	**6,204,347,562**	4,915,661,595
Add: Net profit attributable to the Company for the current year	**1,973,372,097**	1,758,863,400
Less: Appropriation for statutory surplus reserve	**(131,811,560)**	(118,921,906)
Ordinary shares dividend payable	**(540,393,118)**	(351,255,527)
Undistributed profits at the end of the year	**7,505,514,981**	6,204,347,562
Dividend proposed but not declared	**607,942,258**	540,393,118
Total proposed dividend in the year	**607,942,258**	540,393,118

In accordance with the resolution at the Annual General Meeting dated on 25 June 2013, the Company approved a cash dividend RMB0.4 per share (pre-tax) to the shareholders of the Company of RMB540,393,118, based on a total number of 1,350,982,795 shares.

In accordance with the resolution at the meeting of the Board dated on 25 March 2014, the Company proposed a cash dividend to the shareholders of the Company of RMB607,942,258 (RMB0.45 per share (pre-tax)) based on a total number of 1,350,982,795 shares. Such dividend distribution is still subject to the approval of the Annual General Meeting.

8. Revenue and cost of sales

	2013	2012
Revenue from main operation	**27,766,755,010**	25,318,235,820
Revenue from other operations	**524,223,418**	463,308,157
	28,290,978,428	25,781,543,977

	2013	2012
Cost of main operation	**(16,622,997,268)**	(15,099,979,531)
Cost of other operations	**(384,896,701)**	(333,890,005)
	(17,007,893,969)	(15,433,869,536)

9. Taxes and surcharges

	2013	2012
Consumption tax	**1,754,868,396**	1,734,809,828
City maintenance and construction tax	**262,670,848**	259,526,950
Education surcharges	**198,054,156**	197,799,951
Business tax	**12,146,451**	8,828,837
Others	**36,489**	116,895
	2,227,776,340	2,201,082,461

10. Income tax expenses

	2013	2012
Current income tax calculated according to tax law and related regulations in mainland China	**922,205,257**	749,932,060
Current profits tax calculated according to tax law and related regulations in Hong Kong	**9,583,322**	11,974,331
Current profits supplemental tax calculated according to tax law and related regulations in Macau	**938,872**	1,368,984
Deferred income tax	**(241,117,576)**	(123,881,387)
	691,609,875	639,393,988

10. Income tax expenses *(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 expenses is listed below:

	2013	2012
Total profit	**2,666,533,668**	2,484,156,233
Income tax expenses calculated at applicable tax rates	**663,581,558**	606,267,489
Tax impact for equivalent sales and expenses not deductible	**55,678,659**	41,479,582
Income not subject to tax *(i)*	**(121,705,331)**	(30,787,642)
Utilisation of previously unrecognised deferred tax assets	**(29,886,114)**	(30,469,497)
Tax impact for which no deferred tax asset was recognised	**125,817,321**	65,849,591
Others	**(1,876,218)**	(12,945,535)
Income tax expenses	**691,609,875**	639,393,988

(i) Income not subject to tax mainly comprise of investment income and non-operating income free from tax, which arise from transactions with Suntory Company. Details of the above-mentioned transaction are stated in Note 17.

(1) Enterprise income tax

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

(2) Hong Kong profits tax and Macao profits supplemental tax

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

11. Earnings per share

(a) Basic earnings per share

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

	2013	2012
Consolidated net profit attributable to ordinary shareholders of listed Company	**1,973,372,097**	1,758,863,400
Weighted average number of ordinary shares outstanding	**1,350,982,795**	1,350,982,795
Basic earnings per share	**1.461**	1.302
Including:		
— Basic earnings per share relating to continuing operations	**1.461**	1.302

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of listed Company adjusted based on the dilutive potential ordinary share by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares in 2013 (2012: nil), diluted earnings per share equal to basic earnings per share.

12. Segment information

As the Group is mainly engaged in the production and distribution of beer, the reportable segments of the Group are business units operating in different regions. Each 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 about resources to be allocated to these segments and to assess their performance.

Tsingtao Brewery Finance Co., Ltd ("Finance Company"), the Group's wholly-owned 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 resource allocation and assess its performance.

The Group identified 7 reportable segments as follows:

— Shandong region, responsible for the production and distribution of beer in Shandong region and surrounding regions
— Huanan region, responsible for the production and distribution of beer in South China region
— Huabei region, responsible for the production and distribution of beer in North China region
— Huadong region, responsible for the production and distribution of beer in East China region
— Dongnan region, responsible for the production and distribution of beer in Southeast China region
— Hong Kong, Macau and other overseas, responsible for the distribution of beer in Hong Kong, Macau and other overseas
— Finance Company, 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.

12. Segment information *(continued)*

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. Expenses indirectly attributable to each segment are allocated among segments based on the proportion of each segment's revenue.

(a) Segment information as at and for the year ended 31 December 2013 is as follow:

	Shandong Region	Huanan Region	Huabei Region	Huadong Region	Dongnan Region	Hong Kong, Macau and other overseas	Finance Company	Unallocated	Elimination	Total
Revenue from external customers	14,094,827,756	4,837,542,164	4,000,871,852	2,836,675,203	2,064,249,615	456,773,334	38,504	–	–	28,290,978,428
Inter-segment revenue	2,234,418,232	248,611,459	1,309,771,908	224,674,037	6,847,900	111,871,488	29,012,601	–	(4,165,207,625)	–
Selling and distribution expenses	(2,879,546,898)	(1,061,492,176)	(442,018,415)	(545,893,460)	(576,505,010)	(105,178,678)	(59,180)	–	–	(5,610,693,817)
Interest income	27,450,286	15,180,983	49,737,465	1,665,220	6,011,594	2,089,774	344,384,553	71,687,006	(163,173,164)	355,033,717
Interest expenses	–	(1,209,563)	–	(1,615,483)	–	(11,413,342)	(170,966,921)	(68,629,773)	170,383,826	(83,451,256)
Share of profit of associates and joint venture	–	–	–	–	–	–	–	9,465,953	–	9,465,953
Asset impairment losses	2,261,872	479,421	834,191	(1,195,053)	(697,998)	(3,427,355)	17,000	–	(17,000)	(1,744,922)
Depreciation and amortisation	(376,484,695)	(224,719,497)	(137,078,710)	(58,686,944)	(45,328,695)	(2,240,959)	(948,201)	(39,561,205)	–	(885,048,906)
Total profit	1,977,575,212	329,589,110	414,329,235	(216,347,296)	67,383,789	69,381,435	197,175,937	(93,751,783)	(78,801,971)	2,666,533,668
Income tax expenses	(465,611,713)	(88,557,235)	(90,025,249)	16,249,794	(6,927,710)	(16,331,153)	(49,148,033)	–	8,741,424	(691,609,875)
Net profit	1,511,963,499	241,031,875	324,303,986	(200,097,502)	60,456,079	53,050,282	148,027,904	(93,751,783)	(70,060,547)	1,974,923,793
Total assets	9,484,349,394	4,738,553,943	5,109,285,307	890,279,960	1,436,711,644	256,846,893	8,424,683,384	5,490,921,972	(8,466,765,960)	27,364,866,537
Total liabilities	5,099,455,441	2,009,662,466	3,691,027,461	1,587,337,654	727,543,370	308,455,631	7,630,992,693	1,824,831,664	(9,387,910,878)	13,491,395,502
Long-term equity investments in associates and joint venture	–	–	–	–	–	–	–	1,270,638,738	–	1,270,638,738
Additions to non-current assets other than long-term equity investments	976,677,744	137,675,238	591,469,503	244,054,713	230,967,301	4,125,132	1,044,800	60,103,364	–	2,246,117,795

12. Segment information *(continued)*

(b) Segment information as at and for the year ended 31 December 2012 is as follow:

	Shandong Region	Huanan Region	Huabei Region	Huadong Region	Dongnan Region	Hong Kong, Macau and other overseas	Finance Company	Unallocated	Elimination	Total
Revenue from external customers	12,920,137,680	4,979,642,715	3,659,697,194	2,016,091,565	1,772,259,935	433,705,807	9,081	–	–	25,781,543,977
Inter-segment revenue	1,760,806,680	208,717,064	1,008,896,206	239,948,440	25,410,942	51,213,978	11,713,753	–	(3,306,707,063)	–
Selling and distribution expenses	(2,596,997,248)	(1,073,180,516)	(371,841,430)	(381,454,497)	(404,366,724)	(102,854,566)	(170,637)	–	–	(4,930,865,618)
Interest income	16,304,385	10,555,808	42,747,075	4,387,087	3,568,043	423,653	275,943,839	60,282,068	(114,939,090)	299,272,868
Interest expenses	56,407,279	(9,668,042)	(40,019,687)	(13,412,047)	–	(14,040,813)	(114,939,090)	(83,365,846)	114,939,090	(104,099,156)
Share of profit of associates and joint venture	–	–	–	–	–	–	–	14,844,764	–	14,844,764
Asset impairment losses	9,477,775	(5,737,731)	(2,391,306)	(1,268,837)	(308,177)	(776,310)	–	–	–	(1,004,586)
Depreciation and amortisation	(343,186,060)	(239,738,011)	(137,409,508)	(76,808,399)	(5,898,460)	(2,428,047)	(679,792)	(37,688,895)	–	(843,837,172)
Total profit	1,738,414,872	399,270,775	357,948,017	(128,044,774)	122,718,337	44,911,618	163,759,118	(195,555,358)	(19,266,372)	2,484,156,233
Income tax expenses	(364,483,732)	(126,393,844)	(65,585,022)	(12,061,257)	(22,516,365)	(21,575,061)	(39,306,278)	–	12,527,571	(639,393,988)
Net profit	1,373,931,140	272,876,931	292,362,995	(140,106,031)	100,201,972	23,336,557	124,452,840	(195,555,358)	(6,738,801)	1,844,762,245
Total assets	8,588,271,267	4,531,165,568	3,981,695,082	1,826,865,079	1,242,179,374	403,180,121	5,944,344,971	3,941,284,015	(6,797,879,892)	23,661,105,585
Total liabilities	3,804,176,331	2,009,918,722	2,520,683,669	1,196,999,247	571,101,202	456,614,295	5,493,293,931	1,743,173,112	(6,918,285,830)	10,877,674,679
Long-term equity investments in associates and joint venture	–	–	–	–	–	–	–	162,568,290	–	162,568,290
Additions to non-current assets other than long-term equity investments	625,457,944	578,133,486	427,909,640	415,244,652	148,997,696	1,092,498	1,631,409	68,240,427	–	2,266,707,752

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 summarised as follows:

Revenue from external customers	**2013**	2012
Domestic	**27,808,934,342**	25,205,377,883
Hong Kong and Macau	**257,086,415**	241,466,676
Other overseas	**224,957,671**	334,699,418
	28,290,978,428	25,781,543,977

Total non-current assets	**31 December 2013**	31 December 2012
Domestic	**14,379,252,855**	13,022,100,574
Hong Kong and Macau	**11,060,945**	11,522,100
	14,390,313,800	13,033,622,674

13. Net current assets

	31 December 2013	31 December 2012
Current assets	**12,274,390,550**	10,142,133,743
Less: Current liabilities	**(11,113,753,508)**	(7,336,024,163)
Net current assets	**1,160,637,042**	2,806,109,580

14. Total assets less current liabilities

	31 December 2013	31 December 2012
Total assets	**27,364,866,537**	23,661,105,585
Less: Current liability	**(11,113,753,508)**	(7,336,024,163)
Total assets less current liabilities	**16,251,113,029**	16,325,081,422

15. Contingencies

The Group's potential risk of income tax liabilities related to prior years has not been settled. The directors of the Company are of the view that the potential income tax liabilities could not be reliably estimated and therefore, no provision for the potential difference in income tax of previous years was made in these financial statements. For detailed information, please refer to the information on income tax expense stated in the annual results announcement in previous years.

16. Capital commitments

(a) Capital expenditures contracted for but not yet necessary to be recognised on the balance sheet

	31 December 2013	31 December 2012
Buildings, machinery and equipment	**447,368,640**	592,911,698

(b) Capital commitments authorised by the management but not yet contracted for

	31 December 2013	31 December 2012
Buildings, machinery and equipment and intangible assets	**2,603,744,863**	3,465,487,656

As at the balance sheet date, joint venture of the Group has no significant capital expenditures contracted for but not yet necessary to be recognised on the balance sheet, or capital commitments authorised by the management but not yet contracted for.

17. Transaction with Suntory Company

(1) Background

On 5 June 2012, the Company and Suntory Company entered into two framework agreements for establishing two joint-investment companies, whereby the Company and Suntory Company agreed to reorganize and integrate their assets and business of the subsidiaries in Shanghai and Jiangsu Province into two joint-investment companies, namely, Sales Company and Manufacturing Company.

(i) Transaction process

Manufacturing Company

Manufacturing Company was established on the basis of Tsingtao Brewery Shanghai Songjiang Company Limited (the "Songjiang Company"), the former subsidiary of the Company, which held 100% equity interests in Tsingtao Brewery (Yangzhou) Co., Ltd., Tsingtao Brewery (Suqian) Co., Ltd., Tsingtao Brewery (Xuzhou) Pengcheng Co., Ltd. and 66% equity interests in Tsingtao Brewery (Xuzhou) Co., Ltd. (collectively, the "Manufacturing Business invested by the Company"). Suntory Company subscribed RMB453.66 million of additional registered capital of Songjiang Company by transferring 86.5% equity interests of Suntory Brewery (Shanghai) Company Limited ("Suntory Shanghai") and 93.2% equity interests of Suntory Brewery (Kunshan) Company Limited ("Suntory Kunshan") and RMB175.49 million cash payment to obtain 50% of Songjiang Company's increased registered capital. Songjiang Company purchased 100% equity interests of Suntory Brewery (Guangming) Company Limited ("Suntory Guangming") for RMB1, 66.6% equity interests from Sungtory Jiangsu for approximately RMB55.1 million, 10% equity interests of Suntory Shanghai for approximately RMB49.95 million, and 6.8% equity interests of Suntory Kunshan for approximately RMB54.32 million respectively. After the completion of the transactions, Songjiang Company was renamed as Manufacturing Company, holding 96.5% equity interests of Suntory Shanghai, 66.6% equity interests of Suntory Jiangsu, and 100% equity interests of Suntory Kunshan and Suntory Guangming (collectively, the "Manufacturing Business invested by Suntory Company").

All operating activities decisions are made by the Board in Manufacturing Company, and only when at least half of the attended directors agree that the decisions could be made. There are 9 directors in total but only 4 directors are from the Company, so the voting rate of the Company is 44.44% and the Company can have significant influence over Manufacturing Company as an associate. As the Manufacturing Company changed from subsidiary to associate, it was accounted for using the equity method.

Sales Company

The Sales Company was established under joint investment by the Company and Suntory Company, with the registered capital of RMB20 million, of which 50% were contributed by each of the two shareholders. The Company transferred to the Sales Company the 100% equity interests of the sales business and assets in Shanghai and Jiangsu Province held by Tsingtao Brewery Huadong Nanjing Sales Co., Ltd., Tsingtao Brewery (Xuzhou) Huaihai Sales Co., Ltd. and the Shanghai Tsingtao Brewery Sales Co., Ltd. (collectively, the "Sales Business invested by the Company). Meanwhile, the 100% equity interests in the Suntory (Shanghai) Market Service Co., Ltd. and The Prince (Lian Yungang) Beer Sales Co., Ltd. (collectively, the "Sales Business invested by Suntory Company") were transferred to the Sales Company.

17. **Transaction with Suntory Company** *(continued)*

All operating activities decisions are made by the Board in Sales Company, and only when at least half of the attended directors agree that the decisions could be made. There are 9 directors in total in Sales Company, of which 5 directors are from the Company, so the voting rate of the Company is 55.56% and the Company has control over Sales Company.

(ii) Judgment on package deal and date of acquisition/disposal

The management of the Company believes the establishment of Sales Company and Manufacturing Company should be treated as package deal transactions. The acquisition date and disposal date of the transactions is 28 April 2013, being the completion date confirmed as jointly signed by the Company and Suntory Company.

(2) Lose control over subsidiaries as a result of the sale of shares

	Date of Disposal	**Gain/Loss**
Manufacturing Business invested by the Company	28 April 2013	Refer to *(i)*

(i) Disposal gain/(loss):

	Amount
Fair value of the equity interest in Manufacturing Business invested by the Company	899,355,156
Less: net assets in Manufacturing Business invested by the Company as at date of disposal	(686,827,835)
Goodwill of Songjiang Company	(1,759,422)
Realization of 50% profit from internal fixed assets transaction	8,588,832
Investment income due to disposal	219,356,731

(ii) Measurement of the remaining shares in the Manufacturing Company:

	Amount
Fair value of the equity interest in Manufacturing Business invested by the Company	899,355,156
Fair value of the equity interest in Manufacturing Business invested by Suntory Company	1,366,776,128
Cash in Manufacturing Business invested by Suntory Company	16,115,519
Equity value of the Manufacturing Company	2,282,246,803
Long-term equity investment in Manufacturing Company (50% of equity value mentioned above)	1,141,123,402

17. Transaction with Suntory Company *(continued)*

(3) Transactions with minority shareholders

The Company transferred the equity interest in Sales Business invested by the Company to the Sales Company, which is under the control of the Company while the Company and Suntory Company hold 50% equity interest respectively. Thus this equity transaction is deemed as disposal of equity interest in a subsidiary to minority shareholders.

	Amount
50% fair value of Sales Business equity interest invested by the Company	(92,890,950)
Less: 50% net assets of Sales Business invested by the Company at the date of disposal	214,032,593
Capital surplus due to disposal	121,141,643

(4) Business combinations involving enterprises not under common control

	Non-operating income	**Calculation approach**
Sales Business invested by Suntory Company	170,541,992	The difference between the total consideration transferred and the proportion of fair value of acquiree's identifiable net assets at the acquisition date is recognized as non-operating income. Refer to *(i)*:

(i) Combination consideration and non-operating income are as follows:

Combination consideration —	
50% fair value of Sales Business equity interest invested by the Company	(92,890,950)
Add: 50% fair value of Manufacturing Business equity interest invested by the Company	449,677,578
Less: 50% fair value of Manufacturing Business equity interest invested by Suntory Company	(683,388,064)
50% of Cash invested in Manufacturing Business by Suntory Company	(8,057,759)
50% supplementary payment to Manufacturing Company in cash by Suntory Company	(31,450,000)
Total combination consideration	(366,109,195)
Less: 50% fair value of identifiable net assets of Sales Business invested by Suntory Company	195,567,203
Goodwill/(non-operating income)	(170,541,992)

II. MANAGEMENT DISCUSSION AND ANALYSIS

1. Discussion and analysis of the operations during the Reporting Period

In 2013, under the situation that the growth of domestic beer market slowed down (in accordance with the statistics from National Bureau of Statistics, the full year production volume of the domestic beer industry reached 506.2 million hl, increasing by 4.59% from the corresponding period in prior year), and the severe market competition caused by the excessive production capacity and low demands in the beer industry, as led by the Board, the Company's management team led the employees, with high sense of responsibility and active entrepreneurial spirit, focusing on the resources, to make efforts to expand the market and actively increase the market share, which further consolidated and improved the Company's leading position in the domestic market. The Company's full year sales volume of beer reached 87 million hl, increasing by 10.14% from the corresponding period in prior year. The domestic market share reached 17.19%, increasing by 1.07 percentage points.

Within the year, the sales volume of the Company's primary brand, Tsingtao Beer, reached 45 million hl, in which that of the high-value-added beer products including canned beer, small-bottled beer, draft beer and Augerta reached 15.8 million hl in the domestic market, increasing by 12.64% from the corresponding period in prior year. The Company actively explored its value chain, and made efforts to control the production costs to reduce the cost of package materials. The Company's full year revenues reached RMB28.291 billion, increasing by 9.73% from the corresponding period in prior year, and the net profits attributable to the shareholders of listed company reached RMB1.973 billion, increasing by 12.20% from the corresponding period in prior year.

Interpretation on development strategy and progress of operating plan

Within the year, the Company continued to implement the development strategy of "double-drive". On one hand, it effectively increased the utilization rate of existing production capacity through the internal growth, and on the other hand, it further improved the layout of the domestic market, and changed the competition situation in the regional markets through the new constructions of plants, and mergers and acquisitions. In April, the Company and Suntory Company formally carried out the integration in the Eastern China market, and played the satisfying regional synergistic effect, which resulted in the upgrade of product mix. At the end of the year, the Company entered into a framework agreement of acquiring 50% equity interests in Hebei Jiahe Brewery Co., Ltd., and successfully realized the cooperation with Zhangjiakou Xinzhonglou Brewery, and started the construction project of a new plant for an annual production capacity of 2 million hl, which further increased the Company's advantages in competition in the Northern China market. The Company's constructions of new plants in Jiujiang, Jiangxi Province and Luoyang, Henan Province had been completed and put into production respectively at the end of the year, which will play an important role for the Company in further expanding the local markets.

It is the 110th anniversary of the founding of Tsingtao Brewery Factory in 2013. In the theme of "For 110 years, we produce high-quality beer only", the Company strengthened its promotion and propaganda in the product market, and held large beer festivals in different cities in China, which improved the brand image and expanded its influence in the markets.

It is also the 20th anniversary of the Company's public listing. At the same time of making efforts to create more values for the shareholders, the Company actively rewarded the massive shareholders with the Company's development that, it has distributed cash dividends to the shareholders for 14 years in consecution with growing amount. The Company's spirit of proactiveness, motivation and integrity received acknowledgement from the domestic and overseas investors.

Analysis of the core competitiveness

The Company's profit mode is: base market + brand premium. As one of the first batch of top 10 famous brands in China, the "Tsingtao Beer" brand owned by the Company has strong brand influence and high awareness in the domestic and overseas markets. In 2013, Tsingtao Beer's brand value reached RMB80.5 billion (as published by the World Brand Lab), which had been far ahead of other brands in the domestic beer industry for years. The awareness and competitiveness in the regional markets of the Company's other beer brands like "Laoshan Beer", "Shanshui Beer", "Hans Beer" and "Yinmai Beer" has also been improving for years, which satisfied the market consumption needs of different levels.

As a brewery which has the longest history in China, the Company takes the product quality seriously. The Tsingtao Beer products have won championship for various times in the domestic and overseas quality contests, and obtained good reputation from the domestic and overseas consumers. In recent years, through the continuous reconstructions and improvements, the Company's main production equipment has reached the international advanced standards, and, through the strengthened management and control over the aspects including raw material, technique, technology and operation, secured the food safety and high quality of the products, and also improved the consistency in taste of the products.

The Company has the only state-level key laboratory in the beer industry, the first-class research and development platform in China, high-level research and development team and leading fundamental research ability in China, and has developed many core technologies with its own intellectual property rights, which maintains technically leading position in the domestic beer market. In last year, the Company introduced a series of new products including Tsingtao Beer "Hong Yun Dang Tou" (means "Lucky Strike") to expand its market share, and at the same time, improve the Company's brand image.

Based on the sales mode of "Big Customer + Micro Operations", the Company kept on strengthening the market promotion and deepening the market sales network, and kept on improving its control over the final customers, to consolidate and improve the dominant position in the base markets and the market share in the emerging markets.

2. Board's expectation of the Company's future development

Industrial competition situation and development trend

In recent years, although the growth of China's beer market slowed down, it is still the area which has the rapidest growth in the world. Therefore, it has become an important target of the major international breweries, and the market competition is still in severe situation. As the large breweries have begun to strengthen their market expansion and mergers and acquisitions, the industry has become more concentrated that, in last year, the market share of the top 5 domestic breweries reached over 70%.

We believe that, with the development of China's economy, the promotion of the policy of developing Western China, and the upgrade of the domestic consumption, China's beer market will maintain a continuous and steady growth, and provide more development opportunities for the enterprises with advantages in brand, size and etc.

The upgrade of consumption will lead to the upgrade of product mix and price-hike in the domestic beer industry. In the aspect of sales channel, in addition to the major channels like catering, stores and supermarkets, e-commerce will also bring new growth points for the family beer consumption.

The Company's development strategy

In 2011, the Company determined the development strategy of "double-drive", that is, to keep on expanding the Company's advantages in market competition through the internal growth and external expansion. At present, as the beer industry is in the key period of integration, the Company will continue to implement the development strategy of "double-drive" to consolidate the core base markets and explore the emerging markets to continuously increase its domestic market share.

The Company will focus on "Improving brand image, strengthening quality control, deepening market network", and fully utilize its advantages in brand, technology and size, to continuously improve the Company's core competitiveness.

Operating plan

In 2014, the Company's operating goal is to strive to realize an over 10% growth of the sales volume of beer, which is to improve the Company's size to a new level, to continue to maintain its advantages in the future market competition, and obtain continuous growth. The Company will implement the active market development strategy, play the synergistic effect through sports marketing and optimal configuration of internal resources, promote the faster growth in the different regional markets, and maintain its leading position in the domestic beer market.

Potential operating risks

The beer industry is a traditional industry with full competition. As the competition of international producers in the domestic market becomes more and more severe, the range and depth of the competition among the large breweries will be further upgraded. At the same time, the pressure from the rising costs of labor and market investments is still considerable. The Company will strengthen its internal management and continue to improve the operating efficiency, to realize the Company's continuous, steady and sound development.

III. SHARE CAPITAL

1. During the Reporting Period, no changes happened to the total number of shares or the share capital structure of the Company.

2. During the Reporting Period, no listed securities of the Company were purchased, sold or redeemed by the Company or any of its subsidiaries.

IV. PROPOSED DISTRIBUTION OF FINAL DIVIDENDS

The Board proposed a final dividend of RMB0.45 (with tax) per share in cash for the year ended 31 December 2013. The proposed distribution of dividends is subject to the consideration and approval at the Company's 2013 annual general meeting. The period for closure of register of members for H-share would be set out in the notice of the annual general meeting to be published by the Company separately.

V. CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance. For the year ended 31 December 2013, the Company had been in compliance with the code provisions in the *Corporate Governance Code* as set out in Appendix 14 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (the *"Listing Rules"*). Details of the Company's corporate governance will be set out in the Company's 2013 Annual Report.

VI. AUDIT COMMITTEE

The Audit & Internal Control Committee has been set up under the Board in compliance with the requirements pursuant to Rule 3.21 of the *Listing Rules*, and has reviewed the audited 2013 annual results of the Company.

VII. SIGNIFICANT EVENTS

1. Information on cooperative transaction between the Company and Suntory Company

The seventh Board of the Company held an extraordinary meeting on 5 June 2012 to consider and approve the cooperative transaction between the Company and Suntory Company, and on the same day the both parties entered into *Framework Agreement of Business Joint-investment Company* and *Framework Agreement of Sales Joint-investment Company*, whereby the Company and Suntory Company would reorganize and integrate the assets and business of their respective target subsidiaries in Shanghai and the whole area of Jiangsu Province into the two joint-investment companies, namely, Tsingtao Brewery Suntory (Shanghai) Sales Co., Ltd. and Suntory Tsingtao Brewery (Shanghai) Co., Ltd. As at the end of the Reporting Period, the two companies had completed the registration procedures and formally started the operation.

For details, please refer to the Notes 17 to Financial Information as set out in this Announcement.

2. Purchase and sale of equity interests or assets

(1) As considered and approved at the fifteenth meeting of the seventh Board held by the Company on 16 December 2013, the Company and the shareholders of Jiahe Brewery Co., Ltd. ("Jiahe Brewery") entered into *Equity Interests Transfer Agreement* on 12 February 2014, whereby the Company agreed to acquire 50% equity interests held by the Labor Union of Jiahe Brewery in Hebei Jiahe Brewery Co., Ltd. for RMB300 million. The registration for the changes at the industry and commerce administration authority due to the Company's acquisition of equity interests has been completed on 25 February 2014.

(2) As considered and approved at an extraordinary meeting of the seventh Board held on 27 December 2013, the Company entered into *Framework Agreement for the Project Cooperation* on 29 December 2013 with the People's Government of Xuanhua District of Zhangjiakou ("Xuanhua District Government") and Xuanhua Xinzhonglou Brewery Co., Ltd. ("Xinzhonglou Brewery"), whereby the Company agreed to acquire the assets related to the sales business of Xinzhonglou Brewery for RMB20 million. At the same time, in accordance with the industrial adjustment plan of Xuanhua District Government, the Company has established a company in Xuanhua District and planned to construct a project of Tsingtao Industrial Estate for a production capacity of 2 million hl/year at the first phase. The investment for the project is approximately RMB328.01 million in aggregate. Xinzhonglou Brewery agreed that, after the Company had completed the construction of industrial estate in Xuanhua District, Zhangjiakou, Xinzhonglou Brewery would stop its production and exit the beer industry. As at the date of this Announcement, the transfer between the Company and Xinzhonglou Brewery of the assets related to the sales of beer has been completed. The Company has obtained the pre-approval for the name of the new company established in Xuanhua District, namely, Tsingtao Brewery (Zhangjiakou) Company Limited.

(3) As considered and approved by the Board in May 2013, Tsingtao Brewery Hans Baoji Company Limited ("Hans Baoji") acquired the assets related to the beer business including the trademark of "Baoji Beer", land use right and fixed assets owned by Baoji Beer Co., Ltd. for a consideration of RMB16 million in cash, and accepted all staff listed in the payroll. At the same time, the Company, in accordance with the industrial adjustment plan of the local government, has planned to relocate and construct a project of Tsingtao Industrial Estate for a production capacity of 3 million hl/year at the first phase in Chengcang District Economic Development Zone in Baoji City. The investment for the project is approximately RMB355.29 million in aggregate.

3. Matters on close of controlling subsidiaries during the Reporting Period

(1) In July 2013, as approved by the Board, a resolution was passed at the general meeting of Tsingtao Brewery (Taierzhuang) Malt Company Limited ("Taierzhuang Company"), a subsidiary of the Company, to dissolve and liquidate Taierzhuang Company. As at the date of this Announcement, the procedures related to the termination of employment relationship with the staff listed in the payroll of Taierzhuang Company have been completed, and the assets disposal and its related deregistration procedures are in process.

(2) In November 2013, as approved by the Board, a resolution was passed at the general meeting of Tsingtao Brewery South-west Sales Company Limited ("South-west Sales"), a subsidiary of the Company, to dissolve and liquidate South-west Sales. As at the date of this Announcement, the 95% equity interests held by South-west Sales in Tsingtao Brewery (Luzhou) Company Limited have been sold to the Company for a price of RMB116.82 million, and the procedures for the changes at the industry and commerce administration authority have also been completed, while the procedures for the deregistration of South-west Sales are in process.

4. Guarantees and entrusted loans provided by the Company to the subsidiaries during the Reporting Period

(1) In accordance with the *Contract of Counter-guarantee of Foreign Exchanges L/G of China Development Bank Co., Ltd.,* entered into between the Company and China Development Bank Co., Ltd. ("Development Bank"), the Company agreed to provide counter-guarantee for the HKD550 million of letter of guarantee ("L/G") issued by Development Bank to Tsingtao Brewery Hong Kong Trade Company Limited ("Tsingtao HK") for a period from 25 May 2011 to 24 June 2014. As at 31 December 2013, the balance of the amount guaranteed by the Company was HKD390 million.

(2) During the Reporting Period, no event relating to the entrusted wealth management had occurred. To secure the production and operation of its subsidiaries, upon the approval by the Board, approximately RMB822.65 million in aggregate of entrusted loans was provided by the Company to its controlling subsidiaries.

5. During the Reporting Period, the Company did not involve in any newly arising significant litigations or arbitration affairs.

Tsingtao Brewery Company Limited
Chairman
SUN Ming Bo

Qingdao, the People's Republic of China
25 March 2014

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

Executive Directors:	*Mr. SUN Ming Bo (Chairman), Mr. WANG Fan (Vice Chairman), Mr. HUANG Ke Xing, Ms. JIANG Hong and Mr. SUN Yu Guo*
Non-executive Directors:	*Mr. Yasutaka SUGIURA and Mr. CHEN Zhi Cheng*
Independent Non-executive Directors:	*Mr. WANG Xue Zheng, Mr. ZHAO Chang Wen, Mr. WU Xiao Bo and Mr. MA Hai Tao*