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TSINGTAO BREWERY COMPANY LIMITED

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

(Stock Code: 168)

ANNOUNCEMENT OF 2023 INTERIM RESULTS

The Board of Directors (“the Board”) of Tsingtao Brewery Company Limited (“the Company” or “Company”) is pleased to report the unaudited interim results of the Company and its subsidiaries (“the Group”) for the six months ended 30 June 2023 (“the Reporting Period”) made pursuant to the China Accounting Standards for Business Enterprises.

I. INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan unless otherwise stated)

Consolidated Balance Sheet

ASSETS	Note	30 June 2023 (unaudited)	31 December 2022
Current assets			
Cash at bank and on hand		18,677,844,577	17,854,931,855
Financial assets held for trading		7,086,564,553	2,683,817,846
Notes receivable		3,000,000	4,500,000
Accounts receivable	2	175,496,574	119,599,728
Advances to suppliers		234,084,502	281,866,630
Other receivables		138,908,350	682,770,179
Inventories		2,384,099,725	4,152,187,132
Current portion of non-current assets		4,668,169	—
Other current assets		4,404,833,281	6,222,809,869
Total current assets		33,109,499,731	32,002,483,239
Non-current assets			
Long-term equity investments		364,423,349	368,128,466
Other non-current financial assets		904,164,600	600,000
Investment properties		45,474,957	29,056,456
Fixed assets		10,872,523,679	11,009,077,139
Construction in progress		578,470,318	456,529,051
Right-of-use assets		145,553,773	154,916,167
Intangible assets		2,487,600,595	2,557,820,344
Goodwill		1,307,103,982	1,307,103,982
Long-term prepaid expenses		91,998,664	101,670,196
Deferred tax assets		2,313,608,250	2,250,079,564
Other non-current assets		110,703,368	74,235,192
Total non-current assets		19,221,625,535	18,309,216,557
TOTAL ASSETS		52,331,125,266	50,311,699,796

Consolidated Balance Sheet (continued)

LIABILITIES AND EQUITY	<i>Note</i>	30 June 2023 (unaudited)	31 December 2022
Current liabilities			
Short-term borrowings		–	225,411,423
Notes payable		361,924,586	198,056,961
Accounts payable	3	4,765,502,796	3,463,768,573
Contract liabilities		5,753,508,818	8,909,252,504
Employee benefits payable	4	2,190,967,393	2,180,772,440
Taxes payable		1,320,944,506	771,894,656
Other payables		6,127,384,192	3,394,613,087
Current portion of non-current liabilities		55,738,680	49,263,731
Other current liabilities		95,579,212	478,755,359
Total current liabilities		20,671,550,183	19,671,788,734
Non-current liabilities			
Lease liabilities		82,850,494	98,401,477
Long-term payables		16,244,766	16,283,766
Long-term employee benefits payable		888,803,259	918,404,801
Deferred income		3,111,827,165	3,132,390,832
Deferred tax liabilities		221,223,746	202,117,651
Total non-current liabilities		4,320,949,430	4,367,598,527
Total liabilities		24,992,499,613	24,039,387,261
Equity			
Share capital		1,364,232,790	1,364,232,790
Capital surplus		4,217,003,541	4,154,076,977
Less: Treasury stock		(154,157,067)	(171,854,660)
Other comprehensive income		(68,625,975)	(75,800,581)
Surplus reserve		1,400,704,380	1,400,704,380
General reserve		295,071,942	295,071,942
Undistributed profits	5	19,498,424,119	18,528,390,855
Total equity attributable to shareholders of the Company		26,552,653,730	25,494,821,703
Non-controlling interests		785,971,923	777,490,832
Total equity		27,338,625,653	26,272,312,535
TOTAL LIABILITIES AND EQUITY		52,331,125,266	50,311,699,796

Consolidated Income Statement

	<i>Note</i>	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Revenue	6	21,591,789,633	19,272,658,300
<i>Less:</i> Cost of sales	6	(13,126,371,443)	(11,930,613,027)
Taxes and surcharges	7	(1,421,970,263)	(1,320,399,233)
Selling and distribution expenses		(2,387,993,047)	(2,126,216,140)
General and administrative expenses		(654,978,678)	(706,308,797)
Research and development expenses		(22,160,455)	(17,002,004)
Finance expenses		223,129,607	185,432,485
Including: Interest expenses		(4,259,760)	(4,675,899)
Interest income		236,690,677	204,593,833
<i>Add:</i> Other income		169,697,462	243,796,534
Investment income		93,039,790	111,473,837
Including: Share of profit of associates and a joint venture		18,533,007	19,239,773
Profits arising from changes in fair value (Losses are listed with “-”)		127,479,565	110,885,577
Credit impairment losses (Losses are listed with “-”)		711,665	1,810,099
Asset impairment losses (Losses are listed with “-”)		(1,189,427)	(962,720)
Gains on disposals of assets (Losses are listed with “-”)	8	11,092,590	20,770,250
Operating profit		4,602,276,999	3,845,325,161
<i>Add:</i> Non-operating income		7,886,606	4,300,078
<i>Less:</i> Non-operating expenses		(6,043,569)	(4,520,841)
Total profit		4,604,120,036	3,845,104,398
<i>Less:</i> Income tax expense	9	(1,122,838,779)	(936,788,072)
Net profit		3,481,281,257	2,908,316,326
Classified by continuity of operations			
Net profit from continuing operations		3,481,281,257	2,908,316,326
Net profit from discontinued operations		-	-
Classified by ownership of the equity			
Attributable to shareholders of the Company		3,425,652,286	2,852,094,449
Attributable to non-controlling interests		55,628,971	56,221,877
Other comprehensive income, net of tax		5,824,235	(5,672,756)
Other comprehensive income attributable to shareholders of the Company, net of tax			
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		272,018	(102,868)
Currency translation differences		6,902,588	(5,580,879)
Other comprehensive income attributable to non-controlling interests, net of tax		(1,350,371)	10,991
Total comprehensive income		3,487,105,492	2,902,643,570
Attributable to shareholders of the Company		3,432,826,892	2,846,410,702
Attributable to non-controlling interests		54,278,600	56,232,868
Earnings per share	10		
Basic earnings per share		2.516	2.100
Diluted earnings per share		2.515	2.099

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 change 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 statements for the year of 2022 and the period ended 30 June 2023 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

	30 June 2023 (unaudited)	31 December 2022
Accounts receivable	353,546,006	297,637,369
<i>Less:</i> Provision for bad debts	(178,049,432)	(178,037,641)
	<u>175,496,574</u>	<u>119,599,728</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 100 days to dealers.

2 Accounts receivable (continued)

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

	30 June 2023 (unaudited)	31 December 2022
Within 1 year	175,504,957	119,595,685
1 to 2 years	39,602	38,937
2 to 3 years	–	1,300
Over 5 years	<u>178,001,447</u>	<u>178,001,447</u>
	<u>353,546,006</u>	<u>297,637,369</u>

Accounts receivable is 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 analyzed as below:

	30 June 2023 (unaudited)	31 December 2022
Within 1 year	4,748,198,140	3,448,520,398
1 to 2 years	6,105,147	7,146,485
2 to 3 years	4,964,572	912,839
Over 3 years	<u>6,234,937</u>	<u>7,188,851</u>
	<u>4,765,502,796</u>	<u>3,463,768,573</u>

Accounts payable is 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

	30 June 2023 (unaudited)	31 December 2022
Short-term employee benefits payable	1,820,377,989	1,749,475,431
Defined contribution plans payable (i)	24,137,182	23,871,003
Termination benefits payable	321,255,895	382,451,799
Supplemental post-employment benefits payable	25,196,327	24,974,207
	<u>2,190,967,393</u>	<u>2,180,772,440</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 16 June 2023, the Company approved a cash dividend of RMB1.30 per share (tax included) and a special dividend of RMB0.50 per share (tax included). In total, the Company approved a cash dividend of RMB1.80 per share (tax included) to the shareholders of the Company of RMB 2,455,619,022 for the year of 2022, based on a total number of 1,364,232,790 shares and the Company paid the cash dividend before 11 August 2023 (2022: 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 shares and been paid before 12 August 2022 by the Company).

No interim dividend for the six months ended 30 June 2023 has been proposed by the Board (For the six months ended 30 June 2022: nil).

6 Revenue and cost of sales

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Revenue from main operation	21,365,429,380	19,067,953,700
Revenue from other operations	226,360,253	204,704,600
	<u>21,591,789,633</u>	<u>19,272,658,300</u>
	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Cost of main operation	(13,007,892,186)	(11,807,931,128)
Cost of other operations	(118,479,257)	(122,681,899)
	<u>(13,126,371,443)</u>	<u>(11,930,613,027)</u>

7 Taxes and surcharges

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Consumption tax	1,041,396,774	968,654,742
City maintenance and construction tax	169,393,084	155,931,831
Education surcharges	125,385,831	116,003,091
Real estate tax	32,558,933	31,999,649
Land use tax	29,264,949	28,305,827
Stamp tax	19,786,859	16,185,827
Others	4,183,833	3,318,266
	<u>1,421,970,263</u>	<u>1,320,399,233</u>

8 Gains on disposals of assets

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Gains on disposals of intangible assets	7,696,611	2,394,093
Gains on disposals of fixed assets	3,131,282	17,880,192
Gains on disposals of right-use-of assets	264,697	495,965
	<u>11,092,590</u>	<u>20,770,250</u>

9 Income tax expense

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax	1,151,876,908	1,051,988,909
Current profits tax calculated according to tax law and related regulations in Hong Kong SAR — Hong Kong profits tax	11,380,373	1,046,702
Current profits supplemental tax calculated according to tax law and related regulations in Macau SAR — Macau profits supplemental tax	235,036	228,341
Deferred income tax	(40,653,538)	(116,475,880)
	<u>1,122,838,779</u>	<u>936,788,072</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:

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Total profit	<u>4,604,120,036</u>	<u>3,845,104,398</u>
Income tax expense calculated at applicable tax rates	1,149,462,058	960,519,461
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	25,972,764	12,466,476
Income not subject to tax	(10,103,428)	(12,244,515)
Utilization of previously unrecognized deferred tax assets due to the influence of deductible tax losses and deductible temporary differences	(89,645,271)	(70,909,122)
Deductible temporary differences for which no deferred tax assets were recognized	25,416,698	13,035,605
Deductible tax losses for which no deferred tax assets were recognized	<u>21,735,958</u>	<u>33,920,167</u>
Income tax expense	<u>1,122,838,779</u>	<u>936,788,072</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 for the current period is 20%; The applicable enterprise income tax rate of the Company and other subsidiaries incorporated and operated in mainland China for the current period is 25%.

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

Tsingtao Brewery Hong Kong Trading Co., Ltd, Asia Brewery (Macau) Co., Ltd and Tsingtao Brewery Vietnam Co., Ltd, the Company's subsidiaries, 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 period. Macau profits supplemental tax is imposed on the estimated taxable profit for the period 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 period.

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:

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Consolidated net profit attributable to shareholders of the Company	3,425,652,286	2,852,094,449
Less: Cash dividends of restricted shares expected to be vested in the future	(15,829,020)	(14,709,198)
Consolidated net profit attributable to ordinary shareholders of the Company	3,409,823,266	2,837,385,251
Weighted average numbers of ordinary shares outstanding	1,355,358,334	1,350,982,795
Basic earnings per share	<u>2.516</u>	<u>2.100</u>
Including:		
— Basic earnings per share from continuing operations:	2.516	2.100

(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. For the six months ended 30 June 2023, the restricted shares incentive plan implemented by the Company has a dilutive effect on earnings per share, which is calculated as follows:

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	3,425,652,286	2,852,094,449
Weighted average numbers of ordinary shares outstanding	1,355,358,334	1,350,982,795
Weighted average number of ordinary shares increased due to share-based payments	6,604,755	8,024,178
Weighted average number of ordinary shares outstanding after dilution	<u>1,361,963,089</u>	<u>1,359,006,973</u>
Diluted earnings per share	<u>2.515</u>	<u>2.099</u>
Including:		
— Diluted earnings per share from continuing operations:	2.515	2.099

11 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. 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 six months ended 30 June 2023 is as follows (unaudited):

	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	13,408,821,868	1,632,177,525	4,050,094,965	1,642,307,735	504,808,531	349,991,749	268,073	3,319,187	-	21,591,789,633
Inter-segment revenue	1,940,798,408	458,041,085	1,110,504,878	208,243,069	3,541,811	154,365,465	6,123,515	15,376,454	(3,896,994,685)	-
Cost of sales	(10,261,691,215)	(1,380,069,065)	(3,528,449,373)	(1,274,901,163)	(353,549,797)	(377,421,339)	(253,969)	(18,305,411)	4,068,269,889	(13,126,371,443)
Selling and distribution expenses	(1,630,220,770)	(180,796,710)	(295,105,087)	(176,060,701)	(73,118,057)	(32,691,722)	-	-	-	(2,387,993,047)
Interest income	48,963,617	15,231,017	30,848,923	6,017,944	1,575,780	1,468,928	198,012,623	57,452,342	(122,880,497)	236,690,677
Interest expenses	(112,516)	(1,654,359)	(402,588)	(7,423,974)	(1,338,495)	(2,600,292)	(123,770,177)	-	133,042,641	(4,259,760)
Share of profits of associates and a joint venture	-	-	-	-	-	-	-	18,533,007	-	18,533,007
Credit impairment (losses)/reversals	(1,541,027)	-	(103,471)	-	-	(11,791)	2,367,954	-	-	711,665
Asset impairment losses	(49,817)	(1,139,610)	-	-	-	-	-	-	-	(1,189,427)
Depreciation and amortization	(268,624,343)	(71,662,333)	(111,321,836)	(68,076,858)	(17,565,866)	(1,780,025)	(931,230)	(43,829,791)	-	(583,792,282)
Total profit/(losses)	2,534,877,019	344,178,146	1,018,934,759	194,711,014	48,438,804	98,756,413	194,637,752	(12,309,750)	181,895,879	4,604,120,036
Income tax expense	(653,224,226)	(68,048,060)	(248,458,332)	(29,082,459)	(3,226,592)	(34,021,366)	(48,884,902)	6,456,838	(44,349,680)	(1,122,838,779)
Net profit/(losses)	1,881,652,793	276,130,086	770,476,427	165,628,555	45,212,212	64,735,047	145,752,850	(5,852,912)	137,546,199	3,481,281,257
Total assets	17,534,417,965	4,677,750,664	9,889,379,366	3,742,055,648	911,761,556	532,244,505	23,484,139,676	14,079,588,558	(22,520,212,672)	52,331,125,266
Total liabilities	14,030,109,417	2,016,679,636	4,939,962,290	3,044,238,514	539,281,420	307,978,691	19,998,551,116	2,640,302,979	(22,524,604,450)	24,992,499,613
Non-cash expenses other than depreciation and amortization	12,966,942	410,735	2,608,412	1,176,865	90,980	51,785	-	-	-	17,305,719
Long-term equity investments in associates and a joint venture	-	-	-	-	-	-	-	364,423,349	-	364,423,349
Additions of non-current assets (i)	284,360,416	45,948,216	140,253,918	34,727,254	1,348,240	1,393,230	373,425	31,582,454	(865,591)	539,121,562

(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 six months ended 30 June 2022 is as follows (unaudited):

	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	11,813,407,333	1,514,592,862	3,656,945,661	1,442,427,314	474,309,302	360,675,014	7,442,271	2,858,543	-	19,272,658,300
Inter-segment revenue	1,624,577,674	401,119,797	1,082,088,778	152,016,126	4,230,478	237,828,606	6,547,966	14,203,860	(3,522,613,285)	-
Cost of sales	(9,054,323,304)	(1,269,472,912)	(3,235,932,958)	(1,162,631,654)	(341,571,871)	(491,893,458)	(14,788)	(16,820,930)	3,642,048,848	(11,930,613,027)
Selling and distribution expenses	(1,394,877,861)	(179,530,842)	(266,191,086)	(157,540,159)	(66,382,101)	(61,694,091)	-	-	-	(2,126,216,140)
Interest income	41,055,218	13,528,279	29,174,767	5,817,648	1,413,621	561,804	167,156,801	52,477,759	(106,592,064)	204,593,833
Interest expenses	(1,452,024)	(1,589,381)	(781,196)	(7,293,770)	(1,436,914)	(1,246,689)	(109,157,134)	-	118,281,209	(4,675,899)
Share of profits of associates and a joint venture	-	-	-	-	-	-	-	19,239,773	-	19,239,773
Credit impairment reversals/(losses)	3,002,241	-	(73,311)	-	-	(69,234)	(1,213,077)	163,480	-	1,810,099
Asset impairment losses	(815,745)	3,819	-	-	-	-	(150,794)	-	-	(962,720)
Depreciation and amortization	(237,251,644)	(73,676,887)	(114,127,085)	(71,636,688)	(17,045,146)	(1,993,237)	(1,030,588)	(37,767,165)	-	(554,528,440)
Total profit/(losses)	2,185,478,630	278,204,963	925,729,864	82,019,722	41,597,653	35,556,821	184,747,637	(19,762,268)	131,531,376	3,845,104,398
Income tax expense	(571,928,840)	(51,646,677)	(217,253,572)	(9,891,775)	(2,048,496)	(6,258,586)	(46,264,244)	-	(31,495,882)	(936,788,072)
Net profit/(losses)	1,613,549,790	226,558,286	708,476,292	72,127,947	39,549,157	29,298,235	138,483,393	(19,762,268)	100,035,494	2,908,316,326
Total assets	17,602,426,026	4,573,468,249	9,805,832,298	3,783,466,101	914,513,733	620,667,472	20,984,633,956	13,127,193,496	(21,335,194,525)	50,077,006,806
Total liabilities	14,345,038,180	2,080,354,482	5,362,552,761	3,258,935,993	596,927,043	656,654,556	17,761,993,554	1,662,609,060	(21,151,062,018)	24,774,003,611
Non-cash expenses other than depreciation and amortization	14,230,095	502,845	2,821,100	1,566,761	98,440	66,171	-	-	-	19,285,412
Long-term equity investments in associates and a joint venture	-	-	-	-	-	-	-	367,289,978	-	367,289,978
Additions of non-current assets (i)	781,115,425	46,636,132	105,183,763	44,490,647	4,995,314	751,973	452,264	14,290,148	(11,639,393)	986,276,273

(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:*

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Revenue from external customers		
Mainland China	21,233,299,551	18,880,860,967
Hong Kong and Macau SAR	93,597,869	79,159,672
Other overseas countries and regions	264,892,213	312,637,661
	<u>21,591,789,633</u>	<u>19,272,658,300</u>
	30 June 2023 (unaudited)	30 June 2022 (unaudited)
Total non-current assets		
Mainland China	15,988,370,175	15,883,610,990
Hong Kong and Macau SAR	15,480,731	13,847,514
Other overseas countries and regions	1,779	6,367
	<u>16,003,852,685</u>	<u>15,897,464,871</u>

II. DIVIDEND

According to the provisions of the Company's Articles of Association, the Company will not distribute interim dividends for the six months ended 30 June 2023.

III. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Introduction to General Information of the Company's Operating Activities during the Reporting Period

In the first half of 2023, the Company continued unswervingly promoting the implementation of the high-quality development strategy and accelerating its innovation-driven digital transformation. The Company gave full play to Tsingtao's advantages in brand, quality, production base and channel network, promoted its high-end, intelligent and green development, continuously intensified its efforts in market expansion, scientific and technological innovation, digital transformation, brand enhancement and product structure optimization, and actively increased income and reduced expenditure, controlled costs and reduced expenses and improved quality and efficiency, realizing the sustained and rapid growth of operating performance.

In the first half of the year, the Company realized the cumulative product sales of 5.023 million kiloliters, up 6.5% year on year; operating revenue of RMB21.59 billion, up 12.0% year on year; net profit attributable to shareholders of listed companies of RMB3.43 billion, up 20.1% year on year; and net profit attributable to shareholders of listed companies after deducting non-recurring profit and loss of RMB3.23 billion, up 24.6% year on year, presenting a sound development trend that the profit growth is higher than the revenue growth and the revenue growth is higher than the sales growth.

During the reporting period, the Company consolidated market foundation by taking the construction of base strategic zone as guidance, cemented and promoted the dominant position of the base market, spurred regional market integration and development, strengthened regional network construction, and strived to realize the coverage of a full range of multi-channel products and the steady increase of market share. The Company grasped the favorable opportunity of market channel restoration and consumption recovery to achieve the continued improvement of product structure and profitability by carrying out marketing and promotional activities around Tsingtao's one hundred and twentieth birthday. During the reporting period, Tsingtao's master brands realized the total product sales of 2.812 million kiloliters, a 8.2% up year on year; of which, 1.975 million kiloliters for medium and high-end products or above, a 15% up year on year.

During the reporting period, the Company continued to push forward brand optimization and enhancement, persistently promoted immersive brand experience model, deepened and expanded the "Sports Marketing + Music Marketing + Experience Marketing"-centered connection between brands and consumers, realizing continued improvement of brand influence and competitiveness. Additionally, the Company consolidated and improved the competitive advantages of Tsingtao's medium and high-end products through initiatives such as creating classic products of Tsingtao, rebuilding the young and fashion image of Tsingtao Draft and focusing on the promotion of white beer and other new mainstream products.

The Company, depending on its strong R&D strength, accelerated the progress of the “attractive quality improvement program”, kept on launching new products leading industrial consumption trend and manifesting the charm of the one hundred and twenty-year brand of Tsingtao. The Company launched innovative high-end fresh products such as the 1L Boutique Original Beer and 1L Crystal Draft, retaining the fresh flavor of beer to the maximum extent. By relying on the smart supply chain system, the Company realized the rapid response, cold chain distribution and direct delivery of fresh products, meeting the consumers’ increasing need for fresh beer, especially for high-end fresh beer products.

During the reporting period, the Company quickened its pace of transformation to digital and intelligent operation, accelerated the progress of digital application of whole supply chain, increased the depth of digital coverage in the channel field, built the supplier-to-dealer whole smart supply chain system, promoted local-to-whole digital construction, realizing improved channel operation ability and efficiency.

2023 is Tsingtao’s one hundred and twentieth birthday and the 30th anniversary of the Company since it was reorganized and went public. The Company put forward and initiated the “Set Sail again after a Journey of One Hundred and Twenty Years” strategy, made the master beer business stronger and better through strategic measures such as aiding operation with scale, intelligence and digitalization, enhanced the enterprise’s market competitiveness, strengthened the efforts to and increased the speed of the high-quality development, quickened its pace to march toward the goal of becoming a worldwide first-class enterprise characterized by “superior products, outstanding brand, leading innovation and modern governance”.

(II) Core Competitiveness Analysis

The Company’s core competitiveness and the discussion and analysis on the Company’s future developments (including the Company’s development strategy and business plan) did not change during the Reporting Period. Please refer to the Company’s 2022 Annual Report for details.

IV. SIGNIFICANT EVENTS

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

1. At the second extraordinary meeting of 2023 of the tenth session of the Board of Directors and the first extraordinary meeting of 2023 of the tenth session of the Board of Supervisors held by the Company on 5 May 2023, the “Proposal on Fulfillment of the Unlocking Conditions for the First Unlocking Period under the Reserved Grant of the Restricted Shares under the Restricted A Share Incentive Plan (“the Incentive Plan”)” was reviewed and approved. The first unlocking period under the reserved grant under the Incentive Plan is expiring and the corresponding conditions for unlocking the restricted shares under the Incentive Plan have been fulfilled. It is therefore agreed that the Company shall deal with the unlocking matters in relation to the 33 qualified participants with a total of 96,667 restricted shares. The listing and circulation time of the unlocked shares is 26 May 2023.

2. At the fifth extraordinary meeting of 2023 of the tenth session of the Board and the second extraordinary meeting of 2023 of the tenth session of the Board of Supervisors held by the Company on 10 July 2023, the “Proposal on Fulfillment of the Unlocking Conditions for the Second Unlocking Period under the First Grant of the Restricted Shares under the Restricted A Share Incentive Plan was reviewed and approved. The second unlocking 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 612 qualified participants with a total of 4,328,702 restricted shares. The listing and circulation time of the unlocked shares is 24 July 2023. 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 5 May 2023, 22 May 2023, 10 July 2023 and 18 July 2023 published on the websites of Hong Kong Exchanges and Clearing Limited.

(II) Others

1. During the Reporting Period, the Company was not involved in any new significant litigation or arbitration.
2. During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

V. REVIEW OF THE UNAUDITED INTERIM RESULTS

The Audit & Internal Control Committee of the Board has reviewed the Company’s unaudited 2023 interim results.

VI. CORPORATE GOVERNANCE CODE

The Company was listed simultaneously on Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited and its corporate governance practices shall comply with the requirements of applicable laws and securities regulations of both Shanghai and Hong Kong. The Company is dedicated to maintain a high level of corporate governance and abided by all the codes and provisions set out in the Corporate Governance Code of Appendix 14 of the Listing Rules during the Reporting Period.

By order of the Board
TSINGTAO BREWERY COMPANY LIMITED
Chairman
HUANG Ke Xing

Qingdao, People's Republic of China
25 August 2023

As at the date of this Announcement, the board members of the Company are listed as follows:

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*