

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



TSINGTAO BREWERY COMPANY LIMITED

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

(Stock Code: 168)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS WITH TSINGTAO BREWERY GROUP AND ITS SUBSIDIARIES

On 19 January 2023, the Company entered into (i) the Comprehensive Services Framework Agreement with Tsingtao Brewery Group, the term of which is from 1 January 2023 to 31 December 2023; (ii) the Entrusted Production and Product Purchase Framework Agreement with Youjia Health, the term of which is from 1 January 2023 to 31 December 2023; and (iii) the Supply Chain Services Framework Agreement with Zhilian Shunda, the term of which is from 1 January 2023 to 31 December 2023.

Tsingtao Brewery Group is a controlling shareholder of the Company, directly and indirectly holding approximately 32.51% of the shares in the Company. Youjia Health and Zhilian Shunda are indirect wholly-owned subsidiaries of Tsingtao Brewery Group and associates of Tsingtao Brewery Group. Therefore, Tsingtao Brewery Group, Youjia Health and Zhilian Shunda are connected persons of the Company, and the entering into of the Comprehensive Services Framework Agreement, the Entrusted Production and Product Purchase Framework Agreement and the Supply Chain Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the estimated annual cap (calculated on an aggregate basis) of the transactions contemplated under the Comprehensive Services Framework Agreement, the Entrusted Production and Product Purchase Framework Agreement and the Supply Chain Services Framework Agreement is higher than 0.1% but less than 5%, such transactions are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Particulars of the agreements entered into between the Company and Tsingtao Brewery Group, Youjia Health and Zhilian Shunda on 19 January 2023 respectively are set out below:

1. COMPREHENSIVE SERVICES FRAMEWORK AGREEMENT

Date:	19 January 2023
Parties:	the Company; and Tsingtao Brewery Group
Term:	1 January 2023 to 31 December 2023
Nature of transaction:	<p>The Group shall provide quality examination services, health beverage product development services, information network services and human resources services for Tsingtao Brewery Group and its subsidiaries (“Comprehensive Services”).</p> <p>Tsingtao Brewery Group and its subsidiaries shall provide property leasing services to the Group (“Property Leasing Services”).</p>
Pricing basis:	<p>(i) The pricing policy of the Comprehensive Services:</p> <p>According to the actual costs to be incurred in 2023, with reference to the quotations provided by third parties currently cooperating with the Company, and not less than the sum of all costs incurred due to the provision of the Comprehensive Services, including but not limited to equipment costs, consumable costs, labour costs, travel costs, etc.</p> <p>The method of payment will be agreed upon by both parties in signing specific agreements. Based on the differences of items under the Comprehensive Services, specific agreements will be signed to control the processes, and financial settlements will be carried out according to the agreements.</p>

(ii) The pricing policy of the Property Leasing Services:

The relevant pricing policy for leasing the properties of Tsingtao Brewery Group and its subsidiaries by the Company (including but not limited to the rent charged by Tsingtao Brewery Group, payment schedule and method, etc.) will be determined following arm's length negotiations between the two parties with reference to market prices (including but not limited to factors such as geographical location, building standards and surrounding environment, etc.) or the general commercial terms when conducting transactions of such type with independent third parties.

Historical figures for the relevant transactions and annual cap

The 2022 annual cap for the Comprehensive Services transactions between the Company and Tsingtao Brewery Group and its subsidiaries for the period from 1 January 2022 to 31 December 2022 was RMB18 million, and the aggregate amount paid by Tsingtao Brewery Group and its subsidiaries to the Company in connection with the Comprehensive Services transactions for the period from 1 January 2022 to 31 December 2022 was approximately RMB12.37 million (unaudited).

The 2023 annual cap of the transactions contemplated under the Comprehensive Services Framework Agreement is estimated to be RMB20 million. The estimated annual cap amount is determined with reference to (i) the actual utilization rate of the 2022 annual cap and the calculation based on the total costs of services intended to be provided in 2023; and (ii) the calculation based on the demand for the properties to be leased by the Group based on its operational needs with reference to the rental market condition.

2. ENTRUSTED PRODUCTION AND PRODUCT PURCHASE FRAMEWORK AGREEMENT

Date: 19 January 2023

Parties: the Company; and
Youjia Health

Term: 1 January 2023 to 31 December 2023

Nature of transaction: Youjia Health Group shall entrust the Group with producing packaged drinking water products and other beverage products of the brand series of “Nestlé Pure Life”, “Pure Life” and “優活家”, etc. (“**Entrusted Production Services**”) for resale.

Youjia Health Group shall purchase the Group’s products for the purposes of providing employee benefits, etc. (“**Youjia Product Purchase Services**”).

Pricing basis: (i) The Group shall provide the Entrusted Production Services for Youjia Health Group. The pricing principle of the entrusted processing production is based on the following agreement:

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

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

(ii) The pricing policy of Youjia Product Purchase Services:

Not lower than the prices at which the Group sells products of the same type to third parties, in accordance with the product pricing policies adjusted by the Group from time to time.

Historical figures for the relevant transactions and annual cap

The 2022 annual cap for the Entrusted Production Services transactions between the Group and Youjia Health Group for the period from 1 January 2022 to 31 December 2022 was RMB37.76 million, and the aggregate amount paid by Youjia Health Group to the Group in connection with the Entrusted Production Services transactions for the period from 1 January 2022 to 31 December 2022 was approximately RMB1.88 million (unaudited).

The 2023 annual cap of the transactions contemplated under the Entrusted Production and Product Purchase Framework Agreement is estimated to be RMB37.02 million. The estimated annual cap amount is determined with reference to the calculation based on the entrusted processing plan and the demand for product purchase plan of 2023 provided by Youjia Health and the pricing principle.

3. SUPPLY CHAIN SERVICES FRAMEWORK AGREEMENT

- Date: 19 January 2023
- Parties: the Company; and
Zhilian Shunda
- Term: 1 January 2023 to 31 December 2023
- Nature of transaction: Zhilian Shunda Group shall provide the Group with (i) logistics and transportation services, international freight forwarding services and equipment leasing services (transportation services, in-plant logistics or outsourcing services for the Group's products and materials for the product ecological chain such as raw materials, packaging etc.) ("**Logistics and Transportation Services**"); and (ii) warehousing and value-added services (warehousing services such as distribution centres and regional distribution centres, etc. and value-added services such as secondary packaging and express delivery, etc. ("**Warehousing and Value-added Services**"). Zhilian Shunda Group shall (i) lease the idle warehouses of the Group for operation purposes ("**Warehouse Leasing Services**"); and (ii) purchase the Group's products ("**Zhilian Product Purchase Services**").
- The Group shall provide Zhilian Shunda Group with information consulting services, agricultural product sourcing, business negotiation, supervision, quality testing and other agency services ("**Information Consulting and Agency Services**").
- Pricing basis: (i) The pricing policy of the Logistics and Transportation Services will take into account the following factors:
- (a) with reference to the market price or the general commercial terms when conducting transactions of such type with independent third parties, and the said terms shall not be inferior to the current terms of services of the same or comparable type, nature and quality and at similar times provided in the PRC market;

- (b) based on the basic principle of not increasing the logistics costs of the Company, and at the same time establishing a sharing mechanism for the Company and Zhilian Shunda for improving efficiency and reducing costs;
- (c) implement the oil freight rate discount management mechanism of the Company based on the actual transportation prices in January 2023; and
- (d) new routes and oil price fluctuations will strictly follow the Company's pricing management mechanism.

The method of payment in relation to the Logistics and Transportation Services will be agreed upon between the Group and Zhilian Shunda Group in signing specific agreements. The Group usually should pay after the Logistics and Transportation Services provided by Zhilian Shunda Group are completed and accepted after examination.

- (ii) The pricing policy of the Warehousing and Value-added Services:

Warehouse leasing fees, and loading and unloading fees, secondary packaging and express delivery are determined in accordance with the market prices or the general commercial terms when conducting transactions of such type with independent third parties, and the said terms shall not be inferior to the current terms of services of the same or comparable type, nature and quality and at similar times provided in the PRC market.

The method of payment in relation to the freight storage logistics service will be agreed upon between the Group and Zhilian Shunda Group in signing specific agreements. The Group usually pays the fees to Zhilian Shunda Group within a specific period of time following receipt and examination of the correctness of invoices.

(iii) The pricing policy of the Warehouse Leasing Services:

Based on the rental market of where the warehouses of the Group are located, not lower than the local fair rental prices.

The method of payment in relation to the Warehouse Leasing Services will be agreed upon between the Group and Zhilian Shunda Group in signing specific agreements. Zhilian Shunda Group usually should settle the rent for the current month within a specific period of time following receipt and examination of the correctness of invoices.

(iv) The pricing policy of the Zhilian Product Purchase Services:

Not lower than the prices at which the Group sells products of the same type to third parties, in accordance with the product pricing policies adjusted by the Group from time to time.

(v) The pricing policy of the Information Consulting and Agency Services:

Not deviate from the charging standards of independent third parties, based on the fair market prices of services of the same type.

The Group and Zhilian Shunda Group shall sign specific agreements for process control, and financial settlements will be carried out according to the agreements.

Historical figures for the relevant transactions and annual cap

The 2022 annual cap of the Logistics and Transportation Services, Warehousing and Value-added Services and Warehouse Leasing Services transactions between the Group and Zhilian Shunda Group for the period from 1 January 2022 to 31 December 2022 was RMB329 million, and the aggregate amount paid by the Group to Zhilian Shunda Group in connection with the Logistics and Transportation Services, Warehousing and Value-added Services, and received from Zhilian Shunda Group in connection with the Warehouse Leasing Services for the period from 1 January 2022 to 31 December 2022 was approximately RMB293.55 million (unaudited).

With a change of the service portfolio of Zhilian Shunda Group, the estimated annual cap has also been updated. The 2023 annual cap of the transactions contemplated under the Supply Chain Services Framework Agreement is estimated to be RMB508 million. The estimated annual cap amount is determined with reference to (i) the calculation based on the scope of Logistics and Transportation Services to be provided by Zhilian Shunda and the pricing basis; (ii) the calculation based on the actual costs and the scope of services of labour to be provided by Zhilian Shunda; (iii) the calculation based on the area of warehouses to be leased by Zhilian Shunda and reference to market rental prices; (iv) the calculation based on the annual demand plan together with the Company's pricing policy; (v) the calculation based on the estimated costs of specific service items; and (vi) the calculation based on the potential additional demand for manpower and warehouse storage as the Company will be supplying its products to different regions from the previous year.

4. REASONS FOR AND BENEFITS OF ENTERING INTO THE COMPREHENSIVE SERVICES FRAMEWORK AGREEMENT, THE ENTRUSTED PRODUCTION AND PRODUCT PURCHASE FRAMEWORK AGREEMENT AND THE SUPPLY CHAIN SERVICES FRAMEWORK AGREEMENT

In order to realize its diversified development strategy, Tsingtao Brewery Group acquired the drinking water business in the PRC of Nestle through its drinking water company, forming a multi-business, mutually complementary and beneficial and win-win ecosystem. The Company can make use of its production advantages to provide services such as entrusted production services, product purchase services, etc. to the drinking water company under Tsingtao Brewery Group. The supply chain platform under Tsingtao Brewery Group can also make use of its professional advantages to provide the Company with services such as logistics and transportation services, warehousing and other value-added services, and leasing the idle warehouses in the factories of the Group for operation purposes.

Youjia Health currently operates its brand of "Nestlé Pure Life" and "優活家" packaged drinking water and beverages businesses and it has certain advantages in drinking water production and sales channels in Shanghai, Yunnan, etc. in the PRC. Youjia Health will expand into the national market in the future and its existing beverages production capacity is limited. Youjia Health can utilise the factories of the subsidiaries of the Company to process some of the beverage products. Through entrusted processing, the fixed costs of the factory processes of the Company can be diluted and the profitability of the Company can be increased. Through the above arrangements, strategic synergies can be achieved in some production bases and sales channels to create a mutually beneficial and win-win situation.

Zhilian Shunda can utilize its own advantages to provide the Group with integrated logistics and transportation services for dry beer warehouses, as well as value-added services such as warehousing services, secondary packaging and express delivery, which can reduce factory handling and logistics costs, improve shipping efficiency and at the same time, improve the efficiency of warehouse operations and help advance the market.

The Directors (including independent non-executive Directors) considered that the Comprehensive Services Framework Agreement, the Entrusted Production and Product Purchase Framework Agreement and the Supply Chain Services Framework Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that the terms of the agreements and the annual caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Other than Mr. HUANG Ke Xing, Mr. JIANG Zong Xiang, Mr. WANG Rui Yong and Mr. HOU Qiu Yan who are also employed by Tsingtao Brewery Group, and have abstained from voting on the relevant Board resolutions relating to the transactions, none of the Directors have a material interest in the transactions contemplated under the Comprehensive Services Framework Agreement, the Entrusted Production and Product Purchase Framework Agreement and the Supply Chain Services Framework Agreement.

5. LISTING RULES IMPLICATIONS

Tsingtao Brewery Group is a controlling shareholder of the Company, directly and indirectly holding approximately 32.51% of the shares in the Company. Youjia Health and Zhilian Shunda are indirect wholly-owned subsidiaries of Tsingtao Brewery Group and associates of Tsingtao Brewery Group. Therefore, Tsingtao Brewery Group, Youjia Health and Zhilian Shunda are connected persons of the Company, and the entering into of the Comprehensive Services Framework Agreement, the Entrusted Production and Product Purchase Framework Agreement and the Supply Chain Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the estimated annual cap (calculated on an aggregate basis) of the transactions contemplated under the Comprehensive Services Framework Agreement, the Entrusted Production and Product Purchase Framework Agreement and the Supply Chain Services Framework Agreement is higher than 0.1% but less than 5%, such transactions are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The responsibilities and obligations of the Company under the Comprehensive Services Framework Agreement, the Entrusted Production and Product Purchase Framework Agreement and the Supply Chain Services Framework Agreement will be subject to the Company's compliance with the relevant requirements under the Listing Rules and the applicable rules of the Shanghai Stock Exchange in respect of continuing connected transactions.

6. INFORMATION ON THE PARTIES

The Group is principally engaged in the production and sales of brewery products and related business.

Tsingtao Brewery Group is principally engaged in the operation and investment of state-owned assets, and is ultimately owned by the State-owned Assets Supervision and Administration Bureau of the People's Government of Qingdao Municipality* (青島市人民政府國有資產監督管理委員會).

Youjia Health Group is principally engaged in the business relating to beverages.

Zhilian Shunda Group is principally engaged in the business relating to trade, logistics and supply chain finance.

7. DEFINITIONS

In this announcement, the following expressions have the following respective meanings set adjacent below, unless the context requires otherwise:

“associate”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Tsingtao Brewery Company Limited, a Sino-foreign joint stock limited company established in the PRC, the H shares and A shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange respectively
“Comprehensive Services Framework Agreement”	the framework agreement dated 19 January 2023 entered into between the Company and Tsingtao Brewery Group, pursuant to which the Group shall provide Comprehensive Services to Tsingtao Brewery Group and its subsidiaries; and Tsingtao Brewery Group and its subsidiaries shall provide Property Leasing Services to the Group, the terms of which are set out in this announcement
“connected person”	has the meaning as ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company

“Entrusted Production and Product Purchase Framework Agreement”	the framework agreement dated 19 January 2023 entered into between the Company and Youjia Health, pursuant to which Youjia Health Group shall entrust the Group with the provision of the Entrusted Production Services; and purchase the Group’s products, the terms of which are set out in this announcement
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratio(s)”	the percentage ratio(s) calculated according to Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Chain Services Framework Agreement”	the framework agreement dated 19 January 2023 entered into between the Company and Zhilian Shunda, pursuant to which Zhilian Shunda Group shall provide supply chain services to the Group and purchase the Group's products; and the Group shall provide Information Consulting and Agency Services to Zhilian Shunda, the terms of which are set out in this announcement
“Tsingtao Brewery Group”	Tsingtao Brewery Group Company Limited, a limited liability company registered and established in the PRC and a controlling shareholder of the Company, and holds approximately 32.51% of the shares in the Company as at the date of this announcement
“Youjia Health”	Tsingtao Brewery Youjia Health Beverage Company Limited* (青島啤酒優家健康飲品有限公司), a limited liability company registered and established in the PRC and an indirect wholly-owned subsidiary of Tsingtao Brewery Group
“Youjia Health Group”	Youjia Health and its subsidiaries

“Zhilian Shunda”	Tsingtao Zhilian Shunda Technology Company Limited* (青島智鏈順達科技有限公司), a limited liability company registered and established in the PRC and an indirect wholly-owned subsidiary of Tsingtao Brewery Group
“Zhilian Shunda Group”	Zhilian Shunda and its subsidiaries
“%”	per cent

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

Qingdao, the People’s Republic of China
19 January 2023

Directors of the Company as at the date of this 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

* *For identification purpose only*