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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 2009 INTERIM RESULTS

The Board of Directors of Tsingtao Brewery Company Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") prepared pursuant to Hong Kong Financial Reporting Standards (HKFRS) for the six months ended on 30 June 2009 ("reporting period").

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2009

	Note	**Unaudited 30 June 2009 *RMB'000***	Audited 31 December 2008 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**5,641,361**	5,617,314
Intangible assets		**339,548**	249,468
Leasehold land and land use rights		**831,700**	842,077
Prepayment for land use rights		**17,442**	17,442
Interests in jointly controlled entity and associates		**144,691**	28,697
Deferred income tax assets		**238,551**	94,930
Available-for-sale financial assets		**5,369**	10,085
Other non-current assets		**11,186**	10,987
		7,229,848	6,871,000
Current assets			
Inventories		**2,076,027**	2,756,337
Trade receivables	*4*	**86,574**	81,453
Bills receivable		**18,250**	9,055
Income tax recoverable		**5,610**	55,276
Deposits, prepayments and other receivables		**315,307**	363,837
Derivative financial instruments		**1,040**	1,763
Pledged bank deposits		**40,488**	12,466
Cash and cash equivalents		**4,696,395**	2,381,044
		7,239,691	5,661,231
Total assets		**14,469,539**	12,532,231

	Note	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		**1,308,219**	1,308,219
Other reserves		**3,863,139**	3,835,057
Retained earnings			
— Proposed final dividend		**—**	327,055
— Others		**1,251,691**	611,907
		6,423,049	6,082,238
Minority interests		**251,007**	335,377
Total equity		**6,674,056**	6,417,615
LIABILITIES			
Non-current liabilities			
Borrowings and loans	*5*	**1,180,851**	1,157,508
Deferred income tax liabilities		**12,299**	13,117
Deferred government grants		**209,914**	194,198
Other non-current liabilities		**15,162**	36,515
		1,418,226	1,401,338
Current liabilities			
Trade payables	*6*	**1,273,175**	1,208,379
Bills payable		**380,362**	146,983
Accruals and other payables		**3,402,911**	2,390,810
Deposits and advance from customers		**228,269**	340,759
Income tax payable		**120,060**	98,949
Loan due to a third party		**110,543**	107,890
Dividends payable		**327,055**	—
Borrowings and loans	*5*	**534,882**	419,508
		6,377,257	4,713,278
Total liabilities		**7,795,483**	6,114,616
Total equity and liabilities		**14,469,539**	12,532,231
Net current assets		**862,434**	947,953
Total assets less current liabilities		**8,092,282**	7,818,953

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
For the six months ended 30 June 2009

		Unaudited	
		Six months ended 30 June	
		2009	2008
	Note	***RMB'000***	*RMB'000*
Revenue		**8,969,485**	7,790,667
Cost of sales		**(5,933,303)**	(5,293,239)
Gross profit		**3,036,182**	2,497,428
Other gains (net)		**76,110**	77,879
Distribution costs		**(1,857,528)**	(1,610,684)
Administrative expenses		**(387,869)**	(362,154)
Other operating gains		**20,116**	15,117
Operating profit		**887,011**	617,586
Finance costs		**(50,569)**	(22,111)
Share of (loss)/profit of jointly controlled entity and associates-net		**(808)**	609
Profit before income tax		**835,634**	596,084
Income tax expense	*7*	**(169,298)**	(190,529)
Profit for the period		**666,336**	405,555
Profit attributable to:			
— Shareholders of the Company		**639,784**	381,128
— Minority interests		**26,552**	24,427
		666,336	405,555
Earnings per share for profit attributable to the shareholders of the Company (expressed in RMB per share)			
— Basic and diluted	*8*	**0.489**	0.291
Dividends	*9*	**327,055**	287,808

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Profit for the period	**666,336**	405,555
Other comprehensive income		
Fair value loss on available-for-sale financial assets, net of tax	**(2,409)**	(5,691)
Currency translation differences	**234**	(164)
Other comprehensive income for the period, net of tax	**(2,175)**	(5,855)
Total comprehensive income for the period	**664,161**	399,700
Total comprehensive income attributable to:		
— Shareholders of the Company	**637,609**	375,530
— Minority interest	**26,552**	24,170
	664,161	399,700

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Unaudited						
	Attributable to shareholders of the Company						
	Share capital *RMB'000*	Other reserves *RMB'000*	Proposed final dividends *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Minority interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2008	**1,308,219**	**3,632,861**	**287,808**	**280,297**	**5,509,185**	**479,150**	**5,988,335**
Profit for the period	—	—	—	381,128	381,128	24,427	405,555
Other comprehensive income:							
Fair value loss on available-for-sale financial assets, net of tax	—	(5,434)	—	—	(5,434)	(257)	(5,691)
Currency translation differences	—	(164)	—	—	(164)	—	(164)
Total comprehensive income for the period ended 30 June 2008	**—**	**(5,598)**	**—**	**381,128**	**375,530**	**24,170**	**399,700**
Dividends declared	—	—	(287,808)	—	(287,808)	(29,725)	(317,533)
Acquisition of minority interests in subsidiaries	—	(86,993)	—	—	(86,993)	(102,822)	(189,815)
Convertible bond – equity component, net of transaction costs and tax	—	283,064	—	—	283,064	—	283,064
Others	—	466	—	—	466	—	466
	—	**196,537**	**(287,808)**	**—**	**(91,271)**	**(132,547)**	**(223,818)**
Balance at 30 June 2008	**1,308,219**	**3,823,800**	**—**	**661,425**	**5,793,444**	**370,773**	**6,164,217**
Balance at 1 January 2009	**1,308,219**	**3,835,057**	**327,055**	**611,907**	**6,082,238**	**335,377**	**6,417,615**
Profit for the period	—	—	—	639,784	639,784	26,552	666,336
Other comprehensive income:							
Fair value loss on available-for-sale financial assets, net of tax	—	(2,409)	—	—	(2,409)	—	(2,409)
Currency translation differences	—	234	—	—	234	—	234
Total comprehensive income for the period ended 30 June 2009	**—**	**(2,175)**	**—**	**639,784**	**637,609**	**26,552**	**664,161**
Dividends declared	—	—	(327,055)	—	(327,055)	(24,500)	(351,555)
Acquisition of minority interests in subsidiaries	—	30,461	—	—	30,461	(86,742)	(56,281)
Others	—	(204)	—	—	(204)	320	116
	—	**30,257**	**(327,055)**	**—**	**(296,798)**	**(110,922)**	**(407,720)**
Balance at 30 June 2009	**1,308,219**	**3,863,139**	**—**	**1,251,691**	**6,423,049**	**251,007**	**6,674,056**

Notes:

1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with HKAS 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with HKFRSs.

2. Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- HKAS 1 (revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes.

  Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors that makes strategic decisions.

  The Group is mainly engaged in the production and distribution of beer products. The internal reporting provided to the chief operating decision-maker is provided on a basis of geographical segment which is the same as previously reported, accordingly, the number of reportable segments presented is the same as the previously reported.

- Amendment to HKFRS 7, "Financial instruments: disclosures". The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- HKAS 23 (amendment), "Borrowing costs".
- HKFRS 2 (amendment), "Share-based payment".
- HKAS 32 (amendment), "Financial instruments: presentation".
- HK(IFRIC) 9 (amendment), "Reassessment of embedded derivatives" and HKAS 39 (amendment), "Financial instruments: Recognition and measurement".
- HK(IFRIC) 13, "Customer loyalty programmes".
- HK(IFRIC) 15, "Agreements for the construction of real estate".
- HK(IFRIC) 16, "Hedges of a net investment in a foreign operation".
- HKAS 39 (amendment), "Financial instruments: Recognition and measurement".

3. Segment information

The chief operating decision-maker has been identified as the Board of Directors (the "BOD"). The BOD reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

As the Group is mainly engaged in the production and distribution of beer products, the BOD considers the business from a geographic perspective.

The BOD assesses the performance of the operating segments based on profit before income tax which is consistent with that in the financial statements. Other information, as noted below, is also provided to the BOD.

Total assets exclude deferred tax, available-for-sale financial assets, derivative financial instruments and interests in jointly controlled entity and associates, all of which are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

Sales between segments are carried out based on terms agreed. The revenue from external parties reported to the BOD is measured in a manner consistent with that in the condensed consolidated interim statement of comprehensive income.

	(Unaudited)							
	Qingdao Region	Other Shandong Region	Huabei Region	Huanan Region	Overseas	Unallocated	Eliminations	Total Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2009								
Total revenue	4,297,386	1,541,526	1,811,931	2,951,350	184,442	—	(1,817,150)	8,969,485
Inter-segment revenue	(182,497)	(1,212,168)	(327,077)	(94,319)	(1,089)	—	1,817,150	—
Revenue (from external customers)	**4,114,889**	**329,358**	**1,484,854**	**2,857,031**	**183,353**	**—**	**—**	**8,969,485**
Profit before income tax	**325,608**	**168,415**	**149,044**	**236,625**	**48,710**	**(97,357)**	**4,589**	**835,634**
Distribution costs	899,507	98,806	215,202	600,301	43,712	—	—	1,857,528
Depreciation and amortisation	(43,478)	(45,876)	(48,202)	(114,914)	(686)	(16,792)	—	(269,948)
Impairment losses	—	—	—	(1,334)	—	—	—	(1,334)
Finance income	8,320	1,175	2,749	1,517	75	—	—	13,836
Finance costs	(3,686)	(175)	(337)	(7,233)	(2,760)	(36,378)	—	(50,569)
Income tax expense	(21,307)	(32,716)	(31,421)	(76,448)	(7,406)	—	—	(169,298)
Six months ended 30 June 2008								
Total revenue	3,580,185	1,184,277	1,585,849	2,495,378	171,513	—	(1,226,535)	7,790,667
Inter-segment revenue	(122,643)	(893,251)	(176,286)	(33,352)	(1,003)	—	1,226,535	—
Revenue (from external customers)	**3,457,542**	**291,026**	**1,409,563**	**2,462,026**	**170,510**	**—**	**—**	**7,790,667**
Profit before income tax	**341,152**	**35,041**	**59,538**	**196,195**	**33,836**	**(72,165)**	**2,487**	**596,084**
Distribution costs	883,423	97,775	163,876	427,734	37,876	—	—	1,610,684
Depreciation and amortisation	(46,763)	(40,677)	(65,167)	(106,418)	(594)	(12,726)	—	(272,345)
Impairment losses	—	(287)	(932)	—	—	—	—	(1,219)
Finance income	3,218	2,522	1,882	1,543	1,059	—	—	10,224
Finance costs	7,255	(154)	(4,105)	(4,342)	(3,057)	(17,708)	—	(22,111)
Income tax expense	(89,505)	(12,319)	(21,321)	(59,650)	(7,734)	—	—	(190,529)

	(Unaudited)							
	Qingdao Region	Other Shandong Region	Huabei Region	Huanan Region	Overseas	Unallocated	Eliminations	Total Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2009								
Total assets	**2,026,349**	**2,760,171**	**2,508,511**	**5,354,461**	**285,279**	**3,198,402**	**(1,663,634)**	**14,469,539**
Total assets include:								
Interests in jointly controlled entity and associates	—	—	—	—	—	144,691	—	144,691
Additions to non-current assets (other than financial instruments and deferred tax assets)	17,398	115,956	22,359	121,949	16	227,616	—	505,294
Total liabilities	**2,177,480**	**1,003,086**	**1,275,801**	**3,170,965**	**259,059**	**1,650,917**	**(1,741,825)**	**7,795,483**
As at 30 June 2008								
Total assets	**2,708,242**	**2,797,290**	**2,538,735**	**5,112,411**	**338,069**	**1,914,161**	**(1,743,879)**	**13,665,029**
Total assets include:								
Interests in jointly controlled entity and associates	—	—	—	—	—	29,069	—	29,069
Additions to non-current assets (other than financial instruments and deferred tax assets)	38,537	225,790	30,462	270,297	82	8,442	—	573,610
Total liabilities	**2,021,892**	**1,041,824**	**1,274,053**	**3,375,570**	**280,170**	**1,697,728**	**(2,190,425)**	**7,500,812**

Reportable segments' profit before tax was reconciled to total profit before tax as follows:	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Total segment profit before tax	**932,991**	668,249
Share of (loss)/profit of jointly controlled entity and associates-net	**(808)**	609
Interest expense on convertible bond	**(36,378)**	(17,708)
Corporate overhead	**(66,784)**	(53,893)
Other gains/(losses) from derivative instruments	**6,571**	(1,660)
Other unallocated gains	**42**	487
Profit before income tax	**835,634**	596,084

Reportable segments' assets were reconciled to total assets as follows:	30 June 2009	30 June 2008
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Total segment assets	**11,271,137**	11,750,868
Deferred income tax assets	**238,551**	175,429
Interests in jointly controlled entity and associates	**144,691**	29,069
Available-for-sale financial assets	**5,369**	12,634
Derivative financial instruments	**1,040**	—
Corporate cash and equivalents	**2,369,933**	1,315,234
Corporate property, plant and equipment and intangible assets	**434,527**	345,667
Other unallocated corporate assets	**4,291**	36,128
Total assets per balance sheet	**14,469,539**	13,665,029

Reportable segments' liabilities were reconciled to total liabilities as follows:	30 June 2009	30 June 2008
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Total segment liabilities	**6,144,566**	5,803,084
Deferred income tax liabilities	**12,299**	115,033
Derivative financial instruments	**—**	20,300
Convertible bonds payable	**1,161,557**	1,101,761
Dividends payable	**327,055**	311,333
Other unallocated corporate liabilities	**150,006**	149,301
Total liabilities per balance sheet	**7,795,483**	7,500,812

The Group is domiciled in Mainland China. The result of its revenue from external customers in Mainland China for the six months ended 30 June 2009 is approximately RMB8,786,132,000 (for the six months ended 30 June 2008: RMB7,620,157,000), and the total of its revenue from external customers from overseas is approximately RMB183,353,000 (for the six months ended 30 June 2008: RMB170,510,000).

At 30 June 2009, the total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Mainland China is approximately RMB6,983,786,000 (At 31 December 2008: RMB6,763,843,000; At 30 June 2008: RMB6,902,679,000), and the total of these non-current assets located in China Hong Kong is approximately RMB2,142,000 (At 31 December 2008: RMB2,142,000; At 30 June 2008: RMB3,055,000).

4. Trade receivables

The Group has a policy in place that sales are on cash on delivery terms for most of the domestic customers, and letters of credit have to be received for overseas customers. Only certain long-term overseas distributors with good credit history and certain domestic distributors are granted credit terms less than 1 year. At 30 June 2009 and 31 December 2008, the ageing analysis of the trade receivables were as follows:

	As at 30 June 2009 (Unaudited)			As at 31 December 2008		
	Amount	**Provision for impairment of receivables**	**Balance after provision**	Amount	Provision for impairment of receivables	Balance after provision
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	**84,953**	**(71)**	**84,882**	80,843	(835)	80,008
1 to less than 2 years	**1,868**	**(550)**	**1,318**	681	(209)	472
2 to less than 3 years	**889**	**(889)**	**—**	3,828	(3,828)	—
Over 3 years	**263,735**	**(263,361)**	**374**	245,507	(244,534)	973
	351,445	**(264,871)**	**86,574**	330,859	(249,406)	81,453

5. Borrowings and loans

		As at	
	30 June 2009	31 December 2008	30 June 2008
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)		(Unaudited)
Non-current			
Bank borrowings *(a)*	**15,771**	15,868	91,045
Convertible bonds *(b)*	**1,161,557**	1,137,179	1,101,761
Finance lease liabilities	**3,523**	4,461	5,315
	1,180,851	1,157,508	1,198,121
Current			
Bank borrowings *(a)*	**532,317**	416,943	832,155
Finance lease liabilities	**2,565**	2,565	3,206
	534,882	419,508	835,361
	1,715,733	1,577,016	2,033,482

(a) Bank borrowings

Movements of bank borrowings were analysed as follows:

	RMB'000 (Unaudited)
Six months ended 30 June 2008	
Opening amount 1 January 2008	1,072,166
New borrowings	278,457
Repayments of borrowings	(421,528)
Currency translation differences	(5,895)
Closing amount as at 30 June 2008	923,200
Six months ended 30 June 2009	
Opening amount as at 1 January 2009	432,811
New borrowings	280,060
Repayments of borrowings	(164,716)
Currency translation differences	(67)
Closing amount as at 30 June 2009	548,088

The Group had the following undrawn borrowing facilities:

		As at	
	30 June 2009 *RMB'000* **(Unaudited)**	31 December 2008 *RMB'000*	30 June 2008 *RMB'000* (Unaudited)
Floating rate:			
— expiring within one year	**5,390,000**	700,000	1,600,000

Although global market conditions (the "credit crunch") will affect market confidence and consumer spending patterns, the Group remains well placed to grow revenues through ongoing market exploring. The Group does not have any exposure to sub-prime lending or collateralised debt obligations. The Group has sufficient headroom to enable it to conform to covenants on its existing borrowings. The Group has sufficient working capital and undrawn financing facilities to service its operating activities.

(b) Convertible bond — liability component

The fair value of the liability component of the convertible bond at 30 June 2009 amounted to approximately RMB1,161,557,000. The fair value was calculated using cash flow discounted at the rate of 6.1%.

Interest expense on borrowings and loans for the six months ended 30 June 2009 is approximately RMB49,741,000 (30 June 2008: RMB44,404,000).

6. Trade payables

At 30 June 2009 and 31 December 2008, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) were as follows:

	As at	
	30 June 2009	31 December 2008
	RMB'000	*RMB'000*
	(Unaudited)	
Less than 1 year	**1,241,078**	1,184,724
1 to less than 2 years	**10,946**	5,357
2 to less than 3 years	**6,037**	4,609
Over 3 years	**15,114**	13,689
	1,273,175	1,208,379

7. Income tax expense

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
— Hong Kong profits tax *(i)*	**18,893**	3,098
— PRC enterprise income tax *(ii)*	**293,972**	185,607
Deferred income tax	**(143,567)**	1,824
	169,298	190,529

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year.

(ii) PRC corporate income tax ("CIT")

CIT is provided on the estimated assessable income of the year calculated in accordance with the relevant regulations of the PRC after considering all the available tax benefits from refunds and allowances.

On 16 March 2007, the 10th National Peoples Congress of PRC approved the PRC Corporate Income Tax Law ("CIT Law"), being effective on 1 January 2008. Applicable income tax rate of entities within the Group is subject to 25% from 1 January 2008 except that the lower preferential tax rates enjoyed by certain enterprises shall gradually be increased to the statutory tax rate of 25% within 5 years from 1 January 2008.

Tax concessions and holidays entitled by the Group:

In accordance with an approval document dated 18 April 1994 issued by the State Administration for Taxation ("SAT") of the PRC, net profit earned by the Company was subject to CIT at 15%, which was effective from the date of establishment of the Company and until there is further changes of the relevant laws and regulations. The Company also received a confirmation from the Finance Bureau of Qingdao on 23 March 1997 that this preferential tax treatment would not be terminated until further notice.

On 5 July 2007, the Company became aware of a notice which was issued by SAT in June 2007 (the "Notice") regarding the preferential tax treatment granted to nine state-owned enterprises listed on the Stock Exchange of Hong Kong Limited in 1993 (including the Company). According to the Notice, the relevant local tax authorities were required to immediately rectify the expired preferential tax treatments adopted by the Company and take appropriate action on the differences of income taxes collected in prior years arising therefore in accordance with the applicable rules and provisions under the promulgated Law on Tax Collection and Administration of the PRC.

On 15 April 2008, the Company was informed by the governing local tax bureau that the applicable CIT rate for the year ended 31 December 2007 was adjusted from 15% to 33%. The PRC CIT for the year ended 31 December 2007 of the Company was hence provided at 33% in the financial statements of the Company and the Group. Up to the date of the approval of this condensed consolidated financial information, the Company has not been notified by any tax authorities regarding the exposure of prior years. The directors are of the view that the final outcome cannot be reliably estimated and, therefore, no provision for potential CIT exposure in prior years had been made in the financial statements.

8. Earnings per share — basic and diluted

Earnings per share was calculated by dividing the profit attributable to shareholders of the Company by the number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Profit attributable to shareholders of the Company *(RMB'000)*	**639,784**	381,128
Number of ordinary shares in issue *(thousands)*	**1,308,219**	1,308,219
Basic earnings per share *(RMB per share)*	**0.489**	0.291

The Company issued convertible bonds with attached warrants subscription rights. Though the contingently issuable shares of the Company due to the exercise of the warrants subscription rights by the bonds holders may potentially dilute basic earnings per share in the future, the exercise price of those rights was higher than the prevailing share price of the Company as at 30 June 2009 and therefore, they were not included in the calculation of diluted earnings per share for the period.

9. Dividends

During the period, a final dividend of RMB0.22 and a final special dividend of RMB0.03 in respect of 2008 per share, amounting to an aggregate amount of approximately RMB327,055,000 (2008: final dividend for 2007 at RMB287,808,000), were approved in Annual General Meeting held on 16 June 2009. The Board of Directors does not recommend the payment of an interim dividend for the period (30 June 2008: nil).

10. Contingencies

(a) As described in Note 7 (ii), the directors are of the view that the potential income tax liabilities prior to 2007 arising from the cancellation of the previous preferential tax concessions could not be reliably estimated and therefore no provision was made.

(b) As at 30 June 2009, the Group had provided guarantee of RMB20,000,000 in favor of an associate of the Group for its bank loans.

II. DIVIDENDS

The Company shall not distribute interim dividends for the 6 months ended on 30 June 2009 pursuant to the provisions in the articles of association of the Company.

III. MANAGEMENT DISCUSSIONS AND ANALYSIS

(I) Review of Operational Results for the First Half of 2009

For the first half of 2009, the economic growth in China slowed down due to the international financial crisis, as a result, the GDP only grew 7.1%. Under such circumstance, the national beer industry also dramatically slowed down with its total national output volume of 205.1 million hl, increasing 6% only comparing with that in the same period in the previous year.

Despite of the negative effect brought by the international financial crisis, the Company worked out its yearly working guideline of “To explore the market with full efforts”, “To lower the cost with full efforts”, and “To prevent from financial risk with full efforts”. In the first half year, the Company’s sales volume generally realized rapid growth through greatly exploring its base markets and opportunity markets, and promoting overall integration and structure optimization of brand 1+3 (Tsingtao, Shanshui, Laoshan, and Hans).

During the reporting period, the Company realized 30.2 million hl of accumulated sales volume, increasing 12.6% comparing with that in the same period in the previous year, in which the sales volume of brand 1+3 reached 28.8 million hl, increasing 16% comparing with that in the same period in the previous year; the sales volume of Tsingtao reached 14.4 million hl, increasing 29.5% comparing with that in the same period in the previous year; and the sales volume of high-end beer such as small bottled Tsingtao beer and draft beer increased greatly, in which that of small bottled Tsingtao beer increased over 40% while that of draft beer increased nearly 20% comparing with that in the same period in the previous year. Meanwhile, the Company realized its revenues from principal business to RMB8,970 million, increasing 15.1% comparing with that in the same period in the previous year; net profit attributable to shareholders of the parent company of RMB640 million, increasing 67.9% comparing with that in the same period in the previous year. The Company continued to show a good developing trend in which the growth in profit was greater than the increase in sales income, which was in turn greater than the increase in sales volume.

In addition to the Olympic marketing, the Company determined to focus on its brand promotion in the theme of NBA games. In the first half year, its brand impact was further improved through a NBA cheering squad selection show hosted by Tsingtao Brewery. As a result, the brand value of Tsingtao reached RMB36.625 billion which continued to be the leader in the industry.

(II) Analysis to Principal Business and Operational Situation of the Company

1. Principal Business

(1) Table of Principal Business by Industries and Products

Unit: RMB'000

By Industries or Products	Sales Amount	Sales Costs	Gross Profit Rate	Increase/ Decrease of Sales Amount	Increase/ Decrease of Sales Costs	Increase/ Decrease of Gross Profit Rate
			(%)	*(%)*	*(%)*	*(%)*
By Industries						
Beer	8,969,485	5,933,303	33.9	15.1	12.1	1.8
By Products						
Beer	8,969,485	5,933,303	33.9	15.1	12.1	1.8

The Group is mainly engaged in the production and sales of beer.

(2) Table of Principal Business by Geographical Markets

Unit: RMB'000

Region	**Sales Amount**	**Increase/ Decrease** *(%)*
Qingdao	4,297,386	20.0
Shandong Province (excluding Qingdao)	1,541,526	30.2
North China	1,811,931	14.3
South China	2,951,350	18.3
Exports	184,442	7.5
Sub-total	10,786,635	19.6
Less: Intra-group set-offs	1,817,150	48.2
Total	8,969,485	15.1

2. Operational Costs

In the first half of 2009, the operational costs of the Group increased 12.1% comparing with that in the same period in the previous year, which was mainly due to the growth of operational costs caused by the expansion of sales scale during the reporting period.

3. Expenses during the Period

(1) In the first half of 2009, the expenses for sales and market expansion increased 15.3% comparing with that in the same period in the previous year, which was mainly due to the growth of promotional expenses caused by the optimization of product mix and the growth of sales volume of high-end products during the reporting period.

(2) In the first half of 2009, the financial expenses of the Group increased 128.7% comparing with that in the same period in the previous year, which was mainly due to the accrued increased interests from bonds with warrants during the reporting period.

4. *Interpretation of Composition of Assets/Liabilities*

Unit:RMB'000

Item	30 Jun 2009	30 Jun 2008	Increase/ Decrease Amount	Increase/ Decrease Percent
Interests in jointly controlled entity and associates	144,691	28,697	115,994	404.2%
Deferred income tax assets	238,551	94,930	143,621	151.3%
Income tax recoverable	5,610	55,276	(49,666)	(89.9%)
Cash and cash equivalents	4,696,395	2,381,044	2,315,351	97.2%
Borrowings and loans	1,715,733	1,577,016	138,717	8.8%
Bills payable	380,362	146,983	233,379	158.8%
Accruals and other payables	3,402,911	2,390,810	1,012,101	42.3%
Deposits and advance from customers	228,269	340,759	(112,490)	(33.0%)
Income tax payable	120,060	98,949	21,111	21.3%
Dividends payable	327,055	—	327,055	—

(1) Interests in Jointly Controlled Entity and Associates

By the end of the reporting period, the interests in jointly controlled entity and associates increased 404.2% comparing with that at the beginning of the reporting period, which was mainly due to the acquisition of 39% interests in Yantai Beer Asahi during the reporting period.

(2) Deferred Income Tax Assets

By the end of the reporting period, the deferred income tax assets increased 151.3% comparing with that at the beginning of the reporting period, which was mainly due to the increase of deferred income tax assets resulted from the increase of expenses pending for payment during the reporting period.

(3) Income Tax Recoverable

By the end of the reporting period, the income tax recoverable decreased 89.9% comparing with that at the beginning of the reporting period, which was mainly due to that, the income taxes prepaid at the end of last year were settled and cleared during the reporting period.

(4) Cash and Cash Equivalents

By the end of the reporting period, the cash and cash equivalents increased 97.2% comparing with that at the beginning of the reporting period, which was mainly due to the increase of net amount of cash flow from operational activities during the reporting period.

(5) Borrowings and Loans

By the end of the reporting period, the borrowings and loans increased 8.8% comparing with that at the beginning of the reporting period, which was mainly due to the increase of borrowings of the subsidiaries from the banks during the reporting period.

By the end of the reporting period, the total amount of borrowings of the Group was RMB548 million, which included RMB531 million of short-term borrowings and RMB17,537 thousand of long-term borrowings. Among the long-term borrowings, those would expire within 1 year were amounted to RMB1,766 thousand, those would expire in 1-5 years were amounted to RMB8,146 thousand, and those would expire over 5 years were amounted to RMB7,625 thousand.

By the end of the reporting period, the borrowings in Renminbi were amounted to RMB355,516 thousand, borrowings in Hong Kong dollars were amounted to RMB72,556 thousand, borrowings in US dollars were amounted to RMB102,479 thousand, borrowings in Euro were amounted to RMB11,358 thousand, and borrowings in Danish krone were amounted to RMB6,179 thousand.

(6) Bills Payable

By the end of the reporting period, the bills payable increased 158.8% comparing with that at the beginning of the reporting period, which was mainly due to the increase of accepted bills of exchange issued by the Company during the reporting period.

(7) Accurals and Other Payables

By the end of the reporting period, the accruals and other payables increased 42.3% comparing with that at the beginning of the reporting period, which was mainly due to the increase of expenses pending for payment during the reporting period.

(8) Deposits and Advance from Customers

By the end of the reporting period, the deposits and advance from customers decreased 33.0% comparing with that at the beginning of the reporting period, which was mainly due to that the goods paid in advance to the Company at the year beginning were sold out.

(9) Income Tax Payable

By the end of the reporting period, the income tax payable increased 21.3% comparing with that at the beginning of the reporting period, which was mainly due to the increase of sales revenues and at the moment of sales peak season during the reporting period.

(10) Dividends Payable

By the end of the reporting period, the dividends payable increased RMB327,055 thousand comparing with that at the beginning of the reporting period, which was mainly due to the distribution of 2008 yearly dividends announced by the Company during the reporting period.

5. *Analysis of Cash Flow*

Unit: RMB'000

Item	Jan. - Jun. 2009	Jan. - Jun. 2008	Increased/ Decreased Amount	Increased/ Decreased Percent
Net amount of cash flow from business activities	2,591,222	765,391	1,825,831	238.5%
Net amount of cash flow from investing activities	(600,864)	(585,708)	(15,156)	2.6%
Net amount of cash flow from fund-raising activities	323,758	1,271,754	(947,996)	(74.5%)

(1) By the end of the first half of 2009, the net amount of cash flow from business activities increased 238.5% comparing with that in the same period in the previous year, which was mainly due to that, firstly, the cash flow-in from sales of goods was comparatively high resulting from the great growth trend of product sales and the optimization of product mix during the period; secondly, the decrease of price of raw materials and less pre-paid accounts.

(2) By the end of the first half of 2009, the net amount of cash flow from fund raising activities decreased 74.5% comparing with that in the same period in the previous year, which was mainly due to the fund raised from the issuance of bonds with warrants in the same period in last year.

6. Interpretation for Other Operations

(1) Investments

(a) During the reporting period, Tsingtao (H.K.), a wholly-owned subsidiary of the Company, acquired 25% interests in Tsingtao Songjiang held by Carlsberg Hong Kong for a consideration in Hong Kong dollars which was equal to approximately RMB51,250 thousand. After the acquisition, the Company holds 100% interests in Tsingtao Songjiang.

(b) During the reporting period, South China Investment, a wholly-owned subsidiary of the Company, acquired 21.35% interests in Tsingtao Zhuhai held by Royal Sister Company for a consideration of RMB25,600 thousand. After the acquisition, the Company holds 99.47% interests in Tsingtao Zhuhai.

(c) During the reporting period, the Company acquired 39% interests in Yantai Beer Asahi Company Limited jointly held by Yantai Beer Group Co., Ltd. and Asahi Breweries Itochu (Holdings) Ltd. for a consideration of RMB214,500 thousand as well as its sales network. After the acquisition, Yantai Beer Asahi became an associate of the Company which holds 39% interests in it.

(2) Debt/Capital Ratio

By 30 June 2009, the Group's debt/capital ratio was 15.5% (17.1% on 30 June 2008), the calculation of debt/capital is: total amount of long-term borrowings/(total amount of long-term borrowings + interests attributable to shareholders of the parent company).

(3) Assets Mortgage

By 30 June 2009, all banking facilities of the Group were borrowings without guarantees or mortgages (by 31 December 2008, all banking facilities of the Group were borrowings without guarantees or mortgages).

(4) Risk of Flexible Exchange Rate

As the Group currently relies on the imported barley among the raw materials in its production of Tsingtao Beer, so the change of exchange rate would indirectly affect the price of raw materials used by the Group, so as to bring certain impacts to the profitability of the Group.

(5) Contingencies

For details please refer to the Notes I (10) in the Condensed Consolidated Interim Financial Information.

(III) Outlook for the Second Half of 2009

In the first half year, the national beer industry was more integrated, while the market share of those breweries with brand impact further increased. In the second half year, as driven by the policy of exploring domestic needs launched by Chinese government, the consumption of beer will continue to recover. The Company would seize the opportunity to promote the integrated operation and the construction of marketing with full force, to be engaged in the further exploration of domestic market to further expand its sales share, and optimize its product mix based on the effective control over its costs to continuously improve the Company's profitability, so as to create higher returns for the grand shareholders.

IV. SIGNIFICANT EVENTS

1. During the reporting period, the Company did not involve in any new events of significant litigations and arbitration.

2. Under the *Entrusted Operation and Management Agreement* and its supplementary agreement entered into between the Company and Tsingtao Brewery Group Company Limited ("Group Company"), the Company went on to manage the Group Company's 80% interests in Tsingtao Brewery (Yangzhou) Company Limited ("Yangzhou Company") as its custodian and included it into the consolidating scope of financial statements during the reporting period. Save as it, there is no other issues of custody of the Company.

3. The associated guarantee provided by Tsingtao Brewery No. 5 Company Limited, the Company's subsidiary, for its associate Qingdao Tsingtao-Asahi Company Limited (40% interests in it) in respect of loans with credit line of RMB22 million offered by Shibei No. 1 Sub-branch of Qingdao Branch of the Communications Bank Co., Ltd has been extended to 15 July 2009. Save as it, all external guarantees provided by the Company during the reporting period were for the bank loans and current borrowings for its subsidiaries under the approval of the Board of Directors.

4. According to the notice from the tax authority in Qingdao in April 2008, the applicable enterprise income tax rate for the Company for 2007 was 33% (the previous income tax rate applicable to the Company was 15%). As at the date of disclosure of this Announcement, the tax authority has not made any decision on how to settle the income tax before the year 2007. The Company will issue further announcement as and when appropriate upon receipt of any further information. Pursuant to the new *Enterprise Income Tax Law of the People's Republic of China* which came into effect on 1 January 2008, the income tax rate applicable to the Company for 2009 is 25%.

5. Neither the Company nor any of its subsidiaries ever purchased, sold or redeemed any of its listed securities during the reporting period.

V. SIGNIFICANT CONNECTED TRANSACTIONS OCCURRED DURING THE REPORTING PERIOD

1. The Company entered into the *Distribution Agreement* with Yantai Beer Qingdao Asahi Company Limited ("Yantai Beer") on 22 April 2009 whereby Yantai Beer agreed to grant the Company the sole distribution rights for the distribution of all products produced by Yantai Beer. The Company holds 39% interests in Yantai Beer, while Asahi Breweries, Ltd. ("Asahi") indirectly holds 51% interests in Yantai Beer, Asahi is a substantial shareholder of Shenzhen Tsingtao-Asahi Company Limited, a subsidiary of the Company (and thus a connected person of the Company), Yantai Beer is therefore an associate of a connected person of the Company pursuant to the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*, the transactions contemplated under the *Distribution Agreement* thus constituted continuing connected transactions of the Company which should be subject to the announcement and reporting requirements and shall be approved by the independent shareholders of the Company. The resolution for approving the continuing connected transactions has been discussed and passed at the 2008 AGM of the Company held on 16 June 2009, while Asahi abstained from voting on the relevant resolution due to its interests in the *Distribution Agreement*. For details of the continuing connected transactions, please refer to the circular delivered to the shareholders on 30 April 2009, the announcement published at the website of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, and the announcement for the results of the AGM published on 17 June 2009 in Mainland China and Hong Kong.

2. Under the approval of the Board of Directors of the Company, Shenzhen Tsingtao-Asahi Company Limited ("Tsingtao Shenzhen"), a subsidiary of the Company, had entered into a *Product Sales Agreement* with each of Asahi Breweries and a wholly-owned subsidiary of Asahi Breweries respectively on 8 May 2009, whereby Asahi Breweries and its subsidiary agreed to purchase the beer products under the "Asahi" brand from Tsingtao Shenzhen. As Asahi Breweries is the substantial shareholder of Tsingtao Shenzhen (holds 29% interests in it), Asahi Breweries and its subsidiary thus constituted connected persons of the Company and the transaction of Tsingtao Shenzhen selling products to Asahi Breweries and the subsidiary constituted continuing connected transaction pursuant to the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*, which is subject to the announcement and reporting requirements, but is exempt from the independent shareholders' approval requirement. For details of the transaction, please refer to announcement published on 8 May 2009.

VI. REVIEW OF THE UNAUDITED INTERIM RESULTS

The Audit & Finance Committee under the Board of Directors of the Company has reviewed the Company's unaudited 2009 interim results.

VII. CODE OF CORPORATE GOVERNANCE PRACTICE

The Company had been paying attention to the corporate governance and the transparency of it. Under the requirements on corporate governance raised by the regulatory authority, the Company had been improving its internal control to realize a standard and highly efficient operations to ensure its shareholders can obtain rewards from sound corporate governance.

During the reporting period, the Company had been in compliance with the Appendix 14 *Code of Corporate Governance Practice of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*.

Tsingtao Brewery Company Limited
Board of Directors

Qingdao, the People's Republic of China
6 August 2009

Directors as at the date hereof:

Executive Directors:	*Mr. JIN Zhi Guo (Chairman), Mr. WANG Fan (Vice Chairman), Mr. SUN Ming Bo, Mr. LIU Ying Di and Mr. SUN Yu Guo*
Independent Non-executive Directors:	*Mr. FU Yang, Ms. LI Yan, Mr. POON Chiu Kwok and Ms. WANG Shu Wen*