# TSINGTAO BREWERY COMPANY LIMITED

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

**(Stock Code: 168)**

## ANNOUNCEMENT OF 2016 INTERIM RESULTS

The board of directors (the "Board") of Tsingtao Brewery Company Limited (the "Company" or "the Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") prepared pursuant to China Accounting Standard for Business Enterprises ("CAS") for the six months ended 30 June 2016 (the "Reporting Period").

## I INTERIM FINANCIAL INFORMATION

*(All amounts in RMB Yuan unless otherwise stated)*

**Consolidated Balance Sheet**

| ASSETS | *Note* | **30 June 2016 (unaudited)** | 31 December 2015 |
|---|---|---|---|
| **Current assets** | | | |
| Cash at bank and on hand | | **9,919,877,592** | 8,401,751,637 |
| Notes receivable | | **42,730,000** | 22,770,000 |
| Accounts receivable | *2* | **212,889,774** | 117,990,987 |
| Advances to suppliers | | **78,753,297** | 44,392,821 |
| Interests receivable | | **70,515,490** | 148,581,416 |
| Other receivables | | **562,160,333** | 200,675,954 |
| Inventories | | **1,610,339,444** | 2,182,435,136 |
| Other current assets | | **1,292,395,395** | 768,741,109 |
| **Total current assets** | | **13,789,661,325** | 11,887,339,060 |
| **Non-current assets** | | | |
| Available-for-sale financial assets | | **608,642** | 608,642 |
| Long-term equity investments | | **1,523,051,860** | 1,507,745,095 |
| Investment properties | | **25,554,588** | 25,512,148 |
| Fixed assets | | **9,736,623,071** | 9,896,905,884 |
| Construction in progress | | **254,895,101** | 287,469,734 |
| Fixed assets pending for disposal | | **7,611,422** | 6,571,007 |
| Intangible assets | | **2,525,720,318** | 2,707,099,617 |
| Goodwill | | **1,307,103,982** | 1,307,103,982 |
| Long-term prepaid expenses | | **39,667,726** | 39,861,860 |
| Deferred tax assets | | **939,235,746** | 769,158,717 |
| Other non-current assets | | **648,565,965** | 65,214,382 |
| **Total non-current assets** | | **17,008,638,421** | 16,613,251,068 |
| **TOTAL ASSETS** | | **30,798,299,746** | 28,500,590,128 |

**Consolidated Balance Sheet** *(continued)*

| **LIABILITIES AND EQUITY** | *Note* | **30 June 2016 (unaudited)** | 31 December 2015 |
|---|---|---|---|
| **Current liabilities** | | | |
| Short-term borrowings | | **354,888,600** | 810,387,282 |
| Notes payable | | **139,916,944** | 100,141,631 |
| Accounts payable | *3* | **3,481,021,337** | 2,590,986,856 |
| Advances from customers | | **529,894,128** | 1,000,313,388 |
| Employee benefits payable | | **959,957,097** | 925,629,768 |
| Taxes payable | | **705,586,914** | 261,889,152 |
| Interests payable | | **690,904** | 1,486,051 |
| Dividends payable | *9* | **526,883,290** | — |
| Other payables | | **4,972,692,448** | 4,061,298,404 |
| Current portion of non-current liabilities | | **898,254** | 856,189 |
| **Total current liabilities** | | **11,672,429,916** | 9,752,988,721 |
| **Non-current liabilities** | | | |
| Long-term borrowings | | **1,585,920** | 1,711,800 |
| Payables for specific projects | | **215,701,637** | 251,632,082 |
| Deferred income | | **1,587,835,073** | 1,656,652,129 |
| Long-term employee benefits payable | *4* | **532,368,925** | 537,725,965 |
| Deferred tax liabilities | | **123,489,584** | 133,868,381 |
| **Total non-current liabilities** | | **2,460,981,139** | 2,581,590,357 |
| **Total liabilities** | | **14,133,411,055** | 12,334,579,078 |
| **Equity** | | | |
| Share capital | | **1,350,982,795** | 1,350,982,795 |
| Capital surplus | *5* | **4,075,084,573** | 4,075,078,879 |
| Other comprehensive income | *6* | **(23,815,295)** | (20,326,159) |
| Surplus reserve | | **1,400,704,380** | 1,400,704,380 |
| General reserve | *7* | **106,025,418** | 106,025,418 |
| Undistributed profits | *8* | **10,087,742,316** | 9,545,596,720 |
| **Total equity attributable to shareholders of the Company** | | **16,996,724,187** | 16,458,062,033 |
| Non-controlling interests | | **(331,835,496)** | (292,050,983) |
| **Total equity** | | **16,664,888,691** | 16,166,011,050 |
| **TOTAL LIABILITIES AND EQUITY** | | **30,798,299,746** | 28,500,590,128 |

**Consolidated Income Statement**

| | Note | Six months ended 30 June 2016 (unaudited) | 2015 (unaudited) |
|---|---|---|---|
| **Revenue** | *10* | **14,746,116,848** | 16,066,594,121 |
| *Less:* Cost of sales | *10* | **(8,728,850,579)** | (9,822,404,877) |
| Taxes and surcharges | *11* | **(1,074,999,656)** | (1,183,028,440) |
| Selling and distribution expenses | | **(3,075,597,006)** | (3,151,532,081) |
| General and administrative expenses | | **(618,127,361)** | (636,737,390) |
| Finance expenses — net | | **128,500,915** | 147,615,265 |
| Asset impairment losses | | **(3,652,458)** | (864,201) |
| *Add:* Investment income | | **29,324,814** | 25,593,306 |
| Including: Share of profits of associates and a joint venture | | **29,320,541** | 24,127,694 |
| **Operating profit** | | **1,402,715,517** | 1,445,235,703 |
| *Add:* Non-operating income | *12* | **270,631,425** | 280,322,295 |
| Including: Gains on disposal of non-current assets | | **216,974** | 479,332 |
| *Less:* Non-operating expenses | *12* | **(155,881,955)** | (77,724,573) |
| Including: Losses on disposal of non-current assets | | **(154,425,835)** | (74,677,547) |
| **Total profit** | | **1,517,464,987** | 1,647,833,425 |
| *Less:* Income tax expense | *13* | **(442,944,614)** | (428,288,925) |
| **Net profit** | | **1,074,520,373** | 1,219,544,500 |
| Attributable to shareholders of the Company | | **1,069,028,886** | 1,198,721,948 |
| Attributable to non-controlling interests | | **5,491,487** | 20,822,552 |
| **Other comprehensive income, net of tax** | | **(3,489,136)** | (101,066) |
| Other comprehensive income attributable to shareholders of the Company, net of tax | | | |
| Items that will be subsequently reclassified to profit or loss | | | |
| Currency translation differences | | **(3,567,718)** | 25,578 |
| Shares of other comprehensive income of investees accounted for using the equity method that will be subsequently reclassified to profit or loss | | **78,582** | (126,644) |
| **Total comprehensive income** | | **1,071,031,237** | 1,219,443,434 |
| Attributable to shareholders of the Company | | **1,065,539,750** | 1,198,620,882 |
| Attributable to non-controlling interests | | **5,491,487** | 20,822,552 |
| **Earnings per share** | *14* | | |
| Basic earnings per share | | **0.791** | 0.887 |
| Diluted earnings per share | | **0.791** | 0.887 |

*Notes:*

## 1. Basis of preparation

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises — Basic Standard 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. In addition, the financial statements also include relevant disclosure required under the new Hong Kong Companies Ordinance.

The financial statements are prepared on a going concern basis.

## 2. Accounts receivable

| | **30 June 2016 (unaudited)** | 31 December 2015 |
|---|---|---|
| Accounts receivable | **408,069,213** | 313,868,670 |
| *Less:* provision for bad debts | **(195,179,439)** | (195,877,683) |
| | **212,889,774** | 117,990,987 |

The majority of the Group's domestic sales are made by advances from customers. The remains are settled by letters of credit, bank acceptance notes or providing credit terms from 30 to 100 days.

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

| | **30 June 2016 (unaudited)** | 31 December 2015 |
|---|---|---|
| Within 6 months | **211,281,305** | 117,065,349 |
| 6 months to 1 year | **1,369,540** | 545,871 |
| 1 to 2 years | **614,813** | 814,122 |
| 2 to 3 years | **127,122** | 110,102 |
| 3 to 4 years | **110,102** | — |
| 4 to 5 years | — | 605,020 |
| Over 5 years | **194,566,331** | 194,728,206 |
| | **408,069,213** | 313,868,670 |

## 3. Accounts payable

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

| | **30 June 2016 (unaudited)** | 31 December 2015 |
|---|---|---|
| Within 1 year | **3,426,191,704** | 2,537,240,826 |
| 1 to 2 years | **31,116,999** | 32,294,411 |
| 2 to 3 years | **7,390,946** | 4,354,162 |
| Over 3 years | **16,321,688** | 17,097,457 |
| | **3,481,021,337** | 2,590,986,856 |

## 4. Long-term employee benefits payable

| | **30 June 2016 (unaudited)** | 31 December 2015 |
|---|---|---|
| Early retirement benefits *(a)* | **382,152,349** | 391,090,281 |
| Supplemental retirement benefits *(b)* | **264,919,495** | 260,317,941 |
| | **647,071,844** | 651,408,222 |
| *Less:* Payable within one year | **(114,702,919)** | (113,682,257) |
| | **532,368,925** | 537,725,965 |

### *(a) Early retirement benefits*

The Group offers early retirement benefits to those employees who accept voluntary retirement before their normal retirement date as approved by the management. The early retirement benefits include the salaries and social security contributions paid to the early retired employees from the off-duty date to the normal retirement date.

### *(b) Supplemental retirement benefits*

Supplemental retirement benefits are provided to those retired employees who met certain criteria and whose benefit plan was approved by the Board of Directors. The benefits they can receive depend on their position and seniority at the time of retirement. Such defined benefit obligations were calculated using the projected unit credit method.

## 5. Capital surplus

| | 31 December 2015 | Increase in the current period (unaudited) | Decrease in the current period (unaudited) | **30 June 2016 (unaudited)** |
|---|---|---|---|---|
| Share premium | 3,987,557,061 | — | — | **3,987,557,061** |
| Other capital surplus — | 87,521,818 | 5,694 | — | **87,527,512** |
| Share of changes in equity other than comprehensive income and profit distribution of investees accounted for using the equity method | (10,206,170) | 5,694 | — | **(10,200,476)** |
| Transfer from capital surplus recognised under the previous accounting system | 93,338,214 | — | — | **93,338,214** |
| Others | 4,389,774 | — | — | **4,389,774** |
| | 4,075,078,879 | 5,694 | — | **4,075,084,573** |

## 6. Other comprehensive income

| | Other comprehensive income in the balance sheet | | | Other comprehensive income in the income statement of six months ended 30 June 2016 | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31 December 2015 | Attributable to the shareholders of the Company, net of tax (unaudited) | **30 June 2016 (unaudited)** | **The pre-tax amount in the current period (unaudited)** | **Less: Transfer out from which were recognised in Other Comprehensive Income in the previous periods (unaudited)** | **Less: income tax expense (unaudited)** | **Attributable to the shareholders of the Company, net of tax (unaudited)** | **Attributable to the non-controlling interests, net of tax (unaudited)** |
| Item that will not be subsequently reclassified to profit or loss | | | | | | | | |
| Changes arising from re-measurement of defined benefit plan liabilities | (33,280,000) | – | **(33,280,000)** | **–** | **–** | **–** | **–** | **–** |
| Items that will be subsequently reclassified to profit or loss | | | | | | | | |
| Currency translation differences | 13,795,473 | (3,567,718) | **10,227,755** | **(3,567,718)** | **–** | **–** | **(3,567,718)** | **–** |
| Share of other comprehensive income of investees accounted for using the equity method that will be subsequently reclassified to profit or loss | (841,632) | 78,582 | **(763,050)** | **78,582** | **–** | **–** | **78,582** | **–** |
| | (20,326,159) | (3,489,136) | **(23,815,295)** | **(3,489,136)** | **–** | **–** | **(3,489,136)** | **–** |

## 7. General reserve

| | 31 December 2015 | Appropriation in the current period (unaudited) | Decrease in the current period (unaudited) | **30 June 2016 (unaudited)** |
|---|---|---|---|---|
| General reserve | 106,025,418 | — | — | **106,025,418** |

Pursuant to Caijin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions" issued by the Ministry of Finance, Tsingtao Brewery Financial Co., Ltd. ("Finance Company"), a subsidiary of the Company, appropriates general reserve by required ratio of the ending balance of the risk assets every year (2015: 1.3%), based on its risk consideration.

## 8. Undistributed profits

| | **Six months ended 30 June** | |
|---|---|---|
| | **2016 (unaudited)** | 2015 (unaudited) |
| Undistributed profits at the beginning of the period | **9,545,596,720** | 8,663,818,498 |
| *Add:* Net profit attributable to shareholders of the Company in the current period | **1,069,028,886** | 1,198,721,948 |
| *Less:* Ordinary shares dividend payable | **(526,883,290)** | (607,942,258) |
| Undistributed profits at the end of the period | **10,087,742,316** | 9,254,598,188 |

## 9. Dividend

In accordance with the resolution at the Annual General Meeting on 16 June 2016, the Company proposed a cash dividend RMB0.39 per share (pre-tax) to the shareholders of the Company of RMB526,883,290, based on a total number of 1,350,982,795 shares (including 695,913,617 RMB-denominated ordinary shares and 655,069,178 foreign shares listed overseas) (2015: cash dividend RMB0.45 per share (pre-tax) to the shareholders of the Company of RMB607,942,258, based on a total number of 1,350,982,795 shares). As at 30 June 2016, the dividend has not been paid yet.

No interim dividend for the six months ended 30 June 2016 has been proposed by the Board (for the six months ended 30 June 2015: nil).

## 10. Revenue and cost of sales

| | **Six months ended 30 June** | |
|---|---|---|
| | **2016 (unaudited)** | 2015 (unaudited) |
| Revenue from main operation | **14,591,619,722** | 15,842,763,003 |
| Revenue from other operations | **154,497,126** | 223,831,118 |
| | **14,746,116,848** | 16,066,594,121 |

## 10. Revenue and cost of sales *(continued)*

| | Six months ended 30 June | |
|---|---|---|
| | **2016** | 2015 |
| | **(unaudited)** | (unaudited) |
| Cost of main operation | **(8,622,031,858)** | (9,680,116,688) |
| Cost of other operations | **(106,818,721)** | (142,288,189) |
| | **(8,728,850,579)** | (9,822,404,877) |

## 11. Taxes and surcharges

| | Six months ended 30 June | |
|---|---|---|
| | **2016** | 2015 |
| | **(unaudited)** | (unaudited) |
| Consumption tax | **839,275,106** | 930,943,143 |
| City maintenance and construction tax | **133,172,386** | 141,520,542 |
| Education surcharges | **100,704,925** | 107,212,687 |
| Business tax | **1,799,988** | 3,268,768 |
| Others | **47,251** | 83,300 |
| | **1,074,999,656** | 1,183,028,440 |

## 12. Non-operating income and expenses

### *(a) Non-operating income*

| | Six months ended 30 June | |
|---|---|---|
| | **2016** | 2015 |
| | **(unaudited)** | (unaudited) |
| Government grants | **262,345,468** | 274,651,110 |
| Penalty gains | **1,830,180** | 489,222 |
| Gain on unpaid debts | **1,183,787** | 867,774 |
| Gain on disposal of non-current assets | **216,974** | 479,332 |
| Including: Gains on disposal of fixed assets | **216,974** | 479,332 |
| Others | **5,055,016** | 3,834,857 |
| | **270,631,425** | 280,322,295 |

## 12. Non-operating income and expenses *(continued)*

### *(b) Non-operating expenses*

| | Six months ended 30 June | |
|---|---|---|
| | **2016** | 2015 |
| | **(unaudited)** | (unaudited) |
| Losses on disposal of non-current assets | **154,425,835** | 74,677,547 |
| Including: Losses on disposal of fixed assets | **69,690,003** | 74,677,547 |
| Losses on disposal of intangible assets | **84,735,832** | — |
| Donations | **613,655** | 540,000 |
| Compensations, defaults and overdue fines | **420,991** | 761,955 |
| Penalty losses | **20,214** | 747,887 |
| Others | **401,260** | 997,184 |
| | **155,881,955** | 77,724,573 |

## 13. Income tax expense

| | Six months ended 30 June | |
|---|---|---|
| | **2016** | 2015 |
| | **(unaudited)** | (unaudited) |
| Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax | **621,462,373** | 588,802,303 |
| Current profits tax calculated according to tax law and related regulations in Hong Kong — Hong Kong profits tax | **1,624,879** | 1,549,926 |
| Current profits supplemental tax calculated according to tax law and related regulations in Macau — Macau profits supplemental tax | **313,188** | 691,636 |
| Deferred income tax | **(180,455,826)** | (162,754,940) |
| | **442,944,614** | 428,288,925 |

13. **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 expenses is as below:

| | Six months ended 30 June | |
|---|---|---|
| | **2016** | 2015 |
| | **(unaudited)** | (unaudited) |
| Total profit | **1,517,464,987** | 1,647,833,425 |
| Income tax expenses calculated at applicable tax rates | **378,093,625** | 410,608,931 |
| Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose | **8,223,738** | 7,758,821 |
| Income not subject to tax | **(13,139,310)** | (12,530,128) |
| Utilisation of previously unrecognised deferred tax assets | **(22,302,978)** | (38,999,410) |
| Deductible temporary differences for which no deferred tax assets were recognised | **17,244,263** | 7,711,265 |
| Deductible tax losses for which no deferred tax assets were recognised | **74,825,276** | 53,739,446 |
| Income tax expense | **442,944,614** | 428,288,925 |

***(1) Enterprise income tax***

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

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

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

## 14. 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 number of ordinary shares outstanding:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2016** | 2015 |
| | **(unaudited)** | (unaudited) |
| Consolidated net profit attributable to ordinary shareholders of the Company | **1,069,028,886** | 1,198,721,948 |
| Weighted average number of ordinary shares outstanding | **1,350,982,795** | 1,350,982,795 |
| Basic earnings per share | **0.791** | 0.887 |
| Including: | | |
| — Basic earnings per share relating to continuing operations | **0.791** | 0.887 |

### *(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 numbers of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the six months ended 30 June 2016 (Six months ended 30 June 2015: nil), diluted earnings per share equals to basic earnings per share.

## 15. Segment information

As the Group is mainly engaged in the production and distribution of beer, the reportable segments of the Group are business units operating in different regions. Each region requires different marketing strategies, and the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

Finance Company, the Group's wholly-owned subsidiary, is principally engaged in the financial businesses of wealth management and agency collection and payment for its members. Due to the unique business characteristics of Finance Company, the Group manages its operation independently and evaluates its operating results separately, to determine its resource allocation and assess its performance.

The Group identified 7 reportable segments as follows:

— Shandong region, responsible for the production and distribution of beer in Shandong region and surrounding regions

— Huanan region, responsible for the production and distribution of beer in South China region

— Huabei region, responsible for the production and distribution of beer in North China region

— Huadong region, responsible for the production and distribution of beer in East China region

## 15. Segment information *(continued)*

— Dongnan region, responsible for the production and distribution of beer in Southeast China region

— Hong Kong, Macau and other overseas, responsible for the distribution of beer in Hong Kong, Macau and other overseas

— Finance Company, engaged in the financial businesses of wealth management and agency collection and payment for its members.

Inter-segment transfer pricing is based on mutually-agreed prices.

Assets are allocated based on the operation of the segments and the physical location of the assets. Liabilities are allocated based on the operation of the segments. Expenses indirectly attributable to each segment are allocated among segments based on the proportion of each segment's revenue.

### *(a) Segment information as at and for the six months ended 30 June 2016 is as follow (unaudited):*

| | Shandong Region | Huanan Region | Huabei Region | Huadong Region | Dongnan Region | Hong Kong, Macau and other overseas | Finance Company | Unallocated | Elimination | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | 7,915,718,509 | 1,728,582,456 | 2,386,209,069 | 1,513,621,265 | 919,053,703 | 277,588,332 | 4,827,130 | 516,384 | – | 14,746,116,848 |
| Inter-segment revenue | 1,250,706,360 | 266,023,130 | 670,021,418 | 61,205,698 | 114,232,467 | 97,657,154 | 20,448,547 | 261,193 | (2,480,555,967) | – |
| Cost of sales | (5,572,907,232) | (1,242,889,107) | (1,969,237,327) | (1,402,844,964) | (735,681,137) | (266,433,074) | (831,661) | (491,850) | 2,462,465,773 | (8,728,850,579) |
| Selling and distribution expenses | (1,651,542,769) | (494,199,509) | (319,615,658) | (286,559,461) | (257,692,519) | (65,987,090) | – | – | – | (3,075,597,006) |
| Interest income | 12,863,341 | 6,063,906 | 13,461,626 | 631,357 | 2,228,969 | 529,451 | 135,735,560 | 28,467,068 | (58,404,746) | 141,576,532 |
| Interest expense | (6,231,448) | (4,616,595) | (9,406,180) | (8,094,204) | (3,969,462) | (2,260,126) | (60,849,514) | – | 88,088,839 | (7,338,690) |
| Share of profit of associates and a joint venture | – | – | – | – | – | – | – | 29,320,541 | – | 29,320,541 |
| Asset impairment reversals/ (losses) | 657,603 | (589,862) | (248,166) | (35,646) | (2,900,302) | (23,854) | (5,674,497) | (1,933) | 5,164,199 | (3,652,458) |
| Depreciation and amortisation | (232,067,313) | (96,311,922) | (113,706,732) | (8,207,674) | (37,749,560) | (1,153,783) | (582,336) | (33,469,731) | – | (523,249,051) |
| Total profit | 1,171,307,254 | 21,665,232 | 562,200,781 | (151,889,334) | (46,769,158) | 45,004,681 | 93,212,630 | (194,569,364) | 17,302,265 | 1,517,464,987 |
| Income tax expense | (271,424,806) | (8,126,401) | (148,212,264) | 4,868,738 | 14,775,999 | (10,162,185) | (23,450,317) | – | (1,213,378) | (442,944,614) |
| Net profit | 899,882,448 | 13,538,831 | 413,988,517 | (147,020,596) | (31,993,159) | 34,842,496 | 69,762,313 | (194,569,364) | 16,088,887 | 1,074,520,373 |
| Total assets | 11,862,160,511 | 4,286,934,520 | 5,818,433,647 | 614,376,665 | 1,954,559,464 | 570,409,857 | 11,461,774,485 | 7,029,839,314 | (12,800,188,717) | 30,798,299,746 |
| Total liabilities | 6,354,781,424 | 1,745,294,541 | 3,841,007,411 | 2,198,187,140 | 1,025,759,376 | 690,738,158 | 10,235,158,049 | 825,968,186 | (12,783,483,230) | 14,133,411,055 |
| Long-term equity investments in associates and joint venture | – | – | – | – | – | – | – | 1,523,051,860 | – | 1,523,051,860 |
| Additions to non-current assets other than long-term equity investments | 100,749,013 | 80,084,342 | 123,451,331 | 994,951 | 28,829,402 | 666,155 | – | 13,626,315 | (13,042,718) | 335,358,791 |

## 15. Segment information *(continued)*

### *(b) Segment information as at and for the six months ended 30 June 2015 is as follow (unaudited):*

| | Shandong Region | Huanan Region | Huabei Region | Huadong Region | Dongnan Region | Hong Kong, Macau and other overseas | Finance Company | Unallocated | Elimination | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | 8,296,585,345 | 2,238,920,635 | 2,401,220,007 | 1,580,401,299 | 1,316,917,613 | 229,342,778 | 3,206,444 | – | – | 16,066,594,121 |
| Inter-segment revenue | 1,293,991,664 | 216,979,048 | 769,506,380 | 99,396,078 | 55,267,802 | 63,472,882 | 20,701,557 | – | (2,519,315,411) | – |
| Cost of sales | (6,008,938,633) | (1,538,122,029) | (2,167,616,565) | (1,477,829,723) | (919,250,034) | (209,100,497) | (354,169) | (349,154) | 2,499,155,927 | (9,822,404,877) |
| Selling and distribution expenses | (1,670,846,404) | (434,177,230) | (305,760,579) | (318,346,819) | (363,418,762) | (58,982,287) | – | – | – | (3,151,532,081) |
| Interest income | 15,857,261 | 9,081,304 | 23,439,584 | 778,324 | 4,312,725 | 596,999 | 153,810,006 | 30,249,380 | (68,206,021) | 169,919,562 |
| Interest expense | (7,697,889) | (2,356,287) | (12,310,653) | (5,600,649) | (4,529,286) | (3,058,710) | (71,890,610) | – | 103,463,556 | (3,980,528) |
| Share of profit of associates and a joint venture | – | – | – | – | – | – | – | 24,127,694 | – | 24,127,694 |
| Asset impairment reversals/ (losses) | 75,724 | 116,947 | 54,527 | 150,000 | (1,242,518) | 7,222 | (5,349,486) | (6,103) | 5,329,486 | (864,201) |
| Depreciation and amortisation | (224,159,469) | (101,658,846) | (87,052,611) | (11,618,567) | (37,736,872) | (1,094,549) | (579,262) | (23,523,697) | – | (487,423,873) |
| Total profit | 1,191,362,583 | 220,370,113 | 376,463,218 | (158,165,339) | 2,855,103 | 15,688,720 | 93,967,883 | (115,688,700) | 20,979,844 | 1,647,833,425 |
| Income tax expense | (260,849,060) | (55,841,843) | (85,858,108) | 6,602,966 | 1,135,359 | (3,020,662) | (24,081,739) | – | (6,375,838) | (428,288,925) |
| Net profit | 930,513,523 | 164,528,270 | 290,605,110 | (151,562,373) | 3,990,462 | 12,668,058 | 69,886,144 | (115,688,700) | 14,604,006 | 1,219,544,500 |
| Total assets | 11,145,270,102 | 4,771,097,252 | 5,852,785,386 | 629,580,684 | 2,141,871,199 | 362,752,580 | 10,201,492,134 | 7,013,541,200 | (11,565,362,840) | 30,553,027,697 |
| Total liabilities | 6,431,706,578 | 1,967,507,057 | 4,317,295,232 | 1,811,396,331 | 1,109,213,449 | 513,535,259 | 9,154,774,030 | 993,637,482 | (11,553,409,972) | 14,745,655,446 |
| Long-term equity investments in associates and joint venture | – | – | – | – | – | – | – | 1,540,705,013 | – | 1,540,705,013 |
| Additions to non-current assets other than long-term equity investments | 230,300,551 | 104,099,554 | 358,763,420 | 10,699,116 | 46,291,949 | 1,197,972 | 290,000 | 18,415,367 | (16,012,521) | 754,045,408 |

The Group's total revenue from external customers domestically and in foreign countries or geographical areas, and the total non-current assets other than financial assets and deferred tax assets located domestically and in foreign countries or geographical areas are as follows:

| **Revenue from external customers** | **Six months ended 30 June 2016 (unaudited)** | Six months ended 30 June 2015 (unaudited) |
|---|---|---|
| Domestic | **14,451,799,810** | 15,823,149,740 |
| Hong Kong and Macau | **116,603,576** | 115,709,039 |
| Other countries/geographical areas | **177,713,462** | 127,735,342 |
| | **14,746,116,848** | 16,066,594,121 |

| **Total non-current assets** | **30 June 2016 (unaudited)** | 30 June 2015 (unaudited) |
|---|---|---|
| Domestic | **16,057,874,569** | 16,036,063,153 |
| Hong Kong and Macau | **10,919,464** | 11,156,368 |
| | **16,068,794,033** | 16,047,219,521 |

## 16. Contingencies

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

## 17. Capital commitments

***Capital expenditures contracted for but not yet necessary to be recognised on the balance sheet***

| | **30 June 2016 (unaudited)** | 31 December 2015 |
|---|---|---|
| Buildings, machinery and equipment | **291,435,528** | 353,124,460 |

## 18. Investment commitments

According to the Framework Agreement of Transfer of Equity Interests and Permission for Use of Brand and Technologies ("Framework Agreement") entered between the Company and Suntory (China) Investment Co., Ltd. ("Suntory Company") on 18 October 2015, the Company will acquire 50% equity interest of Tsingtao Brewery (Shanghai) Investment Co., Ltd. ("Shanghai Investment Company") and 50% equity interest of Tsingtao Brewery (Shanghai) Industrial Co., Ltd. ("Shanghai Industrial Company"). The consideration is determined by basic price of RMB822,912,001 together with subsequent consideration adjustment as mentioned in Framework Agreement. After the completion of this deal, Shanghai Investment Company and Shanghai Industrial Company will become fully owned subsidiaries of the Company. The procedures of alteration at the industrial and commercial administration for the transfer of the equity interests of Shanghai Investment Company and Shanghai Industrial Company have been completed on 16 March 2016 and 24 March 2016 respectively. Up to 30 June 2016, the Company has paid RMB572,912,001 according to the agreement for the transfer of equity interests. Up to the date of this preliminary announcement, the final consideration of the equity transfer has not been agreed, and hence the impact on financial statements is unable to measure accurately and not recognised in the financial statements.

## II DIVIDENDS

The Company shall not distribute interim dividends for the 6 months ended 30 June 2016 pursuant to the provisions in the articles of association of the Company.

## III MANAGEMENT DISCUSSIONS AND ANALYSIS

### (I) Summary of overall operation activities during the Reporting Period

In the first half of 2016, due to the slow-down of the domestic economic growth, the consumption in the beer market was still under relatively huge pressure, while both the stagnation of mid-and-high-end catering market and the unusual climate brought negative impacts to the sales of beer. On the other hand, the consumption structure of the domestic beer market was upgraded that the consumers' needs for the beer products were diversified and personalized, which brought out new requests to the breweries. Due to the continuous expansion of foreign breweries and imported beer in China's market, the competition in brand, product and channel became fiercer in the beer market. In the first half-year, the production volume of the domestic beer industry reached 225.2 million hl, decreasing by 4.3% (Source: National Bureau of Statistics) comparing with that of the corresponding period in the previous year, which revealed a fiercer competition situation in the market.

Under the severe market situation, the Company not only insisted on its strategies, but also actively responded to the pressure and challenges brought by the "new normality" of China's beer industry with the strategy of "stabling the growth, upgrading the structure" to promote the transformation and upgrade of the marketing. The Company adopted a couple of active measures including enhancing the global brand impact, innovating the supply system, adjusting and optimizing the market structure, and deepening and intensifying the management, to explore and implement the new mode and new method of realizing the qualified growth with the "innovative drive" which promote the transformation of development mode and the healthy and sustainable development. In the first half-year, the Company sold 44.4 million hl of beer in total, representing nearly 20% of the domestic market share; recorded RMB14.746 billion of revenue, and RMB1.069 billion of net profit attributable to the shareholders of the Company.

In the first half-year, the Company grasped the development opportunity of "the Belt and the Road" in the market construction to firmly strengthen the construction of the strategic areas along the Yellow River and in the coastal markets, to consolidate and upgrade the dominant markets in the coastal area and in the area along the Yellow River basin, and to strengthen the construction of the connected base markets in the Yellow River basin. The more and more obvious markets synergetic effect deepened the strategic depth of the Company's future sustainable development, and worked in concert with the coastal base markets, which built a solid basis for the construction of Tsingtao Brewery's nation-wide strategic market layout of "one vertical line and one cross line".

The Company made full use of its advantages in brand and quality in the overseas markets, focused on the area of important cities, important period and target people to carry out its brand expansion, which promoted the broad distribution and brand expansion of Tsingtao Beer globally, and improved the international image of the brand and the reputation among the consumers. In the first half-year, despite of the stagnation of global economy and unsatisfactory export results, the sales volume in the overseas markets obtained growth instead which increased by 16% comparing with that of the corresponding period in the previous year.

As led by the Board and the management team, the Company accelerated the transformation and upgrade of the marketing mode that it strengthened the market promotion through various channels and marketing manners, reasonably controlled the input of market expenses, focused on improving the marketing efficiency, accelerated the optimization and adjustment of the product mix, developed the personalized and diversified new products to meet the changes of the consumption needs, and maintained its competitiveness of the products with high quality and differentiation under the background of consumption upgrade, all of which had made considerable achievements.

The Company made huge efforts in the base markets that it accelerated the optimization and adjustment of the product mix in the provincial and big city base markets, continued to optimize the brand and product mix, promoted the sales of high value-added products to stimulate the consumers' needs, which ensured its advantages in the competition in the high-end products and base markets. In the first half-year, the sales volume of Tsingtao Beer, the core brand of the Company, recorded 21.2 million hl including 8.9 million hl of the high-end products such as the canned beer, small-bottled beer, draft beer, Classic 1903 and Augerta, which maintained its leading position in the domestic mid-and-high-end market. The Company carried out the product innovation mainly for the consumers that it developed and presented the featured products including IPA craft beer, original beer keg, Classic 1903 Memorial Version of Warcraft which followed the current consumption trend to provide more and diversified product experience for the consumers, led the new trend of the domestic consumption, and established a relatively improved product mix.

The Company actively explored and applied the new marketing mode in the mobile internet era by establishing the channel system of "internet+" and innovating the marketing mode that, after having established the all-around e-commerce channel system of official flagship store + official shopping mall + online retailers + distributor boutiques, it also established its own e-commerce channels including "Tsingtao Beer WeChat Shopping Mall" and "Tsingtao Quich-Buy APP" to satisfy the purchasing needs and consumption experience of the consumers through various channels including the establishment of professional networks and high-quality final product mix, which promoted the construction of featured new commercial mode, the upgrade of product mix and the development of new and special products in the regional markets.

The Company strengthened its brand promotion and increased its market input through the significant sport events including the Euro Cup and Rio Olympic Games. For the brand communication, the Company improved brand communication mode from different aspects to enrich the consumers' experience. Combining with the consumption features in the internet era in recent years, and based on the existing brand communication, product distribution and consumers' experience, the Company increased the on-line interaction with the consumers and set up the "4 in 1" brand communication mode. During the Reporting Period, the Company actively explored the mutual communication channel with the consumers through a series of measures including sponsoring the sport and music events favored by the young people such as the AFC Champions League and CBA basket games; appointing HUANG Xiao Ming, a famous movie star, to be the image spokesman of Tsingtao Draft Beer to completely improve the image of draft beer; and the national thematic promotion events such as the Qingdao International Beer Festival, to completely improve the recognition and fondness of Tsingtao Beer among the young consumers and to obtain the consumers' extensive recognition. During the Reporting Period, Tsingtao Beer continued to take the top position and maintained its leading position in the domestic market with RMB116.875 billion (Source: World Brand Lab) of its brand value.

### (II) Analysis of core competitiveness

During the Reporting Period, there were no changes to the Company's core competitiveness.

## IV SIGNIFICANT EVENTS

1. As considered and approved at the eighth meeting of the eighth session of the Board, the Company and Suntory (China) Holding Co., Ltd. ("Suntory Company") had entered into the *Framework Agreement of Transfer of Equity Interests and Permission for Use of Label and Technologies ("Framework Agreement")* on 18 October 2015, which had been considered and approved at the 2015 First Extraordinary General Meeting held by the Company on 4 December 2015. Pursuant to the *Framework Agreement*, the Company would acquire 50% equity interests in Tsingtao Brewery (Shanghai) Investing Co., Ltd. (the former Suntory-Tsingtao (Shanghai) Co., Ltd., "Shanghai Investing Company") and 50% equity interests in Tsingtao Brewery (Shanghai) Industrial Co., Ltd. (the former Tsingtao-Suntory (Shanghai) Sales Co., Ltd., "Shanghai Industrial Company") held by Suntory Company for a consideration based on the sum of RMB822,912,001 and adjusted and determined according to the price adjustment factors as agreed in the *Framework Agreement*. Shanghai Investing Company and Shanghai Industrial Company will become the wholly-owned subsidiaries of the Company after the completion of the transaction. On 16 March 2016 and 24 March 2016, Shanghai Investing Company and Shanghai Industrial Company had respectively completed the registration alteration procedures at the industrial and commercial administration. As of 30 June 2016, the Company had made a payment of RMB572,912,001 for the transfer of the equity interests.

2. During the Reporting Period, the Company was not involved in any new significant litigations and arbitration.

3. During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

## V REVIEW OF THE UNAUDITED INTERIM RESULTS

The Audit & Internal Control Committee under the Board has reviewed the Group's unaudited 2016 interim results.

## VI IN COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company had been committing to the corporate governance and improving its transparency. Under the requirements on corporate governance raised by the regulatory authorities, the Company had been improving its internal control to realize a standard and highly efficient operation and to ensure that its shareholders can obtain returns from sound corporate governance.

During the Reporting Period, the Company had been in compliance with the provisions in Corporate Governance Code as set out in Appendix 14 of *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*.

By order of the Board
**Tsingtao Brewery Company Limited**
*Chairman*
**SUN Ming Bo**

Qingdao, the People's Republic of China
30 August 2016

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

| | |
|---|---|
| *Executive Directors:* | *Mr. SUN Ming Bo (Chairman), Mr. HUANG Ke Xing, Mr. FAN Wei and Mr. YU Zhu Ming* |
| *Non-executive Directors:* | *Mr. Yasutaka SUGIURA* |
| *Independent Non-executive Directors:* | *Mr. WANG Xue Zheng, Mr. YU Zeng Biao, Mr. Ben Sheng Lin and Mr. JIANG Min* |