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 OF 2017 INTERIM RESULTS

The board of directors (the "Board") 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 China Accounting Standard for Business Enterprises ("CAS") for the six months ended 30 June 2017 (the "Reporting Period").

1. INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan unless otherwise stated)

Consolidated Balance Sheet

ASSETS	*Note*	**30 June 2017 (unaudited)**	31 December 2016
Current assets			
Cash at bank and on hand		**11,761,010,361**	8,572,685,245
Financial assets at fair value through profit or loss		**20,236,015**	—
Notes receivable		**46,064,450**	26,400,000
Accounts receivable	*2*	**226,068,380**	124,647,040
Advances to suppliers		**134,258,813**	51,806,259
Interests receivable		**98,789,873**	71,557,290
Other receivables		**154,978,282**	233,843,886
Inventories		**1,829,576,327**	2,412,442,780
Other current assets		**1,066,470,882**	1,116,181,886
Total current assets		**15,337,453,383**	12,609,564,386
Non-current assets			
Available-for-sale financial assets		**608,642**	608,642
Long-term equity investments		**391,038,760**	379,530,915
Investment properties		**24,587,071**	24,946,020
Fixed assets		**11,265,678,803**	11,447,611,540
Construction in progress		**160,767,369**	193,446,726
Fixed assets pending for disposal		**2,397,307**	1,158,936
Intangible assets		**2,866,280,418**	2,974,746,773
Goodwill		**1,307,103,982**	1,307,103,982
Long-term prepaid expenses		**35,134,177**	39,921,000
Deferred tax assets		**1,201,208,393**	1,042,209,554
Other non-current assets		**68,892,147**	56,310,013
Total non-current assets		**17,323,697,069**	17,467,594,101
TOTAL ASSETS		**32,661,150,452**	30,077,158,487

Consolidated Balance Sheet *(continued)*

LIABILITIES AND EQUITY	Note	30 June 2017 (unaudited)	31 December 2016
Current liabilities			
Short-term borrowings		**330,130,200**	302,341,000
Notes payable		**265,641,675**	307,516,920
Accounts payable	*3*	**3,078,646,523**	2,049,229,359
Advances from customers		**450,759,122**	1,320,882,187
Employee benefits payable		**1,018,323,448**	988,416,962
Taxes payable		**925,089,979**	396,466,643
Interests payable		**854,729**	737,291
Dividends payable	*5*	**472,843,978**	—
Other payables		**5,691,583,151**	4,918,819,305
Current portion of non-current liabilities		**410,591**	376,372
Total current liabilities		**12,234,283,396**	10,284,786,039
Non-current liabilities			
Long-term borrowings		**1,250,520**	1,376,480
Payables for specific projects		**133,854,738**	175,014,368
Deferred income		**1,947,122,724**	1,948,814,560
Long-term employee benefits payable		**519,356,611**	538,957,516
Deferred tax liabilities		**234,489,862**	249,069,955
Total non-current liabilities		**2,836,074,455**	2,913,232,879
Total liabilities		**15,070,357,851**	13,198,018,918
Equity			
Share capital		**1,350,982,795**	1,350,982,795
Capital surplus		**3,444,192,440**	3,444,189,700
Other comprehensive income		**(44,771,252)**	(50,149,422)
Surplus reserve		**1,400,704,380**	1,400,704,380
General reserve		**142,496,409**	142,496,409
Undistributed profits	*4*	**10,701,352,882**	10,025,728,867
Total equity attributable to shareholders of the Company		**16,994,957,654**	16,313,952,729
Non-controlling interests		**595,834,947**	565,186,840
Total equity		**17,590,792,601**	16,879,139,569
TOTAL LIABILITIES AND EQUITY		**32,661,150,452**	30,077,158,487

Consolidated Income Statement

	Note	Six months ended 30 June 2017 (unaudited)	2016 (unaudited)
Revenue	6	**15,062,721,002**	14,746,116,848
Less: Cost of sales	6	**(8,743,749,045)**	(8,728,850,579)
Taxes and surcharges	7	**(1,319,364,035)**	(1,074,999,656)
Selling and distribution expenses		**(3,073,837,935)**	(3,075,597,006)
General and administrative expenses		**(542,783,121)**	(618,127,361)
Finance expenses — net		**164,697,006**	128,500,915
Asset impairment losses		**(1,989,739)**	(3,652,458)
Add: Profits arising from changes in fair value		**236,015**	—
Investment income		**33,745,993**	29,324,814
Including: Share of profits of associates and a joint venture		**26,182,374**	29,320,541
Other income		**97,765,697**	—
Operating profit		**1,677,441,838**	1,402,715,517
Add: Non-operating income	8	**86,148,441**	270,631,425
Including: Gains on disposal of non-current assets		**736,480**	216,974
Less: Non-operating expenses	8	**(37,534,410)**	(155,881,955)
Including: Losses on disposal of non-current assets		**(15,764,634)**	(154,425,835)
Total profit		**1,726,055,869**	1,517,464,987
Less: Income tax expense	9	**(501,144,342)**	(442,944,614)
Net profit		**1,224,911,527**	1,074,520,373
Attributable to shareholders of the Company		**1,148,467,993**	1,069,028,886
Attributable to non-controlling interests		**76,443,534**	5,491,487
Other comprehensive income, net of tax		**5,378,170**	(3,489,136)
Other comprehensive income attributable to shareholders of the Company, net of tax			
Items that will be subsequently reclassified to profit or loss			
Shares of other comprehensive income of investees accounted for using the equity method that will be subsequently reclassified to profit or loss		**134,129**	78,582
Currency translation differences		**5,244,041**	(3,567,718)
Total comprehensive income		**1,230,289,697**	1,071,031,237
Attributable to shareholders of the Company		**1,153,846,163**	1,065,539,750
Attributable to non-controlling interests		**76,443,534**	5,491,487
Earnings per share	10		
Basic earnings per share		**0.850**	0.791
Diluted earnings per share		**0.850**	0.791

Note:

1 Basis of preparation

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises — Basic Standards and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 — General Rules on Financial Reporting issued by the China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

Changes in significant accounting policies

In 2017, the Ministry of Finance issued CAS 42 "Non-current assets and disposal groups held for sale and discontinued operations" and CAS 16 "Government Grant (revised)". The Group has adopted both above standards in preparation of financial statements for the six months ended 30 June 2017. Financial statement items have been presented according to the above standards.

2 Accounts receivable

	30 June 2017 (unaudited)	31 December 2016
Accounts receivable	**419,387,475**	317,973,385
Less: Provision for bad debts	**(193,319,095)**	(193,326,345)
	226,068,380	124,647,040

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

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

	30 June 2017 (unaudited)	31 December 2016
Within 6 months	**224,134,857**	122,294,348
6 months to 1 year	**1,943,954**	2,413,781
1 to 2 years	**173,534**	119,200
2 to 3 years	**743,683**	757,264
3 to 4 years	**66,448**	110,102
4 to 5 years	**57,235**	—
Over 5 years	**192,267,764**	192,278,690
	419,387,475	317,973,385

Accounts receivable are mainly recorded based on the dates of transaction. The ageing of accounts receivable represented on their recording date is basically the same as the ageing represented based on the dates of invoice.

3 Accounts payable

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

	30 June 2017 (unaudited)	31 December 2016
Within 1 year	**3,040,155,609**	2,004,393,279
1 to 2 years	**14,019,682**	19,396,936
2 to 3 years	**8,070,250**	8,170,856
Over 3 years	**16,400,982**	17,268,288
	3,078,646,523	2,049,229,359

Accounts payable are mainly recorded based on the dates of transaction. The ageing of accounts payable represented on their recording date is basically the same as the ageing represented on the dates of invoice.

4 Undistributed profits

	Six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Undistributed profits at the beginning of the period	**10,025,728,867**	9,545,596,720
Add: Net profit attributable to shareholders of the Company in the current period	**1,148,467,993**	1,069,028,886
Less: Ordinary shares dividend payable	**(472,843,978)**	(526,883,290)
Undistributed profits at the end of the period	**10,701,352,882**	10,087,742,316

5 Dividend

In accordance with the resolution at the Annual General Meeting dated 30 June 2017, the Company approved a cash dividend of RMB0.35 per share (pre-tax) to the shareholders of the Company of RMB472,843,978 for the year of 2016, based on a total number of 1,350,982,795 shares (2016: cash dividend of RMB0.39 per share (pre-tax) to the shareholders of the Company of RMB526,883,290 for the year of 2015, based on a total number of 1,350,982,795 shares). As at 30 June 2017, the dividend has not been paid yet.

No interim dividend for the six months ended 30 June 2017 has been proposed by the Board (For the six months ended 30 June 2016: nil).

6 Revenue and cost of sales

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Revenue from main operation	**14,930,213,878**	14,591,619,722
Revenue from other operations	**132,507,124**	154,497,126
	15,062,721,002	14,746,116,848

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Cost of main operation	**(8,650,666,933)**	(8,622,031,858)
Cost of other operations	**(93,082,112)**	(106,818,721)
	(8,743,749,045)	(8,728,850,579)

7 Taxes and surcharges

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Consumption tax	**955,176,253**	839,275,106
City maintenance and construction tax	**150,334,578**	133,172,386
Education surcharges	**114,234,215**	100,704,925
Land use tax	**34,413,333**	—
Real estate tax	**30,698,959**	—
Stamp duty	**18,028,755**	—
Others	**16,477,942**	1,847,239
	1,319,364,035	1,074,999,656

8 Non-operating income and Non-operating expenses

(a) Non-operating income

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Government grants	**76,454,875**	262,345,468
Gains on unpaid debts	**4,257,719**	1,183,787
Gains on disposal of non-current assets	**736,480**	216,974
Including: Gains on disposal of fixed assets	**736,480**	216,974
Penalty gains	**294,456**	1,830,180
Others	**4,404,911**	5,055,016
	86,148,441	270,631,425

(b) Non-operating expenses

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Losses on disposal of non-current assets	**15,764,634**	154,425,835
Including: Losses on disposal of fixed assets	**15,764,634**	69,690,003
Losses on disposal of intangible assets	**—**	84,735,832
Compensation, defaults and overdue fine	**12,114,815**	420,991
Donations	**450,000**	613,655
Penalty losses	**207,251**	20,214
Others	**8,997,710**	401,260
	37,534,410	155,881,955

9 Income tax expense

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax	**673,059,196**	621,462,373
Current profits tax calculated according to tax law and related regulations in Hong Kong — Hong Kong profits tax	**1,403,464**	1,624,879
Current profits supplemental tax calculated according to tax law and related regulations in Macau — Macau profits supplemental tax	**260,614**	313,188
Deferred income tax	**(173,578,932)**	(180,455,826)
	501,144,342	442,944,614

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expense is listed below:

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Total profit	**1,726,055,869**	1,517,464,987
Income tax expense calculated at applicable tax rates	**430,505,342**	378,093,625
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	**33,488,329**	8,223,738
Income not subject to tax	**(12,929,658)**	(13,139,310)
Utilization of previously unrecognized deferred tax assets	**(37,476,562)**	(22,302,978)
Deductible temporary differences for which no deferred tax assets were recognized	**21,332,067**	17,244,263
Deductible tax losses for which no deferred tax assets were recognized	**66,224,824**	74,825,276
Income tax expense	**501,144,342**	442,944,614

(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 Macau profits supplemental tax

Tsingtao Brewery Hong Kong Trading Co., Ltd. and Asia Brewery (Macau) Co., Ltd., the Company's subsidiaries, were established in Hong Kong and Macau, applying Hong Kong profits tax and Macau profits supplemental tax respectively.

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

10 Earnings per share

(a) Basic earnings per share

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

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	**1,148,467,993**	1,069,028,886
Weighted average numbers of ordinary shares outstanding	**1,350,982,795**	1,350,982,795
Basic earnings per share	**0.850**	0.791
Including:		
— Basic earnings per share relating to continuing operations:	**0.850**	0.791

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary share by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the six months ended 30 June 2017 (For the six months ended 30 June 2016: nil), diluted earnings per share equals to basic earnings per share.

11 Segment information

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

Tsingtao Brewery Finance LLC. (“Finance Company”), the Company’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 resources 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

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

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

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

11 Segment information *(continued)*

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

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

— 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 2017 is as follows (unaudited):

	Shandong Region	South China Region	North China Region	East China Region	Southeast China Region	Hong Kong, Macau and other overseas Regions	Finance Company	Unallocated	Elimination	Total
Revenue from external customers	8,417,996,503	1,728,939,372	2,548,885,575	1,545,702,312	497,022,430	322,908,715	235,297	1,030,798	–	15,062,721,002
Inter-segment revenue	1,326,718,647	306,823,940	678,108,442	72,271,937	8,299,044	107,860,378	23,189,063	261,193	(2,523,532,644)	–
Cost of sales	(6,130,155,622)	(1,243,488,015)	(2,066,804,085)	(1,193,886,822)	(344,088,573)	(297,531,821)	(15,166)	(521,001)	2,532,742,060	(8,743,749,045)
Selling and distribution expenses	(1,644,815,008)	(516,299,204)	(390,389,224)	(319,124,863)	(131,557,670)	(71,651,966)	–	–	–	(3,073,837,935)
Interest income	15,643,606	7,416,437	17,408,902	1,653,898	674,610	816,789	179,938,958	26,949,826	(68,845,821)	181,657,205
Interest expenses	(7,326,169)	(3,247,967)	(7,214,423)	(8,006,905)	–	(2,519,122)	(69,293,264)	–	92,549,697	(5,058,153)
Share of profits of associates and a joint venture	–	–	–	–	–	–	–	26,182,374	–	26,182,374
Asset impairment (losses)/ reversals	(674,567)	(7,922)	(3,171)	(25,468)	(1,530,888)	5,728	1,445,000	89,861,549	(91,060,000)	(1,989,739)
Depreciation and amortization	(255,045,498)	(98,139,085)	(96,985,058)	(90,927,804)	(19,098,877)	(792,343)	(353,669)	(26,766,840)	–	(588,109,174)
Total profit/(loss)	1,170,270,205	49,492,193	455,979,846	(127,346,658)	(3,113,086)	59,170,873	139,667,096	39,739,947	(57,804,547)	1,726,055,869
Income tax expense	(295,655,100)	(21,717,999)	(130,189,705)	(1,874,878)	2,167,317	(14,047,928)	(34,986,076)	–	(4,839,973)	(501,144,342)
Net profit/(loss)	874,615,105	27,774,194	325,790,141	(129,221,536)	(945,769)	45,122,945	104,681,020	39,739,947	(62,644,520)	1,224,911,527
Total assets	11,672,475,539	4,499,643,052	6,029,573,428	3,565,562,968	948,099,830	764,628,448	13,296,319,118	6,936,648,239	(15,051,800,170)	32,661,150,452
Total liabilities	7,446,552,662	1,954,855,038	3,883,876,893	2,671,011,147	519,422,235	852,947,589	11,871,519,938	894,551,014	(15,024,378,665)	15,070,357,851
Non-cash expenses other than depreciation and amortization	6,281,086	222,283	3,661,183	92,023	8,922	–	–	–	–	10,265,497
Long-term equity investments in associates and a joint venture	–	–	–	–	–	–	–	391,038,760	–	391,038,760
Additions of non-current assets*(i)*	131,375,586	69,089,784	51,754,261	34,852,835	7,739,013	600,429	349,470	6,735,559	(2,413,566)	300,083,371

(i) Non-current assets do not include financial assets, long-term equity investments and deferred tax assets.

11 Segment information *(continued)*

(b) Segment information as at and for the six months ended 30 June 2016 is as follows (unaudited):

	Shandong Region	South China Region	North China Region	East China Region	Southeast China Region	Hong Kong, Macau and other overseas Regions	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 expenses	(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 profits 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 amortization	(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/(loss)	1,163,455,660	21,835,545	417,565,296	(151,928,432)	(46,791,975)	45,004,681	93,212,630	(42,190,683)	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/(loss)	892,030,854	13,709,144	269,353,032	(147,059,694)	(32,015,976)	34,842,496	69,762,313	(42,190,683)	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
Non-cash expenses other than depreciation and amortization	5,317,265	241,963	3,409,024	27,854	98,090	–	–	–	–	9,094,196
Long-term equity investments in associates and a joint venture	–	–	–	–	–	–	–	1,523,051,860	–	1,523,051,860
Additions of non-current assets*(i)*	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

(i) Non-current assets do not include financial assets, long-term equity investments and deferred tax assets.

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

	Six months ended 30 June	
Revenue from external customers	**2017**	2016
	(unaudited)	(unaudited)
Mainland China	**14,706,533,309**	14,451,799,810
Hong Kong and Macau	**122,993,643**	116,603,576
Other overseas regions	**233,194,050**	177,713,462
	15,062,721,002	14,746,116,848

11 Segment information *(continued)*

Total non-current assets	30 June 2017 (unaudited)	31 December 2016
Mainland China	**16,109,980,702**	16,057,874,569
Hong Kong and Macau	**11,899,332**	10,919,464
	16,121,880,034	16,068,794,033

II DIVIDENDS

The Company shall not distribute interim dividends for the 6 months ended 30 June 2017 pursuant to the provisions in the articles of association of the Company.

III MANAGEMENT DISCUSSION AND ANALYSIS

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

In the first half of 2017, the beer market showed a satisfactory trend of steadiness and rise due to the steady growth of domestic economy. During the Reporting Period, the production volume of domestic beer industry reached 226.9 million hl, increased by 0.8% on y-o-y basis (source: the National Bureau of Statistics). However, the recovery of the domestic beer market still faces multiple complicated reasons: on one hand, the consumers' diversified consumption needs and the upgrade of consumption mix have brought more opportunities to the well-known breweries; on the other hand, the excess production capacity still exists due to the stagnation of mid-and-high-end catering consumption and the impacts brought by the foreign brands and imported beers; at the same time, the rise of price of raw materials, logistics and labor costs has caused a significant pressure of rising operation costs faced by the breweries.

During the Reporting Period, the Company insisted on the "development strategy driven by the brands with the supports of the capacity" and the commitment in operation, seized the opportunity of the upgrade of consumption mix, accelerated the innovation initiative and the optimization and upgrade of product mix, continued to strengthen the intensive management, improved the overall operation efficiency of value chain, which consolidated and improved the core competitiveness of the Company, and maintained the satisfactory growth trend of all operation indicators. During the Reporting Period, the Company realized 45.3 million hl of the sales volume of beer, increased by 2% on y-o-y basis; realized RMB15.063 billion of revenue, increased by 2.15% on y-o-y basis; realized RMB1.225 billion of net profits, increased by 14% on y-o-y basis; realized RMB1.148 billion of net profits attributable to shareholders of the Company, increased by 7.43% on y-o-y basis.

During the Reporting Period, the Company raised the working policy of "stabling the growth, adjusting the structure, promoting the development for improvement based on the stabilization", devoted to build a market layout of different aspects, structures and levels including the strategy line of "coastal and along-Yellow-River" base markets + great base market circle focusing on Shandong Province + urban base markets, continued to expand the domestic and international markets, explored more income channels, and also tried to defuse the unfavorable factors of excess production capacity and rising production and operation costs with different measures. At the same time, for the overseas markets, the Company seized the strategy opportunity of "the Belt and Road", focused on its resources, explored the regional markets with emphasis on those with regional impacts, driving capacity and long-term development potential, and improved the layout of market network. In the first half-year, Tsingtao Beer had been sold to 100 countries and regions globally with the growth of 14% of overseas sales volume on y-o-y basis.

The Company continued to improve the sales network covering the main markets throughout the country, strengthened the market promotion through various channels and marketing modes, improved the business synergy between the Company and the clients, kept improving its distribution ability in regional markets; reasonably controlled the input in marketing expenses, focused on improving the marketing efficiency. The Company had been promoting the optimization and adjustment of product mix, accelerating the innovation and R&D of new products to adapt to the new industrial trend of the upgrade of consumption structure. In recent years, the Company had successfully launched the specialized new products such as "Classic 1903, whole-barley Weissbier, raw stock barrel beer, and Tsingtao Pilsner" to provide the consumers with rich and diversified product experience, and lead the consumption trend. The Company accelerated the transformation and upgrade to the high value-added products represented by the canned beer and craft beer products, and realized the upgrade of the package of draft beer, which improved the optimization of the product category and product mix, and promoted the improvement of profitability. In the first half-year, the sales volume of Tsingtao Beer, the Company's core brand, reached 21.2 million hl, including 9 million hl of high-end products such as "Augerta, Hong Yun Dang Tou, Classic 1903 and draft beer", which maintained its advantages in competition in the mid-and-high-end product market.

The Company continued to actively explore and practice the intensive combination of substantial economy and "Internet +" that it had built up the all-around e-commerce channel system of "online retailer + official flagship store + distributor boutique + official shopping mall". The "Tsingtao Quick-Buy" APP, a self-owned e-commerce channel established by the Company, has covered over 50 cities since it was launched on the mobile internet terminal, which satisfied the consumers of Internet era with their purchasing needs and consumption experience through various channels.

(II) Analysis of core competitiveness

During the Reporting Period, there were no changes to the Company's core competitiveness. Please refer to the Company's 2016 annual report for details.

IV SIGNIFICANT EVENTS

1. During the Reporting Period, according to the *CAS 16 – Government Grant* (No. CK[2017]15) revised by the Ministry of Finance of China in 2017, it was stipulated that, since 1 January 2017, the government grants in relation to the Group's daily activities should be calculated into "Other income", and be separately reported in the item of "Operating profit" in the income statement; the government grants in no relation to the Group's daily activities should be calculated into non-operating income. The accumulative amount affected by such changes to accounting policies applied to the financial statements between January to June 2017 of the Company is: RMB97,765,697 of increase in the item of "Other income", and RMB97,765,697 of decrease in the item of "Non-operating income".

   The aforesaid changes to the accounting policies in relation to the *CAS 16 – Government Grant* had no material influence to the Company's financial statements, nor any significant influence to the Group's financial situation, operating results and cash flows in the first half of 2017.

2. As considered and approved at the eighth session of the Board, the Finance Company, a wholly-owned subsidiary of the Company, launched a wealth management product business. The wealth management products which were purchased by the Finance Company in 2016 and had not matured by the end of 2016 were RMB720 million in accumulation. In the first half of 2017, it had accumulatively purchased RMB1.08 billion of wealth management products. As at the end of the Reporting Period, RMB860 million of the aforesaid wealth management products had matured, and the capital fund and approximately RMB7.51 million of income had been credited into the account; while the remaining RMB940 million had not matured.

   During the Reporting Period, the Finance Company, a wholly-owned subsidiary of the Company, had accumulatively purchased RMB40 million of money market fund and realized approximately RMB27.5 thousand of investing income, and the unredeemed money market fund realized approximately RMB236 thousand of profits of changes to fair value.

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

4. 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 2017 interim results.

VI 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 complied 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* except for the deviation from code provision A.4.2.

Code provision A.4.2 stipulates that, among others, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. As disclosed in the announcement of the Company dated 14 June 2017, the terms of the eighth session of the Board and the supervisory committee of the Company expired on 16 June 2017. As the nomination of relevant candidates for directors and supervisors has not been finished, in order to maintain the continuity and stability of the work of the Board and the supervisory committee, the re-election and appointment of the eighth session of the Board and the supervisory committee of the Company was postponed and the terms of the eighth session of the Board committees was correspondingly extended. The Company will try to advance the progress of re-election and appointment of the Board and the supervisory committee as soon as practicable.

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

Qingdao, the People's Republic of China
30 August 2017

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 Director:	*Mr. Yasutaka SUGIURA*
Independent Non-executive Directors:	*Mr. WANG Xue Zheng, Mr. YU Zeng Biao, Mr. Ben Sheng Lin and Mr. JIANG Min*