TSINGTAO BREWERY COMPANY LIMITED

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

(Stock Code: 168)

ANNOUNCEMENT OF 2018 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") for the six months ended 30 June 2018 ("the Reporting Period") made pursuant to China Accounting Standard for Business Enterprises ("CAS").

1. INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan unless otherwise stated)

Consolidated Balance Sheet

ASSETS	*Note*	**30 June 2018 (unaudited)**	31 December 2017
Current assets			
Cash at bank and on hand		**13,465,623,956**	9,805,485,121
Financial assets held for trading		**1,101,007,721**	130,115,254
Notes receivable and accounts receivable	*2*	**211,352,202**	183,617,244
Advances to suppliers		**131,691,503**	116,394,430
Other receivables		**334,015,799**	348,400,531
Inventories		**1,856,879,821**	2,392,910,141
Other current assets		**414,405,553**	1,096,060,646
Total current assets		**17,514,976,555**	14,072,983,367
Non-current assets			
Available-for-sale financial assets		—	600,000
Long-term equity investments		**373,538,339**	375,899,439
Other non-current financial assets		**600,000**	—
Investment properties		**27,206,446**	27,261,927
Fixed assets		**10,740,902,171**	10,993,772,759
Construction in progress		**242,038,367**	200,139,178
Intangible assets		**2,675,171,809**	2,776,216,295
Goodwill		**1,307,103,982**	1,307,103,982
Long-term prepaid expenses		**30,517,105**	36,042,642
Deferred tax assets		**1,320,438,889**	1,135,894,135
Other non-current assets		**79,489,605**	48,798,055
Total non-current assets		**16,797,006,713**	16,901,728,412
TOTAL ASSETS		**34,311,983,268**	30,974,711,779

Consolidated Balance Sheet *(continued)*

LIABILITIES AND EQUITY	*Note*	30 June 2018 (unaudited)	31 December 2017
Current liabilities			
Short-term borrowings		**284,967,800**	282,534,200
Notes payable and accounts payable	*3*	**3,385,909,639**	2,373,206,083
Advances from customers		—	1,177,632,347
Contract liabilities		**4,007,867,450**	—
Employee benefits payable		**1,077,268,521**	1,032,628,088
Taxes payable		**948,087,505**	400,835,890
Other payables		**3,243,513,589**	5,184,870,253
Current portion of non-current liabilities		**410,800**	419,160
Other current liabilities		**105,919**	107,284
Total current liabilities		**12,948,131,223**	10,452,233,305
Non-current liabilities			
Long-term borrowings		**821,600**	1,047,900
Long-term payables		**273,942,857**	123,140,327
Deferred income		**1,827,866,591**	1,904,109,828
Long-term employee benefits payable		**493,142,783**	499,008,449
Deferred tax liabilities		**210,359,363**	220,667,269
Total non-current liabilities		**2,806,133,194**	2,747,973,773
Total liabilities		**15,754,264,417**	13,200,207,078
Equity			
Share capital		**1,350,982,795**	1,350,982,795
Capital surplus		**3,444,186,740**	3,444,181,512
Other comprehensive income		**(16,084,775)**	(9,038,750)
Surplus reserve		**1,400,704,380**	1,400,704,380
General reserve		**155,497,737**	155,497,737
Undistributed profits		**11,543,821,946**	10,802,900,749
Total equity attributable to shareholders of the Company		**17,879,108,823**	17,145,228,423
Non-controlling interests		**678,610,028**	629,276,278
Total equity		**18,557,718,851**	17,774,504,701
TOTAL LIABILITIES AND EQUITY		**34,311,983,268**	30,974,711,779

Consolidated Income Statement

	Note	Six months ended 30 June 2018 (unaudited)	2017 (unaudited)
Revenue	5	**15,153,690,513**	15,062,721,002
Less: Cost of sales	5	**(9,187,180,102)**	(8,743,749,045)
Taxes and surcharges	6	**(1,307,888,063)**	(1,319,364,035)
Selling and distribution expenses		**(2,696,553,724)**	(3,073,837,935)
General and administrative expenses		**(578,194,159)**	(536,350,695)
Research and development expenses		**(7,116,545)**	(6,432,426)
Finance expenses		**241,191,088**	164,697,006
Including: Interest expenses		**(5,916,028)**	(5,058,153)
Interest income		**261,107,536**	181,657,205
Asset impairment losses		**(6,642,975)**	(1,989,739)
Credit impairment losses		**2,085,078**	—
Add: Other income		**179,805,678**	107,221,225
Investment income		**25,864,051**	33,745,993
Including: Share of profits of associates and a joint venture		**16,708,068**	26,182,374
Profits arising from changes in fair value		**17,417,481**	236,015
Gains/(losses) on disposals of assets	7	**(7,613,067)**	(15,028,154)
Operating profit		**1,828,865,254**	1,671,869,212
Add: Non-operating income		**69,741,890**	75,956,433
Less: Non-operating expenses		**(2,838,182)**	(21,769,776)
Total profit		**1,895,768,962**	1,726,055,869
Less: Income tax expense	8	**(499,557,944)**	(501,144,342)
Net profit		**1,396,211,018**	1,224,911,527
Classified by continuity of operations			
Net profit from continuing operations		**1,396,211,018**	1,224,911,527
Net profit from discontinued operations		—	—
Classified by ownership of the equity			
Attributable to non-controlling interests		**93,986,033**	76,443,534
Attributable to shareholders of the Company		**1,302,224,985**	1,148,467,993
Other comprehensive income, net of tax		**(937,039)**	5,378,170
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 reclassified to profit or loss		**(43,082)**	134,129
Currency translation differences		**(893,957)**	5,244,041
Total comprehensive income		**1,395,273,979**	1,230,289,697
Attributable to shareholders of the Company		**1,301,287,946**	1,153,846,163
Attributable to non-controlling interests		**93,986,033**	76,443,534
Earnings per share	9		
Basic earnings per share		**0.964**	0.850
Diluted earnings per share		**0.964**	0.850

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 22 "Recognition and measurement of financial instruments" (Cai Kuai [2017] No.7), CAS 23 "Transfer of financial assets" (Cai Kuai [2017] No.8), CAS 37 "Presentation of financial instruments" (Cai Kuai [2017] No.14) (hereinafter referred to as "the new financial instruments standard") and the revised CAS 14 "Revenue" (Cai Kuai [2017] No.22) (hereinafter referred to as "the new revenue standard"). In 2018, the Ministry of Finance issued "Circular of the Ministry of Finance on revising and issuing the formats of corporate financial statements for 2018" (Cai Kuai [2018] No.15) (hereinafter referred to as "the circular"). The financial statements for the six months ended 30 June 2018 are prepared in accordance with the above standards and circular, and impacts are as follows:

(a) Financial instruments

(i) As at 1 January 2018, the Group implemented the new financial instruments standard for the first time. Financial assets classified and measured using the original and the new financial instruments standard are compared as below:

The original financial instruments standard			The new financial instruments standard		
Items	**Measurement categories**	**Carrying amount**	**Items**	**Measurement categories**	**Carrying amount**
Cash at bank and on hand	Amortized cost	9,805,485,121	Cash at bank and on hand	Amortized cost	9,805,485,121
Financial assets measured at fair value through profit or loss	Measured at fair value through profit or loss	130,115,254	Financial assets held for trading	Measured at fair value through profit or loss	130,115,254
Notes receivable and accounts receivable	Amortized cost	183,617,244	Notes receivable and accounts receivable	Amortized cost	183,617,244
Other receivables	Amortized cost	348,400,531	Other current assets	Amortized cost	127,919,000
			Other receivables	Amortized cost	220,481,531
Other current assets	Measured at fair value through other comprehensive income (Wealth management products) *i)*	628,145,315	Financial assets held for trading	Measured at fair value through profit or loss	628,145,315
Available-for-sale financial assets	Measured at cost (equity instruments)	600,000	Other non-current financial assets	Measured at fair value through profit or loss	600,000

i) The Group transferred the other comprehensive income arising from changes of wealth management products in fair value, which amounted to RMB6,108,986 after tax to retained earnings.

1 Basis of preparation *(continued)*

Changes in significant accounting policies *(continued)*

(b) Revenue

According to the new revenue standard, the Group reclassifies advances from customers relevant to beer sales and promotion-related marketing expenses payables into contract liabilities and adjusts promotion-related marketing expenses, previously recorded in selling and distribution expenses, to offset revenue. The Group recognized the significant impacts of initial adoption of the standard as adjustment to the relevant financial statement items at the beginning of 2018. The comparative financial statements of 2017 is not required to restate.

Contents and reasons of the changes in accounting policies	The line items affected	The amounts affected 1 January 2018
As adoption of the new revenue standard, the Group reclassifies advances from customers relevant to beer sales and promotion-related marketing expenses payables to contract liabilities.	Advances from customers	(1,177,632,347)
	Other payables	(3,144,406,819)
	Contract liabilities	4,322,039,166

(c) Financial statement presentation

The financial statements for the period of six months ended 30 June 2018 are prepared in accordance with the circular and the comparatives are restated accordingly. The impacts are listed as follows:

Contents and reasons of the changes in accounting policies	The line items affected	The amount affected 31 December 2017	The amount affected 1 January 2017
The Group records 'notes receivable' and 'accounts receivable' into 'notes receivable and accounts receivable'.	Accounts receivable	(141,397,244)	(124,647,040)
	Notes receivable	(42,220,000)	(26,400,000)
	Notes receivable and accounts receivable	183,617,244	151,047,040
The Group records 'interests receivable', 'dividends receivable' and 'other receivables' into 'other receivables'.	Interests receivable	(86,573,933)	(71,557,290)
	Dividends receivable	—	—
	Other receivables	86,573,933	71,557,290
The Group records 'fixed assets' and 'fixed assets pending for disposal' into 'fixed assets'.	Fixed assets pending for disposal	(2,310,587)	(1,158,936)
	Fixed assets	2,310,587	1,158,936
The Group records 'notes payable' and 'accounts payable' into 'notes payable and accounts payable'.	Accounts payable	(2,083,733,787)	(2,049,229,359)
	Notes payable	(289,472,296)	(307,516,920)
	Notes payable and accounts payable	2,373,206,083	2,356,746,279
The Group records 'interests payable', 'dividends payable' and 'other payables' into 'other payables'.	Interests payable	(815,222)	(737,291)
	Dividends payable	—	—
	Other payables	815,222	737,291
The Group records 'long-term payables' and 'payables for special projects' into 'long-term payables'.	Payables for special projects	(123,140,327)	(175,014,368)
	Long-term payables	123,140,327	175,014,368

1 **Basis of preparation** *(continued)*

Changes in significant accounting policies *(continued)*

(c) Financial statement presentation (continued)

		Six months ended 30 Jun 2017
The Group solely presents 'research and development expenses' that were recognized in 'general and administrative expenses'.	General and administrative expenses	(6,432,426)
	Research and development expenses	6,432,426

2 **Notes receivable and accounts receivable**

	30 June 2018 (unaudited)	31 December 2017
Notes receivable	**18,500,000**	42,220,000
Accounts receivable *(a)*	**192,852,202**	141,397,244
	211,352,202	183,617,244

(a) Accounts receivable

	30 June 2018 (unaudited)	31 December 2017
Accounts receivable	**384,401,375**	334,430,948
Less: Provision for bad debts	**(191,549,173)**	(193,033,704)
	192,852,202	141,397,244

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.

2 Notes receivable and accounts receivable *(continued)*

(a) Accounts receivable (continued)

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

	30 June 2018 (unaudited)	31 December 2017
Within 6 months	**192,426,327**	139,714,900
6 months to 1 year	**365,474**	1,642,313
1 to 2 years	**157,350**	244,294
Over 2 years	**191,452,224**	192,829,441
	384,401,375	334,430,948

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

3 Notes payable and accounts payable

	30 June 2018 (unaudited)	31 December 2017
Notes payable	**371,733,713**	289,472,296
Accounts payable *(a)*	**3,014,175,926**	2,083,733,787
	3,385,909,639	2,373,206,083

(a) Accounts payable

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

	30 June 2018 (unaudited)	31 December 2017
Within 1 year	**2,984,806,538**	2,052,764,625
1 to 2 years	**7,735,630**	9,020,945
2 to 3 years	**3,430,623**	4,530,665
Over 3 years	**18,203,135**	17,417,552
	3,014,175,926	2,083,733,787

4 Dividend

In accordance with the resolution at the Annual General Meeting dated 28 June 2018, the Company approved a cash dividend RMB0.42 per share (pre-tax) to the shareholders of the Company of RMB567,412,774 for the year of 2017, based on a total number of 1,350,982,795 shares (2017: 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). As at 30 June 2018, the dividend has not been paid yet.

No interim dividend for the six months ended 30 June 2018 has been proposed by the Board (For the six months ended 30 June 2017: nil).

5 Revenue and cost of sales

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
Revenue from main operation	**15,021,049,974**	14,930,213,878
Revenue from other operations	**132,640,539**	132,507,124
	15,153,690,513	15,062,721,002

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
Cost of main operation	**(9,094,062,607)**	(8,650,666,933)
Cost of other operations	**(93,117,495)**	(93,082,112)
	(9,187,180,102)	(8,743,749,045)

6 Taxes and surcharges

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
Consumption tax	**963,194,446**	955,176,253
City maintenance and construction tax	**147,910,843**	150,334,578
Education surcharges	**112,262,715**	114,234,215
Real estate tax	**30,253,691**	30,698,959
Land use tax	**29,015,278**	34,413,333
Stamp tax	**13,740,351**	18,028,755
Others	**11,510,739**	16,477,942
	1,307,888,063	1,319,364,035

7 Gains on disposals of assets

	Six months ended 30 June 2018 (unaudited)	2017 (unaudited)
Losses on disposal of fixed assets	**(7,613,067)**	(15,028,154)

8 Income tax expense

	Six months ended 30 June 2018 (unaudited)	2017 (unaudited)
Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax	**692,622,001**	673,059,196
Current profits tax calculated according to tax law and related regulations in Hong Kong — Hong Kong profits tax	**1,382,956**	1,403,464
Current profits supplemental tax calculated according to tax law and related regulations in Macau — Macau profits supplemental tax	**405,647**	260,614
Deferred income tax	**(194,852,660)**	(173,578,932)
	499,557,944	501,144,342

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 2018 (unaudited)	2017 (unaudited)
Total profit	**1,895,768,962**	1,726,055,869
Income tax expense calculated at applicable tax rates	**472,522,469**	430,505,342
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	**8,419,257**	33,488,329
Income not subject to tax	**(9,316,800)**	(12,929,658)
Deductible tax losses and deductible temporary differences due to the utilization of previously unrecognized deferred tax assets	**(36,993,236)**	(37,476,562)
Deductible temporary differences for which no deferred tax assets were recognized	**16,066,017**	21,332,067
Deductible tax losses for which no deferred tax assets were recognized	**48,860,237**	66,224,824
Income tax expense	**499,557,944**	501,144,342

8 Income tax expense *(continued)*

(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%.

9 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	
	2018	2017
	(unaudited)	(unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	**1,302,224,985**	1,148,467,993
Weighted average numbers of ordinary shares outstanding	**1,350,982,795**	1,350,982,795
Basic earnings per share	**0.964**	0.850
Including:		
— Basic earnings per share relating to continuing operations:	**0.964**	0.850

(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 2018 (six months ended 30 June 2017: nil), diluted earnings per share equals to basic earnings per share.

10 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 on resources allocation to these segments and to assess their performance.

Tsingtao Brewery Finance LLC. ("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 resources allocation and assess its performance.

The Group identified seven 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

— Southeast China 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.

10 Segment information *(continued)*

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 2018 is listed 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	8,917,647,833	1,252,149,345	2,644,183,907	1,629,819,732	398,865,972	307,975,257	1,702,865	1,345,602	–	15,153,690,513
Inter-segment revenue	1,327,436,005	517,087,687	776,634,632	67,471,425	2,427,078	80,084,963	20,102,055	248,755	(2,791,492,600)	–
Cost of sales	(6,728,001,975)	(1,164,603,405)	(2,192,083,182)	(1,281,103,873)	(330,588,958)	(280,365,893)	(17,563)	(441,409)	2,790,026,156	(9,187,180,102)
Selling and distribution expenses	(1,694,129,139)	(238,563,430)	(355,123,787)	(290,865,460)	(65,047,752)	(52,824,156)	–	–	–	(2,696,553,724)
Interest income	20,825,232	5,497,805	18,347,931	2,530,743	792,040	2,076,089	258,082,275	34,800,774	(81,845,353)	261,107,536
Interest expenses	(4,811,250)	(2,783,891)	(6,167,709)	(8,528,438)	–	(2,675,136)	(83,381,330)	–	102,431,726	(5,916,028)
Share of profits of associates and a joint venture	–	–	–	–	–	–	–	16,708,068	–	16,708,068
Impairment (losses)/reversals	482,152	(1,111,823)	(2,396,687)	(2,330,629)	–	(41,310)	(8,985,510)	829,200	8,996,710	(4,557,897)
Depreciation and amortization	(253,088,863)	(89,548,550)	(103,210,875)	(86,930,600)	(19,009,170)	(992,127)	(345,359)	(26,796,600)	–	(579,922,144)
Total profit/(losses)	1,044,833,287	176,652,389	554,744,897	(91,502,773)	(25,004,528)	51,840,082	209,300,930	(53,596,832)	28,501,510	1,895,768,962
Income tax expense	(253,146,291)	(36,031,268)	(137,084,393)	(11,097,998)	8,109,783	(11,761,560)	(53,887,314)	–	(4,658,903)	(499,557,944)
Net profit/(losses)	791,686,996	140,621,121	417,660,504	(102,600,771)	(16,894,745)	40,078,522	155,413,616	(53,596,832)	23,842,607	1,396,211,018
Total assets	11,915,863,324	3,805,126,367	6,390,469,278	3,676,807,740	919,327,206	671,152,474	15,599,635,667	7,502,985,083	(16,169,383,871)	34,311,983,268
Total liabilities	7,532,619,186	1,770,001,034	3,814,237,151	2,702,004,681	534,993,428	744,846,866	13,866,552,813	945,528,629	(16,156,519,371)	15,754,264,417
Non-cash expenses other than depreciation and amortization	7,170,487	215,445	3,751,789	144,206	9,231	–	–	–	–	11,291,158
Long-term equity investments in associates and a joint venture	–	–	–	–	–	–	–	373,538,339	–	373,538,339
Additions of non-current assets *(i)*	106,024,859	30,453,107	122,794,598	45,479,618	21,640,401	1,045,804	20,171	7,332,018	(4,018,993)	330,771,583

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

10 Segment information *(continued)*

(b) Segment information as at and for the six months ended 30 June 2017 is listed 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
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/(losses)	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/(losses)	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.

10 Segment information *(continued)*

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

	Six months ended 30 June	
Revenue from external customers	**2018**	2017
	(unaudited)	(unaudited)
Mainland China	**14,823,809,988**	14,706,533,309
Hong Kong and Macau	**100,662,031**	122,993,643
Other overseas regions	**229,218,494**	233,194,050
	15,153,690,513	15,062,721,002

	30 June	31 December
Total non-current assets	**2018**	2017
	(unaudited)	(unaudited)
Mainland China	**15,464,503,191**	16,109,980,702
Hong Kong and Macau	**11,464,633**	11,899,332
	15,475,967,824	16,121,880,034

II. DIVIDENDS

According to the provisions of the Company's Articles of Association, the Company will not distribute interim dividends for the six months ended 30 June 2018.

III. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Summary of the Overall Situation of the Company's Operating Activities during the Reporting Period

During the first half of year 2018, the diversification and personalization of consumption demands in China's beer market has continued to drive the sustained upgrading of the industrial consumption structure. The domestic beer market has shown a stable trend, with beer production reaching 20.64 million kl, an increase of 1.2% from the corresponding period in the previous year (Data source: National Bureau of Statistics). Meanwhile, the challenge of excessive industrial production capacity is still prominent and the continued increase in raw material prices and labor costs have placed significant pressure on enterprises' production and operating costs.

During the Reporting Period, the Company has continued to expand domestic and foreign markets vigorously and taken a proactive approach towards the grave challenges of unfavorable factors such as intensified competition in middle-and high-end markets and increased production and operating costs through multiple measures of "structural adjustment, increase in cost efficiency, cost reduction and efficiency enhancement". As a result, the Company achieved positive results and realized all-round growth in key operating targets. During the Reporting Period, the Company's sales volume of beer has reached 4.57 million kl, an increase of 0.9% from the corresponding period in the previous year; it realized RMB15.154 billion in operating revenue, an increase of 0.60% from the corresponding period in the previous year; (Note: On a comparable basis, the operating revenue increased by 4.93% from the corresponding period in the previous year due to the Company's implementation of the new revenue standard during the Reporting Period); and RMB1.302 billion of net profit attributable to shareholders of the Company, an increase of 13.39% from the corresponding period in the previous year.

By harnessing its brand advantages and layout advantages of its production and sales network covering key markets in China, the Company has allocated resources in a reasonable manner, maintained coordination between production and sales, continued promoting its marketing capabilities in regional markets and segment markets, consolidated the core base market as well as driven the joint development of peripheral markets and promoted the increase of market sales and market share in the strategic belt along the coast and the Yellow River. The Company also continued to actively explore and practise the in-depth integration of real economy and "Internet+", optimized the E-commerce channel system and satisfied the buying demands and consumption experience of consumers in the Internet era through multiple channels. By taking advantage of the Belt and Road Initiative and the SCO Summit in Qingdao as well as 2018 FIFA World Cup, the Company continues to carry out global brand promotion activities for Tsingtao Beer, build and enhance the high-end brand positioning and product image of Tsingtao Beer, expand market coverage and drive sales increments with the brand advantage. Meanwhile, the Company has proactively promoted the improvement of product mix and the price adjustment of partial products, optimized cost control and expenditure, reduced costs and enhanced efficiency through multiple measures including the synergistic boost of efficiency in the supply chain, optimization of centralized procurement bidding strategies and promotion of effectiveness management of promotional expenses to actively alleviate the pressure of rising operating costs.

During the Reporting Period, the Company has continued to lead the trend of upgrading industrial consumption structure and proactively promote innovation-driven and product mix optimization and upgrading, driving the enhancement of profitability with further improved product categories and combination optimization of variety mix. The Company's new special products such as "Classic 1903, whole-barley Weissbier, raw stock, Pilsner, Tsingtao IPA" launched in recent years have provided consumers with a richer experience with greater product diversity. At the same time, the Company has accelerated the transformation and upgrading towards canned beer and personalized new special products with a focus on mid-and high-end markets for balanced volume-profit development. During the first half year, the Company's sales volume of core brand Tsingtao Beer has reached 2.22 million kl, an increase of 4.9% from the corresponding period in the previous year; the sales volume of high-end products such as "Augerta, Hong Yun Dang Tou, Classic 1903 and draft beer" has reached a total of 0.96 million kl, an increase of 6.8% from the corresponding period in the previous year, maintaining the Company's competitive advantages in the domestic mid-and high-end markets.

During the first half year, the Company's Board and Board of Supervisors had successfully completed the general election, laying a solid foundation for the Company to continue to promote and achieve its future strategic development goals. Facing the situation of ever increasing centralization of domestic beer market and intensified internationalized competition, the Company's strategic support lies in the strengthening of base market construction and enhancing brand construction, to ensure the high-quality and sustainable development of Tsingtao Beer. The Company shall continue to focus on innovation, give full play to the brand and quality advantages of Tsingtao Beer, dedicate itself to the optimization and upgrading of product mix and continue gaining new growth in domestic mid-and high-end markets with differentiated competition strategies. Meanwhile, it shall make efforts in the development and sales of new products, expedite the cultivation and development of new kinetic energy, expand new economic growth points and continue to satisfy and lead the consumption demands of the market.

(II) Core Competitiveness Analysis

The Company's core competitiveness did not change during the Reporting Period. Please refer to the Company's 2017 annual report for details.

IV. SIGNIFICANT EVENTS

1. Finance Company, the Group's wholly-owned subsidiary commenced the business of wealth management product during the Reporting Period. As of the end of 2017, Finance Company had purchased and not redeemed money market funds of RMB130 million in total; during the Reporting Period, Finance Company had accumulatively purchased money market funds of RMB60 million in total. As of the end of the Reporting Period, RMB20 million of the aforementioned funds had been redeemed; the unredeemed funds amount to RMB170 million in total and the income from its fair value changes was approximately RMB3.32 million.

   As of the end of 2017, Finance Company had purchased a total of RMB620 million of floating rate wealth management products that had not matured; during the Reporting Period, it had accumulatively purchased a total of RMB1.03 billion of floating rate wealth management products. As of the end of the Reporting Period, RMB740 million of the aforementioned products had matured, realizing an income of RMB13.65 million and all the principal and income had been credited into the account; total floating rate wealth management products that had not matured amounted to RMB910 million, with an estimated income of approximately RMB14.1 million.

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

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

V. REVIEW OF THE UNAUDITED INTERIM RESULTS

The Audit & Internal Control Committee of the Board has reviewed the Company's unaudited 2018 Interim Results.

VI. THE COMPANY'S COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company was listed simultaneously on Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") and thus shall comply with the requirements of applicable laws and securities supervisory regulations on corporate governance in both places. The Company always devotes to maintain the high-level corporate governance. For the six months ended 30 June 2018, the Company strictly complied with relevant provisions stated 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 (the "Listing Rules"),* except the deviation from code provision A.4.2.

As stated in Code provision A.4.2, all directors (including the director whose tenure is designated) shall retire by turns once every three years at least. As disclosed in the announcement of the Company dated 14 June 2017, the tenure of the Company's 8th Session of the Board and Board of Supervisors expired on 16 June 2017. Considering that the nomination of relevant director/supervisor candidates was not completed, the reelection and appointment of the 8th session of the Board and Board of Supervisors shall postpone, and the tenure of various special committees of the Company's 8th session of the Board and Board of Supervisors shall accordingly extend as well in order to guarantee the continuity and the stability of all works, the Company had completed the general election work of the 9th session of the Board and Board of Supervisors on 28 June 2018. Accordingly, the Company has already complied with the code provision A.4.2 since 28 June 2018, and revised the *Articles of Association of Tsingtao Brewery Company Limited* and its appendices.

The Company had fully adopted all the code provisions in *Corporate Governance Code* set out in Appendix 14 of *Listing Rules* of the Stock Exchange without any significant deviation or violation. The Company had made efforts in achieving better corporate governance practice and the related details are available in the contents of the Company's 2017 Annual Report.

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

Qingdao, People's Republic of China
28 August 2018

As at the date of this Announcement, Directors of the Company are:

Executive Directors:	*Mr. HUANG Ke Xing (Chairman), Mr. FAN Wei, Mr. WANG Rui Yong & Mr. YU Zhu Ming*
Non-Executive Director:	*Mr. TANG Bin*
Independent Non-Executive Directors:	*Mr. YU Zeng Biao, Mr. BEN Sheng Lin, Mr. JIANG Min & Mr. JIANG Xing Lu*