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TSINGTAO BREWERY COMPANY LIMITED

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

(Stock Code: 168)

ANNOUNCEMENT OF 2019 INTERIM RESULTS

The Board of Directors (“the Board”) of Tsingtao Brewery Co., Ltd. (“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 2019 (“the Reporting Period”) made pursuant to the China Accounting Standards for Business Enterprises (“CAS”).

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan unless otherwise stated)

Consolidated Balance Sheet

ASSETS	<i>Note</i>	30 June 2019 (unaudited)	31 December 2018
Current assets			
Cash at bank and on hand		16,573,687,567	12,535,737,018
Financial assets held for trading		1,450,602,959	1,202,544,491
Notes receivable		27,850,000	53,801,550
Accounts receivable	2	187,260,826	110,705,784
Advances to suppliers		209,438,144	173,564,933
Other receivables		110,116,269	297,784,761
Inventories		1,991,414,551	2,651,224,726
Other current assets		364,090,292	734,941,934
Total current assets		20,914,460,608	17,760,305,197
Non-current assets			
Long-term equity investments		374,748,624	370,486,200
Other non-current financial assets		600,000	600,000
Investment properties		35,464,082	27,932,768
Fixed assets		10,430,089,420	10,326,694,147
Construction in progress		251,043,812	379,891,294
Right-of-use assets		64,521,008	—
Intangible assets		2,503,275,628	2,599,685,515
Goodwill		1,307,103,982	1,307,103,982
Long-term prepaid expenses		26,479,383	33,107,419
Deferred tax assets		1,461,484,969	1,207,020,387
Other non-current assets		87,141,507	62,438,096
Total non-current assets		16,541,952,415	16,314,959,808
TOTAL ASSETS		37,456,413,023	34,075,265,005

Consolidated Balance Sheet (continued)

LIABILITIES AND EQUITY	<i>Note</i>	30 June 2019 (unaudited)	31 December 2018
Current liabilities			
Short-term borrowings		465,722,524	296,155,600
Notes payable		337,495,270	326,075,937
Accounts payable	3	3,132,055,772	2,246,348,607
Contract liabilities		4,125,343,897	5,237,538,511
Employee benefits payable		1,252,135,930	1,175,461,292
Taxes payable		989,294,283	691,133,999
Other payables		4,070,117,112	2,113,507,358
Current portion of non-current liabilities		20,395,883	420,320
Other current liabilities		75,395	228,510
Total current liabilities		14,392,636,066	12,086,870,134
Non-current liabilities			
Long-term borrowings		418,880	630,480
Lease liabilities		36,333,884	—
Long-term payables		395,338,888	222,324,164
Deferred income		2,203,935,280	2,343,747,145
Long-term employee benefits payable		499,702,927	526,560,514
Deferred tax liabilities		199,657,543	205,181,181
Total non-current liabilities		3,335,387,402	3,298,443,484
Total liabilities		17,728,023,468	15,385,313,618
Equity			
Share capital		1,350,982,795	1,350,982,795
Capital surplus		3,444,224,970	3,444,186,312
Other comprehensive income		(45,191,630)	(44,696,804)
Surplus reserve		1,400,704,380	1,400,704,380
General reserve		199,512,331	199,512,331
Undistributed profits	4	12,601,826,366	11,619,782,072
Total equity attributable to shareholders of the Company		18,952,059,212	17,970,471,086
Non-controlling interests		776,330,343	719,480,301
Total equity		19,728,389,555	18,689,951,387
TOTAL LIABILITIES AND EQUITY		37,456,413,023	34,075,265,005

Consolidated Income Statement

	Note	Six months ended 30 June	
		2019 (unaudited)	2018 (unaudited)
Revenue	5	16,550,665,464	15,153,690,513
<i>Less:</i> Cost of sales	5	(9,911,821,503)	(9,187,180,102)
Taxes and surcharges	6	(1,320,966,492)	(1,307,888,063)
Selling and distribution expenses		(2,989,388,327)	(2,696,553,724)
General and administrative expenses		(590,627,801)	(578,194,159)
Research and development expenses		(7,928,139)	(7,116,545)
Finance expenses		235,121,980	241,191,088
Including: Interest expenses		6,594,455	5,916,028
Interest income		253,227,854	261,107,536
<i>Add:</i> Other income		313,300,318	241,698,296
Investment income		20,591,398	18,354,411
Including: Share of profit of associates and a joint venture		19,265,218	16,708,068
Profits arising from changes in fair value (Losses are listed with “-”)		31,023,477	24,927,121
Credit impairment losses (Losses are listed with “-”)		1,900,121	2,085,078
Asset impairment losses (Losses are listed with “-”)		(1,259,543)	(6,642,975)
Gains on disposals of assets (Losses are listed with “-”)	7	(21,948,784)	(7,613,067)
Operating profit		2,308,662,169	1,890,757,872
<i>Add:</i> Non-operating income		15,474,872	7,849,272
<i>Less:</i> Non-operating expenses		(1,918,592)	(2,838,182)
Total profit		2,322,218,449	1,895,768,962
<i>Less:</i> Income tax expense	8	(596,677,665)	(499,557,944)
Net profit		1,725,540,784	1,396,211,018
Classified by continuity of operations			
Net profit from continuing operations		1,725,540,784	1,396,211,018
Net profit from discontinued operations		—	—
Classified by ownership of the equity			
Attributable to non-controlling interests		95,024,748	93,986,033
Attributable to shareholders of the Company		1,630,516,036	1,302,224,985
Other comprehensive income, net of tax		(494,826)	(937,039)
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		32,847	(43,082)
Currency translation differences		(527,673)	(893,957)
Total comprehensive income		1,725,045,958	1,395,273,979
Attributable to shareholders of the Company		1,630,021,210	1,301,287,946
Attributable to non-controlling interests		95,024,748	93,986,033
Earnings per share	9		
Basic earnings per share (RMB Yuan)		1.207	0.964
Diluted earnings per share (RMB Yuan)		1.207	0.964

Note:

1 Basis of preparation

The financial statements are prepared in accordance with CAS – 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.

Significant changes in accounting policies

In 2018, the Ministry of Finance issued the revised CAS 21 “Lease” (hereinafter referred to as “the new lease standard”), and issued “Circular on revising and issuing the formats of corporate financial statements for 2019” (Cai Kuai [2019] No.6). The financial statements for the six months ended 30 June 2019 are prepared in accordance with the above standard and circular, and impacts are as follows:

(a) Modification on the format of general corporate financial statements

The impacts on consolidated balance sheets are listed as follows:

Contents and reasons of the modification of accounting policies

	The line items affected	The amounts affected	
		31 December 2018	1 January 2018
The Group splits ‘notes receivable and accounts receivable’ into ‘notes receivable’ and ‘accounts receivable’.	Accounts receivable	110,705,784	141,397,244
	Notes receivable	53,801,550	42,220,000
	Notes receivable and accounts receivable	(164,507,334)	(183,617,244)
The Group splits ‘notes payable and accounts payable’ into ‘notes payable’ and ‘accounts payable’.	Accounts payable	2,246,348,607	2,083,733,787
	Notes payable	326,075,937	289,472,296
	Notes payable and accounts payable	(2,572,424,544)	(2,373,206,083)
Interest on financial instruments accrued based on the effective interest rate method is adjusted to the carrying amount of the corresponding financial instrument.	Other receivables	(183,887,992)	(86,573,933)
	Cash at bank and on hand	183,703,320	86,365,872
	Other current assets	184,672	208,061
	Other payables	(1,728,562)	(815,222)
	Short-term borrowings	1,728,562	815,222

1 Basis of preparation (continued)

Significant changes in accounting policies (continued)

(b) Lease

- (i) According to relevant regulations of the new lease standard, the Group adjusts the amount of related items at the beginning of 2019 for the cumulative impact of the initial adoption of the standard. The comparative financial statements of 2018 are not restated.

Contents and reasons of the modification of accounting policies	The line items affected	The amounts affected 1 January 2019
For operating lease contracts that exist before the initial implementation of the new lease standard, the Group adopts different methods according to the remaining lease period:	Right-of-use assets	59,074,100
	Lease liabilities	39,998,101
	Current portion of non-current liabilities	18,309,553
	Advances to suppliers	(766,446)

If the remaining lease period is longer than one year, the Group recognises lease liabilities based on the remaining lease payment and incremental borrowing rate on 1 January 2019. Right-of-use assets are recognised as the same amount as lease liabilities, and are adjusted according to prepaid rent.

If the remaining lease period is less than one year, the Group adopts a simplified method of not recognising the right-of-use assets and lease liabilities, with no significant impact on the financial statements.

As at 1 January 2019, the Group adopts same discount rate for lease contracts with similar characteristics when measuring lease liabilities, and the weighted average of the incremental borrowing interest rate adopted is 4.82%.

1 Basis of preparation (continued)

Significant changes in accounting policies (continued)

(b) Lease (continued)

- (ii) As at 1 January 2019, the Group adjusts the outstanding minimum operating lease payment disclosed under the original lease standard to lease liabilities recognised under the new lease standard as follows:

	Consolidated
Disclosure of future minimum operating lease payment on 31 December 2018	46,892,617
Present value of the above-mentioned minimum operating lease payment discounted by incremental borrowing rate	45,155,066
Add: others (Note 1)	29,724,419
Less: Present value of lease contract payment less than 12 months	<u>(16,571,831)</u>
Lease liabilities recognised on 1 January 2019 (including the current portion of non-current liabilities)	<u><u>58,307,654</u></u>

Note 1: The disclosure by the Group on 31 December 2018 about the outstanding minimum operating lease payment does not include factors that leases are expected to renew. When determining lease liabilities on the first adoption date, the Group includes the payment of leases in the calculation of lease liabilities for leases reasonably expected to be renewed.

2 Accounts receivable

	30 June 2019 (unaudited)	31 December 2018
Accounts receivable	377,816,295	301,766,973
Less: Provision for bad debts	(190,555,469)	(191,061,189)
	<u>187,260,826</u>	<u>110,705,784</u>

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 analyzed below:

	30 June 2019 (unaudited)	31 December 2018
Within 1 year	187,262,840	110,831,624
1 to 2 years	131,514	255,791
2 to 3 years	297,057	41,542
3 to 4 years	—	—
4 to 5 years	430,869	655,737
Over 5 years	189,694,015	189,982,279
	<u>377,816,295</u>	<u>301,766,973</u>

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 on the dates of invoice.

3 Accounts payable

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

	30 June 2019 (unaudited)	31 December 2018
Within 1 year	3,111,283,311	2,217,835,544
1 to 2 years	8,957,557	10,637,317
2 to 3 years	2,696,671	3,481,831
Over 3 years	9,118,233	14,393,915
	<u>3,132,055,772</u>	<u>2,246,348,607</u>

4 Dividend

Pursuant to the resolution at the Annual General Meeting dated 28 June 2019, the Company approved a cash dividend RMB0.48 per share (tax included) to the shareholders of the Company of RMB648,471,742 for the year of 2018, based on a total number of 1,350,982,795 issued shares (2018: cash dividend of RMB0.42 per share (tax included) 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 issued shares). As at 30 June 2019, the dividend has not been paid yet.

No interim dividend for the six months ended 30 June 2019 has been proposed by the Board (For the six months ended 30 June 2018: nil).

5 Revenue and cost of sales

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Revenue from main operation	16,406,304,740	15,021,049,974
Revenue from other operations	144,360,724	132,640,539
	<u>16,550,665,464</u>	<u>15,153,690,513</u>
	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Cost of main operation	(9,819,940,217)	(9,094,062,607)
Cost of other operations	(91,881,286)	(93,117,495)
	<u>(9,911,821,503)</u>	<u>(9,187,180,102)</u>

6 Taxes and surcharges

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Consumption tax	981,826,288	963,194,446
City maintenance and construction tax	146,345,742	147,910,843
Education surcharges	109,791,245	112,262,715
Land use tax	30,320,375	29,015,278
Real estate tax	30,234,869	30,253,691
Stamp tax	13,299,555	13,740,351
Others	9,148,418	11,510,739
	<u>1,320,966,492</u>	<u>1,307,888,063</u>

7 Gains on disposals of assets

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Losses on disposals of fixed assets	<u>21,948,784</u>	<u>7,613,067</u>

8 Income tax expense

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax	854,947,080	692,622,001
Current profits tax calculated according to tax law and related regulations in Hong Kong SAR — Hong Kong profits tax	1,199,731	1,382,956
Current profits supplemental tax calculated according to tax law and related regulations in Macau SAR — Macau profits supplemental tax	519,074	405,647
Deferred income tax	<u>(259,988,220)</u>	<u>(194,852,660)</u>
	<u>596,677,665</u>	<u>499,557,944</u>

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 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Total profit	<u>2,322,218,449</u>	<u>1,895,768,962</u>
Income tax expense calculated at applicable tax rates	579,376,595	472,522,469
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	13,713,463	8,419,257
Income not subject to tax	(10,551,685)	(9,316,800)
Utilization of previously unrecognised deferred tax assets	(54,640,876)	(36,993,236)
Deductible temporary differences for which no deferred tax assets were recognised	14,590,218	16,066,017
Deductible tax losses for which no deferred tax assets were recognised	<u>54,189,950</u>	<u>48,860,237</u>
Income tax expense	<u>596,677,665</u>	<u>499,557,944</u>

8 Income tax expense (continued)

(1) China 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 SAR, 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 year. Macau profits supplemental tax is imposed on the estimated taxable profit for the year 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 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	1,630,516,036	1,302,224,985
Weighted average numbers of ordinary shares outstanding	<u>1,350,982,795</u>	<u>1,350,982,795</u>
Basic earnings per share	<u>1.207</u>	<u>0.964</u>
Including:		
— Basic earnings per share from continuing operations:	1.207	0.964

(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 2019 (six months ended 30 June 2018: 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. 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 to these segments and to assess their performance.

Tsingtao Brewery Finance LLC. (“Finance Company”), the Group’s 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 segment, responsible for the production and distribution of beer in Shandong region and surrounding regions
- South China region segment, responsible for the production and distribution of beer in South China region
- North China region segment, responsible for the production and distribution of beer in North China region
- East China region segment, responsible for the production and distribution of beer in East China region
- Southeast China region segment, responsible for the production and distribution of beer in Southeast China region
- Hong Kong, Macau and other overseas region segment, responsible for the distribution of beer in Hong Kong SAR, Macau SAR and other overseas regions
- Finance Company segment, 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.

10 Segment information (continued)

(a) Segment information as at and for the six months ended 30 June 2019 is as follows (unaudited):

	Shandong Region	South China Region	North China Region	East China Region	South-east China Region	Hong Kong, Macau and other overseas Region	Finance Company	Unallocated	Elimination	Total
Revenue from external customers	9,971,137,793	1,351,680,003	2,889,682,398	1,626,062,146	392,696,831	315,158,021	3,326,148	922,124	-	16,550,665,464
Inter-segment revenue	1,382,522,436	541,864,880	888,648,397	85,631,176	5,999,454	147,122,630	14,015,349	248,755	(3,066,053,077)	-
Cost of sales	(7,448,217,390)	(1,235,440,415)	(2,477,051,866)	(1,213,563,254)	(314,363,593)	(340,550,353)	(21,979)	(440,729)	3,117,828,076	(9,911,821,503)
Selling and distribution expenses	(1,998,829,500)	(240,973,638)	(372,529,558)	(259,944,145)	(64,054,455)	(53,057,031)	-	-	-	(2,989,388,327)
Interest income	24,099,479	6,236,468	20,220,251	2,757,666	420,935	2,222,385	191,540,239	73,996,714	(68,266,283)	253,227,854
Interest expenses	(2,254,540)	(2,576,831)	(6,610,223)	(5,533,681)	-	(3,933,016)	(69,553,123)	-	83,866,959	(6,594,455)
Share of profits of associates and a joint venture	-	-	-	-	-	-	-	19,265,218	-	19,265,218
Credit impairment reversals/(losses)	1,818,539	35,951	431	(35,035)	-	11,104	(164,207)	-	233,338	1,900,121
Asset impairment losses	(441,476)	-	(574,465)	288,110	(531,712)	-	-	(50,000,000)	50,000,000	(1,259,543)
Depreciation and amortization	(244,443,680)	(86,007,037)	(103,160,850)	(82,595,197)	(20,546,451)	(1,785,668)	(476,696)	(27,585,909)	-	(566,601,488)
Total profit/(losses)	1,120,166,856	208,761,009	676,437,618	20,073,970	(6,602,460)	66,041,961	170,449,183	(50,919,642)	117,809,954	2,322,218,449
Income tax expense	(297,559,700)	(48,341,470)	(149,533,518)	(23,878,779)	(2,394,358)	(16,185,365)	(42,336,888)	-	(16,447,587)	(596,677,665)
Net profit/(losses)	822,607,156	160,419,539	526,904,100	(3,804,809)	(8,996,818)	49,856,596	128,112,295	(50,919,642)	101,362,367	1,725,540,784
Total assets	13,091,541,246	3,898,454,445	7,037,826,146	3,456,018,930	859,601,444	708,004,007	13,342,521,215	9,148,256,462	(14,085,810,872)	37,456,413,023
Total liabilities	9,403,225,900	1,818,198,411	4,359,158,401	2,646,354,503	553,141,546	761,926,088	11,299,497,775	1,076,076,970	(14,189,556,126)	17,728,023,468
Non-cash expenses other than depreciation and amortization	6,441,095	145,526	3,045,520	79,229	6,939	-	-	-	-	9,718,309
Long-term equity investments in associates and a joint venture	-	-	-	-	-	-	-	374,748,624	-	374,748,624
Additions of non-current assets (i)	242,318,189	30,824,221	184,735,396	40,224,760	11,213,153	1,182,197	168,000	19,737,990	(8,294,764)	522,109,142

(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 2018 is as follows (unaudited):

	Shandong Region	South China Region	North China Region	East China Region	South-east China Region	Hong Kong, Macau and other overseas Region	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
Asset 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)

(c) *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 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Revenue from external customers		
Mainland China	16,212,450,430	14,823,809,988
Hong Kong and Macau SAR	102,950,910	100,662,031
Other overseas regions	235,264,124	229,218,494
	<u>16,550,665,464</u>	<u>15,153,690,513</u>
	30 June 2019 (unaudited)	30 June 2018 (unaudited)
Total non-current assets		
Mainland China	15,064,384,990	15,464,503,191
Hong Kong and Macau SAR	15,482,457	11,464,633
	<u>15,079,867,447</u>	<u>15,475,967,824</u>

II. DIVIDEND

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 2019.

III. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Introduction of General Information of the Company's Operating Activities during the Reporting Period

During the first half of year 2019, China's beer market has achieved stable development, the upgrading of consumption structure has continued, and industrial capacity and product mix have been further optimized, with beer production reaching 19.488 million kl (Data source: National Bureau of Statistics, production of beer companies of above designated scale), a slight increase of 0.8% from the corresponding period in the previous year.

During the Reporting Period, the Company has adopted a proactive approach towards the expansion of domestic and foreign markets, and has implemented a range of measures, including the optimization of brand and variety mix structure, so as to achieve the positive development trends of sustained growth in sales volume, sales revenue and net profit, as well as the continued rise of brand value. During the Reporting Period, the Company's sale volume of beer has reached 4.73 million kl, an increase of 3.6% from the corresponding period in the previous year; the Company has attained RMB 16.551 billion in operating revenue, an increase of 9.22% from the corresponding period in the previous year, and RMB 1.631 billion of net profit attributable to shareholders of the Company, an increase of 25.21% from the corresponding period in the previous year.

During the Reporting Period, the Company has continued to strengthen its brand development strategy of "Tsingtao Beer as Core Brand + Laoshan Beer as Secondary Brand". By focusing on its product strategy and regional strategy, the Company has proactively carried out brand promotion, harnessed the brand and quality advantages of Tsingtao Beer, and further enhanced the mid-to high-end brand positioning of Tsingtao Beer. By ensuring the stronger, better, bigger and faster transformation and upgrading of Tsingtao Classic, Tsingtao draft beer, new special products and Laoshan Beer towards high valued-added products, the Company has continued to drive the improvement and upgrading of product mix. During the first half of the year, sales volume of the Company's core brands has reached 2.360 million kl, an increase of 6.3% from the corresponding period in the previous year, thus maintaining the Company's competitive advantage in the domestic mid-and high-end markets.

In light of the grave challenge of rising raw material costs, the Company has continued to optimize cost control and spending, as well as strengthen its budget management efficiency, while striving to enhance product mix and price. Through a combination of measures to reduce costs and increase efficiency, the Company has maintained the continuous and stable growth of its sales volume and profit.

Through the Company's continuous promotion of innovation-driven development, the Company has optimized the bidding strategy of centralized procurement by creating efficient supply chain synergies, thereby actively absorbing the pressure of rising costs; the Company has adopted new technologies of intelligent manufacturing to achieve intelligent and green production, increased the efficiency of resource allocation, expedited the conversion from old to new growth drivers, and maintained its differentiated competitive advantages. The Company has actively promoted the development and implementation of new channels and new business operations, accelerated the market layout of new retail and new business operations, as well as continued the improvement of its e-commerce sales channel system to satisfy consumers' purchase demands and consumption experience through multiple channels in the Internet era, thus developing new growth potential for the sustainable and healthy development of Tsingtao Brewery.

During the first half of year 2019, "Tsingtao Beer" has topped the list of China's beer industry brand value for the 16th consecutive year with a brand value of RMB 163.772 billion; the brand value of the Company's secondary beer brand "Laoshan Beer" has reached RMB 32.709 billion. (Data source: World Brand Laboratory)

(II) Core Competitiveness Analysis

The Company's core competitiveness did not change during the Reporting Period. Please refer to the Company's 2018 Annual Report for details.

IV. SIGNIFICANT EVENTS

1. Due to an adjustment in personnel, Mr. TANG Bin has resigned from his positions as (i) Non-executive Director of the Company; and (ii) a member of each of the Audit and Internal Control Committee, Nomination and Remuneration Committee and Strategy and Investment Committee of the Board, with effect from 16 July 2019.
2. At the third non-scheduled meeting of 2019 of the ninth session of the Board held on 1 August 2019, the proposal on the recruitment of new senior management officers was reviewed and approved. It was agreed that Mr. JIANG Zong Xiang shall be appointed as the Company's Vice President and President of Supply Chain; Ms. XU Nan as the Company's Vice President, President of Manufacturing Center and Chief Brewer; and Mr. WANG Shao Bo as the Company's Vice President. The tenure of the aforementioned senior management officers starts from the dates when their appointments are approved by the Board till the expiration of the term of the ninth session of the Board. Mr. FAN Wei, the Company's Executive Director and President, has ceased to serve as President of Manufacturing Center and Chief Brewer of the Company.
3. During the Reporting Period, the Company was not involved in any new significant litigation or arbitration.
4. 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 and Internal Control Committee of the Board has reviewed the Company's unaudited 2019 Interim Results.

VI. INFORMATION OF CORPORATE GOVERNANCE AND 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 its corporate governance practices shall comply with the requirements of applicable laws and securities regulations of both Shanghai and Hong Kong.

During the Reporting Period, the Company had fully adopted and complied with all the code provisions in Corporate Governance Code set out in Appendix 14 of Listing Rules of the Stock Exchange.

By order of the Board
Tsingtao Brewery Company Limited
Chairman
HUANG Ke Xing

Qingdao, People's Republic of China
15 August 2019

As at the date of this Announcement, the board members of the Company are listed as follows:

Executive Directors: *Mr. HUANG Ke Xing (Chairman), Mr. FAN Wei, Mr. YU Zhu Ming & Mr. WANG Rui Yong*

Independent Non-Executive Directors: *Mr. YU Zeng Biao, Mr. BEN Sheng Lin, Mr. JIANG Min & Mr. JIANG Xing Lu*