TSINGTAO BREWERY COMPANY LIMITED

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

(Stock Code: 168)

2019 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of Tsingtao Brewery Company Limited (the "Company") is pleased to present the preliminary consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019 (the "Reporting Period") extracted from the audited consolidated financial statements of the Group prepared in accordance with the China Accounting Standards for Business Enterprises.

1. FINANCIAL INFORMATION

(All amounts in RMB Yuan unless otherwise stated)

Consolidated Balance Sheet

	Note	**31 December 2019**	31 December 2018
ASSETS			
Current assets			
Cash at bank and on hand		**15,301,983,408**	12,535,737,018
Financial assets held for trading		**1,523,793,019**	1,202,544,491
Notes receivable		**75,100,000**	53,801,550
Accounts receivable	*2*	**151,069,427**	110,705,784
Advances to suppliers		**117,156,091**	173,564,933
Other receivables		**86,269,436**	297,784,761
Inventories		**3,181,769,333**	2,651,224,726
Other current assets		**564,677,336**	734,941,934
Total current assets		**21,001,818,050**	17,760,305,197
Non-current assets			
Long-term equity investments		**376,641,802**	370,486,200
Other non-current financial assets		**600,000**	600,000
Investment properties		**36,504,682**	27,932,768
Fixed assets		**10,222,034,465**	10,326,694,147
Construction in progress		**178,993,842**	379,891,294
Right-of-use assets		**66,970,435**	—
Intangible assets		**2,558,572,455**	2,599,685,515
Goodwill		**1,307,103,982**	1,307,103,982
Long-term prepaid expenses		**35,255,388**	33,107,419
Deferred tax assets		**1,455,035,532**	1,207,020,387
Other non-current assets		**72,852,914**	62,438,096
Total non-current assets		**16,310,565,497**	16,314,959,808
TOTAL ASSETS		**37,312,383,547**	34,075,265,005

Consolidated Balance Sheet *(continued)*

	Note	**31 December 2019**	31 December 2018
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings		**270,906,631**	296,155,600
Notes payable		**220,825,323**	326,075,937
Accounts payable	*3*	**2,167,178,181**	2,246,348,607
Contract liabilities		**6,275,719,703**	5,237,538,511
Employee benefits payable		**1,458,665,786**	1,175,461,292
Taxes payable		**513,058,160**	691,133,999
Other payables		**2,424,857,501**	2,113,507,358
Current portion of non-current liabilities		**22,208,025**	420,320
Other current liabilities		**361,684**	228,510
Total current liabilities		**13,353,780,994**	12,086,870,134
Non-current liabilities			
Long-term borrowings		**209,180**	630,480
Lease liabilities		**37,471,885**	—
Long-term payables		**372,579,660**	222,324,164
Deferred income		**2,519,926,935**	2,343,747,145
Long-term employee benefits payable		**931,008,557**	526,560,514
Deferred tax liabilities		**184,035,480**	205,181,181
Total non-current liabilities		**4,045,231,697**	3,298,443,484
Total liabilities		**17,399,012,691**	15,385,313,618
Equity			
Share capital		**1,350,982,795**	1,350,982,795
Capital surplus		**3,444,317,455**	3,444,186,312
Other comprehensive income		**(47,347,633)**	(44,696,804)
Surplus reserve		**1,400,704,380**	1,400,704,380
General reserve		**234,715,680**	199,512,331
Undistributed profits	*4*	**12,788,210,357**	11,619,782,072
Total equity attributable to shareholders of the Company		**19,171,583,034**	17,970,471,086
Non-controlling interests		**741,787,822**	719,480,301
Total equity		**19,913,370,856**	18,689,951,387
TOTAL LIABILITIES AND EQUITY		**37,312,383,547**	34,075,265,005

Consolidated Income Statement

	Note	Year ended 31 December **2019**	2018
Revenue	*5*	**27,983,760,363**	26,575,255,205
Less: Cost of sales	*5*	**(17,080,443,282)**	(16,555,774,979)
Taxes and surcharges	*6*	**(2,313,322,793)**	(2,326,543,366)
Selling and distribution expenses		**(5,103,505,734)**	(4,868,834,502)
General and administrative expenses		**(1,881,053,486)**	(1,386,380,042)
Research and development expenses		**(21,088,710)**	(19,755,502)
Finance expenses		**484,172,216**	497,115,822
Including: Interest expenses		**(13,621,266)**	(13,707,476)
Interest income		**514,830,422**	536,675,628
Add: Other income		**602,897,696**	523,174,569
Investment income		**24,508,766**	20,518,603
Including: Share of profit of associates and a joint venture		**21,182,903**	16,615,487
Profits arising from changes in fair value (Losses are listed with "–")		**56,754,451**	54,170,936
Credit impairment losses (Losses are listed with "–")		**7,091,211**	1,311,608
Asset impairment losses (Losses are listed with "–")		**(121,051,420)**	(147,032,754)
Gains on disposals of assets (Losses are listed with "–")	*7*	**59,170,551**	10,339,068
Operating profit		**2,697,889,829**	2,377,564,666
Add: Non-operating income		**34,664,591**	15,921,391
Less: Non-operating expenses		**(5,643,591)**	(13,719,191)
Total profit		**2,726,910,829**	2,379,766,866
Less: Income tax expense	*8*	**(797,794,436)**	(818,755,412)
Net profit		**1,929,116,393**	1,561,011,454
Classified by continuity of operations			
Net profit from continuing operations		**1,929,116,393**	1,561,011,454
Net profit from discontinued operations		–	–
Classified by ownership of the equity			
Attributable to non-controlling interests		**77,013,017**	138,811,749
Attributable to shareholders of the Company		**1,852,103,376**	1,422,199,705
Other comprehensive income, net of tax		**(2,650,829)**	(29,549,068)
Other comprehensive income attributable to shareholders of the Company, net of tax			
Items that will not be subsequently reclassified to profit or loss			
Changes arising from remeasurement of defined benefit plan		**907,000**	(22,516,000)
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		**9,413**	(12,848)
Currency translation differences		**(3,567,242)**	(7,020,220)
Total comprehensive income		**1,926,465,564**	1,531,462,386
Attributable to shareholders of the Company		**1,849,452,547**	1,392,650,637
Attributable to non-controlling interests		**77,013,017**	138,811,749
Earnings per share	*9*		
Basic earnings per share (RMB Yuan)		**1.371**	1.053
Diluted earnings per share (RMB Yuan)		**1.371**	1.053

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.

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"). In 2019, the Ministry of Finance issued "Circular on revising and issuing the formats of corporate financial statements for 2019" (Cai Kuai [2019] No.6), the revised CAS 7 "Exchange of non-monetary assets" (hereinafter referred to as "the exchange of non-monetary assets standard") and CAS 12 "Debt Restructuring" (hereinafter referred to as "the debt restructuring standard"). The financial statements for the year ended 31 December 2019 are prepared in accordance with the above standards and circular. The revised exchange of non-monetary assets standard and the debt restructuring standard have no significant impacts on the Group. The impacts of other revisions on the Group are as follows:

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

The impacts on the consolidated balance sheet 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 of financial instruments accrued based on the effective interest rate method is adjusted to the carrying amount of the corresponding financial instruments.	Cash at bank and on hand	183,703,320	86,365,872
	Other current assets	184,672	208,061
	Other receivables	(183,887,992)	(86,573,933)
	Short-term borrowings	1,728,562	815,222
	Other payables	(1,728,562)	(815,222)

1 Basis of preparation *(continued)*

(b) Lease

(i) The Group adopted the new lease standard for the first time on 1 January 2019. According to relevent regulations, the Group chose not to re-evaluate the contract prior to the first adoption. The Group recognized the cumulative effect of the initial adoption of the standard as an adjustment of the amount of related items at the beginning of 2019.

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 adoption 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 12 months, 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 12 months, 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 adopted same discount rate for lease contracts with similar characteristics when measuring lease liabilities, and the weighted average of the incremental borrowing interest rate is 4.82%.

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

	The amounts affected
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 with period less than 12 months	**(16,571,831)**
Lease liabilities recognised on 1 January 2019 (including the current portion of non-current liabilities)	**58,307,654**

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

	31 December 2019	31 December 2018
Accounts receivable	**337,040,440**	301,766,973
Less: Provision for bad debts	**(185,971,013)**	(191,061,189)
	151,069,427	110,705,784

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:

	31 December 2019	31 December 2018
Within 1 year	**151,053,718**	110,831,624
1 to 2 years	**47,764**	255,791
2 to 3 years	**239,525**	41,542
3 to 4 years	**7,393**	–
4 to 5 years	**–**	655,737
Over 5 years	**185,692,040**	189,982,279
	337,040,440	301,766,973

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:

	31 December 2019	31 December 2018
Within 1 year	**2,153,166,928**	2,217,835,544
1 to 2 years	**4,998,759**	10,637,317
2 to 3 years	**2,245,977**	3,481,831
Over 3 years	**6,766,517**	14,393,915
	2,167,178,181	2,246,348,607

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 (taxes 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 shares (2018: cash dividend of RMB0.42 per share (taxes 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).

Pursuant to the resolution at the Board Meeting dated 27 March 2020, the Board proposed a cash dividend RMB0.55 per share (taxes included) to the shareholders of the Company with RMB743,040,537, based on a total number of 1,350,982,795 issued shares. Such dividend distribution is subject to the approval at the forthcoming Annual General Meeting.

5 Revenue and cost of sales

	Year ended 31 December 2019	Year ended 31 December 2018
Revenue from main operation	**27,618,479,426**	26,234,148,017
Revenue from other operations	**365,280,937**	341,107,188
	27,983,760,363	26,575,255,205

	Year ended 31 December 2019	Year ended 31 December 2018
Cost of main operation	**(16,862,865,858)**	(16,343,422,417)
Cost of other operations	**(217,577,424)**	(212,352,562)
	(17,080,443,282)	(16,555,774,979)

6 Taxes and surcharges

	Year ended 31 December 2019	Year ended 31 December 2018
Consumption tax	**1,741,751,782**	1,734,393,300
City maintenance and construction tax	**234,094,099**	245,735,035
Education surcharges	**176,064,841**	185,736,833
Real estate tax	**61,093,344**	60,517,007
Land use tax	**59,972,034**	58,971,088
Stamp tax	**25,222,029**	25,606,915
Others	**15,124,664**	15,583,188
	2,313,322,793	2,326,543,366

7 Gains on disposals of assets

	Year ended 31 December 2019	Year ended 31 December 2018
Gains on disposals of fixed assets	**4,322,131**	6,121,979
Gains on disposals of intangible assets	**54,848,420**	4,217,089
	59,170,551	10,339,068

8 Income tax expense

	Year ended 31 December 2019	Year ended 31 December 2018
Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax	**1,064,649,714**	900,036,176
Current profits tax calculated according to tax law and related regulations in Hong Kong — Hong Kong profits tax	**1,589,540**	3,439,870
Current profits supplemental tax calculated according to tax law and related regulations in Macau — Macau profits supplemental tax	**716,028**	1,891,706
Deferred income tax	**(269,160,846)**	(86,612,340)
	797,794,436	818,755,412

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:

	Year ended 31 December 2019	Year ended 31 December 2018
Total profit	**2,726,910,829**	2,379,766,866
Income tax expense calculated at applicable tax rates	**680,439,443**	592,508,178
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	**51,299,027**	26,588,262
Impairment of deferred tax assets	**–**	62,331,772
Income not subject to tax	**(20,264,893)**	(18,913,592)
Utilization of previously unrecognised deferred tax assets	**(78,522,279)**	(71,390,743)
Deductible temporary differences for which no deferred tax assets were recognised	**91,566,667**	64,930,457
Deductible tax losses for which no deferred tax assets were recognised	**73,276,471**	162,701,078
Income tax expense	**797,794,436**	818,755,412

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 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:

	Year ended 31 December 2019	Year ended 31 December 2018
Consolidated net profit attributable to ordinary shareholders of the Company	**1,852,103,376**	1,422,199,705
Weighted average numbers of ordinary shares outstanding	**1,350,982,795**	1,350,982,795
Basic earnings per share	**1.371**	1.053
Including:		
— Basic earnings per share from continuing operations:	**1.371**	1.053

(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 in 2019 (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 year ended 31 December 2019 is as follows:

	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	16,631,700,990	2,534,711,735	4,665,814,854	2,654,448,617	816,708,244	671,917,097	6,472,783	1,986,043	–	27,983,760,363
Inter-segment revenue	2,763,421,494	943,070,055	1,653,239,139	174,139,013	12,474,726	237,172,284	26,991,899	600,767	(5,811,109,377)	–
Cost of sales	(12,893,169,337)	(2,314,657,613)	(4,214,174,358)	(2,118,337,014)	(627,327,035)	(656,256,119)	(58,800)	(981,607)	5,744,518,601	(17,080,443,282)
Selling and distribution expenses	(3,043,366,720)	(524,125,972)	(746,733,745)	(526,392,926)	(143,435,769)	(119,450,602)	–	–	–	(5,103,505,734)
Interest income	51,627,885	14,101,490	44,072,780	6,515,846	1,015,665	4,817,818	366,027,699	162,558,066	(135,906,827)	514,830,422
Interest expenses	(4,067,263)	(5,078,081)	(13,810,375)	(11,211,095)	–	(8,929,720)	(137,806,625)	–	167,281,893	(13,621,266)
Share of profits of associates and a joint venture	–	–	–	–	–	–	–	21,182,903	–	21,182,903
Credit impairment reversals/(losses)	7,023,981	35,951	637,569	(5,324)	–	12,137	2,474,780	(3,087,883)	–	7,091,211
Asset impairment losses	(12,791,370)	(27,830,810)	(1,914,854)	(32,869,574)	(45,644,812)	–	–	(255,000,000)	255,000,000	(121,051,420)
Depreciation and amortization	(498,305,855)	(172,014,866)	(203,289,572)	(161,878,920)	(40,024,936)	(3,791,509)	(1,065,410)	(57,261,883)	–	(1,137,632,951)
Total profit/(losses)	1,926,778,218	212,160,718	670,943,257	(315,920,386)	(85,899,383)	130,340,702	311,541,764	(341,721,990)	218,687,929	2,726,910,829
Income tax expense	(486,580,928)	(46,531,614)	(145,039,856)	(18,565,383)	(2,063,217)	(32,475,388)	(76,437,769)	–	9,899,719	(797,794,436)
Net profit/(losses)	1,440,197,290	165,629,104	525,903,401	(334,485,769)	(87,962,600)	97,865,314	235,103,995	(341,721,990)	228,587,648	1,929,116,393
Total assets	14,625,692,028	4,115,782,097	7,532,937,080	2,992,229,576	811,942,844	636,114,822	16,233,804,952	6,935,449,805	(16,571,569,657)	37,312,383,547
Total liabilities	9,183,653,284	1,915,298,061	4,995,947,761	2,624,277,944	584,174,944	649,424,720	13,591,139,975	341,089,744	(16,485,993,742)	17,399,012,691
Non-cash expenses other than depreciation and amortization	13,587,052	550,944	5,842,619	799,128	132,765	148,370	–	153,310	–	21,214,188
Long-term equity investments in associates and a joint venture	–	–	–	–	–	–	–	376,641,802	–	376,641,802
Additions of non-current assets *(i)*	460,860,352	60,176,702	405,304,010	58,662,118	11,805,020	4,345,478	2,617,570	69,548,095	(34,445,011)	1,038,874,334

(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 year ended 31 December 2018 is as follows:

	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	15,392,675,579	2,336,052,494	4,543,411,184	2,855,585,969	777,568,838	662,385,219	5,222,751	2,353,171	—	26,575,255,205
Inter-segment revenue	2,592,813,166	868,176,052	1,403,271,206	131,367,782	6,521,749	140,923,147	35,662,834	600,767	(5,179,336,703)	—
Cost of sales	(12,010,293,924)	(2,196,695,789)	(3,929,801,262)	(2,315,079,748)	(656,984,581)	(552,247,921)	(47,178)	(884,204)	5,106,259,628	(16,555,774,979)
Selling and distribution expenses	(2,840,201,184)	(489,854,239)	(697,956,495)	(575,848,356)	(146,570,735)	(118,403,493)	—	—	—	(4,868,834,502)
Interest income	45,849,724	12,373,953	39,018,141	6,265,791	1,511,571	4,635,120	529,875,446	71,651,640	(174,505,758)	536,675,628
Interest expenses	(8,484,139)	(5,485,241)	(13,263,541)	(14,372,342)	—	(7,007,431)	(177,927,522)	—	212,832,740	(13,707,476)
Share of profits of associates and a joint venture	—	—	—	—	—	—	—	16,615,487	—	16,615,487
Credit impairment reversals/(losses)	599,920	(11,751)	83,992	(35,309)	41,689	(121,635)	(1,314,203)	31,329,200	(29,260,295)	1,311,608
Asset impairment losses	(20,037,878)	(36,624,812)	(17,235,063)	(71,720,811)	(1,414,190)	—	—	(265,895,228)	265,895,228	(147,032,754)
Depreciation and amortization	(501,197,452)	(175,975,595)	(203,899,533)	(176,651,183)	(38,375,206)	(2,167,699)	(789,594)	(54,371,300)	—	(1,153,427,562)
Total profit/(losses)	1,710,475,167	107,792,928	704,434,989	(411,273,768)	(93,378,218)	137,468,140	436,289,364	(415,139,857)	203,098,121	2,379,766,866
Income tax expense	(401,796,078)	(31,774,318)	(179,442,288)	(7,206,103)	(65,280,582)	(33,887,537)	(108,722,066)	—	9,353,560	(818,755,412)
Net profit/(losses)	1,308,679,089	76,018,610	524,992,701	(418,479,871)	(158,658,800)	103,580,603	327,567,298	(415,139,857)	212,451,681	1,561,011,454
Total assets	13,138,710,670	3,861,847,288	6,419,278,995	3,135,373,614	823,900,170	664,201,416	14,250,644,362	7,184,406,255	(15,403,097,765)	34,075,265,005
Total liabilities	8,203,497,988	1,844,903,684	4,246,256,703	2,507,581,724	510,101,122	767,959,169	12,343,083,381	283,948,367	(15,322,018,520)	15,385,313,618
Non-cash expenses other than depreciation and amortization	14,246,903	388,238	7,151,885	129,248	17,657	—	—	—	—	21,933,931
Long-term equity investments in associates and a joint venture	—	—	—	—	—	—	—	370,486,200	—	370,486,200
Additions of non-current assets *(i)*	200,000,596	70,198,196	294,318,614	68,736,251	24,466,859	2,041,653	1,963,349	49,521,471	(3,644,021)	707,602,968

(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:***

Revenue from external customers	**Year ended 31 December 2019**	Year ended 31 December 2018
Mainland China	**27,265,576,602**	25,905,104,057
Hong Kong and Macau SAR	**207,720,222**	217,980,681
Other overseas regions	**510,463,539**	452,170,467
	27,983,760,363	26,575,255,205

Total non-current assets	**31 December 2019**	31 December 2018
Mainland China	**14,840,360,043**	15,096,502,165
Hong Kong and Macau SAR	**14,569,922**	10,837,256
	14,854,929,965	15,107,339,421

II. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Business Performance Review

1. Development Strategies and Business Plan Implementation Description

In 2019, China's beer market experienced stable development. Consumption upgrade and diversified consumer demands drove further improvement in industrial capacity and product structure. The total beer production in the year reached 37.65 million kl, a year-on-year increase of 1% (Data source: National Bureau of Statistics; statistical population: all industrial corporate entities with annual revenue of more than RMB20 million).

To keep up with the new industrial development trend, the Company continued to follow the strategy of "Development strategies based on Capability and Driven by Brand" developed by the Board of Directors, kept steadfast confidence in its strategy, brand, products, and team. By focusing on consumers' diversified demands, the Company has proposed six strategic guidelines, including "Led by Brand, Driven by Innovation, Quality First, Prioritizing Efficiency, Optimizing Structure and Coordinated Development.", proactively expanding its domestic and foreign markets and vigorously promoting its conversion from old to new growth drivers and the upgrade of its product structure. The Company has strengthened its new driver of growth through a series of measures, including developing the strategic belt of market base, building large scale and highly automated production facilities and establishing highly efficient and smart supply chains. The Company has given full play to the brand equity of Tsingtao Beer, continued to optimize and enhance its product mix, kept improving its regional market competitiveness, and propelled the continuous and robust growth of its business In 2019, the Company's total product sales volume reached 8.05 million kl; annual operating revenue reached RMB 27.98 billion, a year-on-year increase of 5.3%; net profits attributable to the shareholders of the listed company was RMB 1.85 billion, a year-on-year increase of 30.2%.

During the Reporting Period, the Company took full advantage of its sales network that covers major domestic market and continued to deepen the mutual promotion of production and sales. It has further beefed up market promotion and sales channel development through collaborative operations with manufacturers. By focusing on sports marketing, music marketing and experience marketing, it has continued to enhance brand influence and market competitiveness through the promotion model of "Four in One". The Company has made active steps to reinforce primary level operations, improve cost effectiveness, promote sales volume and increase marketing efficiency. It has accelerated marketing and channel innovations and continuously refined its multi-dimensional e-commerce channel system called "Online Supermarket + Official Flagship Store + Authorized Franchised Store + WeChat Mall" to satisfy consumer demands and their experience in the era of Internet.

In the global market, by virtue of "Tsingtao Beer's" positioning of high quality, high price and high visibility, the Company strengthened international brand communication and promotion. Through promotion in key markets and sponsorship in sports, music, food and cultural events, it expanded brand reach, enhanced brand activity, further beefed up the high-end brand identification of Tsingtao

Beer, built the high-end image of "Quality Products Made in China", and continued to broaden the overseas market coverage of Tsingtao Beer. While continuing to strengthen conventional markets such as Europe and America, the Company has made efforts in developing new markets along "Belt and Road". By hosting activities such as "One World, One Festival, One Beer", the Company aims to raise its brand influence in newly developed markets, promote local sales of its products and gain more momentum for market expansion. As of now, Tsingtao Beer has sold its products to more than 100 countries and regions around the world, with ever-growing product sales volume and international influence.

During the Reporting Period, oriented by more and more high-end, diversified and differentiated demand in the beer market, the Company has proactively promoted its brand strategy of "Tsingtao Beer as Core Brand + Laoshan Beer as Second Brand". It has continued to optimize its product structure, brew differentiated products with "Basic Quality + Featured Quality + Charming Quality", accelerate the transformation and upgrade of high value-added products represented by canned beer and craft beer, and lead the high-quality development of China's beer industry. In fiscal year 2019, the Company's total sales volume of its core brand, Tsingtao Beer, reached 4.051 million kl, achieving a year-on-year increase of 3.49%. Core brand sales include a total of 1.856 million kl in high-end products such as "Augerta, Hong Yun Dang Tou, Classic 1903 and draft beer" etc., a year-on-year increase of 7.08%. The Company managed to maintain its competitive advantage in domestic mid- and high-end beer market.

While making unwavering efforts to make its core business stronger, the Company has been innovative in integrating platform resources and proactively developed new business frontier of "Beer+". A new list of marine health products were developed, such as Prince Algae Soda. By doing so, the Company has successfully created an environment of mutual promotion among core business and sideline businesses, laying a foundation for long-term and sustainable high-quality development.

(II) Future Prospects

1. Industrial Competition Pattern and Development Trends

As the world's largest and most high-potential market of beer production and consumption, China's beer market is gradually entering a stage of maturity through years of continuous development and market recovery in recent years. Market concentration has been increasing over decades of development and the top 5 beer enterprises in China now dominate nearly 80% of market shares, which form a relatively stable market in terms of competition. With continuous growth of China's economy in the next few years, increasing consumption and profitability in the Chinese beer industry can be achieved through further optimization of capacity, upgrade of product structure and price adjustment. Currently, domestic beer market remains dominated by sales from restaurants and bars. Retail market represented by supermarkets is also undergoing rapid development. In addition, the mature e-commerce application has brought more convenient and faster options to consumers.

The upgrade of consumption and diversification of consumer demand in the Chinese beer market are changing the structure of the entire beer industry. Market competition is shifting from the economics of scale towards product quality and differentiation. The mid- and high-end beer market is growing continuously. High end products such as canned beer and craft beer are experiencing increasingly bigger market shares. At the same time, the industry is challenged by many factors, including excess capacity, weak demand and the pressure of rising costs, leading to fierce market competition.

To achieve high-quality development, the Company is leading the beer industry to accelerate high-end and series-oriented product development. It is making efforts to increase its mid-end and high-end market share through product development and upgrade. Meanwhile, it is making full use of existing resources to expand to other alcohol and beverage industries, in order to achieve the complementary benefits of brands facilities and products, and maximise sales channel value and create new growth drivers.

2. The Company's Development Strategy

The Company will continue to follow "Development Strategies based on Capability and Driven by Brand" formulated by its Board of Directors, keep its unwavering efforts to build stronger core business and focus on promoting the transformation of development models. Under the six strategic guidelines of "Led by Brand, Driven by Innovation, Quality First, Prioritizing Efficiency, Optimizing Structure and Coordinated Development", the Company will strengthen its core business by implementing a number of strategic measures, including building the strategic belt of market base, speeding up product structure upgrade, enhancing brand equity, accelerating the expansion of global market, developing large and automatized production facilities and building highly efficient and smart supply chains, in order to enhance its market competitiveness. Meanwhile, the Company will integrate platform resources to develop new business frontier "Beer+". It will create synergy among its beer business and new business on product complementarity and sales channel sharing, form an environment of mutual promotion amongst multiple businesses, achieve high-quality, sustainable and higher-level development and build a first-class international brand.

3. Business Plan

The recovery of domestic beer industry and the upgrade of consumption have brought new opportunities to beer enterprises with brand and scale advantages. The Company will continue to base on its core beer business, give full play to the brand and quality of Tsingtao Beer, strengthen market promotion, and actively develop domestic and foreign markets. Through accelerating transformation and upgrading, refining product structure, cost reduction and efficiency enhancement, the Company will deliver high-quality and sustainable development.

The Company will continue to firmly build the strategic belt of market base, make full use of its production and sales network that cover major markets in China, focus resources on market promotion, sales channel development, enforce market segmentation, expand retail markets to rural areas, further improve collaborative operations with manufacturers, adapt to market changes and trends, and provide consumers with the most convenient services and the best products.

The Company will continue to expedite the optimization and upgrade of its product structure, further promote the brand strategy of "Tsingtao Beer as Core Brand + Laoshan Beer as Second Brand", develop differentiated products, speed up the transformation and upgrade towards high value-added products such as canned beer and craft beer, and maintain its leading role in domestic mid- and high-end market. In terms of brand development, the Company will continue to focus on sports marketing, music marketing and experience marketing, further improve the brand's image of international, young and fashionable through the model of "Four in One" and enhance its brand influence.

Since the beginning of this year, the COVID-19 pandemic has caused severe impact to the consumption market, such as catering market. During the period from January to February 2020, China's beer companies have produced 3.159 million kl, a year-on-year decrease of 40.0% (Data source: National Bureau of Statistics; statistical population: all industrial corporate entities with annual revenue of more than RMB 20 million). The Company has also been affected in terms of product sales. In the severe epidemic period, the consumption channels such as catering and night clubs were basically closed. During the period from January to February 2020, the Company suffered a year-on-year decrease of about 20% in revenue, and a year-on-year decrease of about 40% in profits (unaudited); orders from overseas and exports for March and April 2020 are also declining substantially due to the global COVID-19 outbreak. Facing the tough market environment, the Company has taken group efforts and active steps, implemented a series of new marketing strategies, including "Community Marketing and Promotion and Virus-Free Delivery Services". It has strengthened online sales system and refined its multi-dimensional e-commerce channel system of "Online Supermarket + Official Flagship Store + Authorized Franchised Store + WeChat Mall" to satisfy consumers' shopping demand for diversity, convenience and high efficiency, and it has enabled complementing the advantage of online and offline resources, striving for the recovery and growth of the Company's sales as soon as possible.

In 2020, by taking advantage of the favorable opportunity of proposing and implementing the A-share stock equity incentive plan, the Board and the Management of the Company will lead all staff and improve its reward and restraint mechanism, deepen corporate reforms, promote staff motivation and creativity, switch to new growth drivers, take into full play the advantage of the quality, brand equity and technology, continue to raise its core competitiveness and sustainable development capacity, and drive the Company towards high-quality, next-level development, creating higher values for its shareholders.

4. Potential Business Risks

China's beer market has entered a stage of stable recovery following the decline of previous years. However, it is still being challenged by multiple factors, including lower consumption as a result of aging population, changes in consumer behavior, excess industrial capacity, rising costs, and the rapid development of substitutes (white wine, red wine, etc.).

With the continuous rising market concentration, the upgrade of product and consumption structures, faster expansion of foreign-invested beers and imported beers in China, continuous excess capacity and more intense sales promotion, competition in domestic mid- and high-end product market will become much stiffer, resulting in ever-growing marketing expenses such as advertising and promotion costs. In addition, future growth of the Company's sales volume, revenue and profits will be affected by a number of other factors, including continuous increases in the prices of raw materials, packaging materials and in labor costs as well as the gloomy outlook of instant beverages market caused by the COVID-19 pandemic.

III. SHARE CAPITAL

1. During the Reporting Period, the Company's total no. of shares and share capital structure did not change.

2. During the Reporting Period, the Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

IV. FINAL DIVIDEND DISTRIBUTION PROPOSAL

The board proposes the distribution of the final dividend for the year ended 31 December 2019, and the amount shall be RMB0.55 per share (taxes included). Any dividend distribution proposal shall be subject to the consideration and approval at the Company's 2019 annual general meeting, and the final dividend is expected to be distributed to shareholders on 17 July 2020. The period for closure of register of members for H-share would be set out in the notice of annual general meeting to be published by the Company separately.

V. CORPORATE GOVERNANCE

The Company was listed simultaneously on Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited 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 year ended 31 December 2019, 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"). Please refer to the Company's 2019 Annual Report for details about the Corporate Governance.

VI. AUDIT AND INTERNAL CONTROL COMMITTEE

The Audit and Internal Control Committee is subordinated to the Board of Directors. In conformity with Rule 3.21 of the *Listing Rules*, the Group's audited annual financial statements for the fiscal year as at 31 December 2019 have been checked and approved by the audit and internal control committee.

VII. AUDITOR'S SCOPE OF WORK

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's auditor, PricewaterhouseCoopers Zhong Tian LLP ("PwC"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on this preliminary results announcement.

VIII. SIGNIFICANT EVENTS

1. At the 5th meeting of the ninth session of the Board held on 28 March 2019, the Board approved the liquidation of Tsingtao Brewery (Taizhou) Co., Ltd. ("Taizhou Company"). During the Reporting Period, labor contract termination and re-employment of its staff had been completed. All debts had been paid off and the disposal of its major assets had been completed.

2. At the 8th meeting of the ninth session of the Board held on 28 October 2019, the Board discussed and approved the feasibility report of acquiring 35% equity of Shandong Lv Lan Sha Beer Co., Ltd. ("Lv Lan Sha Beer") and the capital increase of the Finance Company. The progress is summarized as follows:

   2.1 On 22 November 2019, the Company entered into an equity transfer agreement with Shandong Huashi Beer Co., Ltd. ("Huashi Beer"). According to the agreement, the Company shall pay RMB 241,818,181 to acquire 35% equity of Lv Lan Sha Beer. Administrative procedures for the change in business registration were completed on 10 January 2020. Upon the equity change, the Company holds 90% equity of Lv Lan Sha Beer and Huashi Beer continues to hold 10% equity.

   2.2 To increase the Finance Company's investment and capitalization, strengthen its risk resistance, and provide stronger support for the main business, the Board of the Company approved a capital increase for the Finance Company to raise its registered capital from RMB500 million to RMB1 billion, which was submitted to China Banking and Insurance Regulatory Commission for approval. On 16 December 2019, the Company completed a capital injection of RMB500 million through self-funding. On 20 January 2020, the Finance Company completed administrative procedures for the capital increase.

3. During the Reporting Period, the Company did not involve in any material litigation or arbitration.

4. On 23 March 2020, at the 3rd unscheduled meeting of the ninth session of the Board of Directors in 2020 and the 1st unscheduled meeting of the ninth session of the Board of Supervisors in 2020, the proposal on *The Restricted A-Share Stock Incentive Plan of Tsingtao*

Brewery Company Limited (Draft) and the abstract, as well as the proposal on the *Management Measures for the Implementation and Appraisal of the Restricted A-Share Stock Incentive Plan of Tsingtao Brewery Company Limited* was respectively discussed and approved. It aims to further improve the whole Company's mid- and long-term reward and restraint mechanism, and extend incentive and restraint to its directors, senior management personnel, other core management personnel, middle management personnel and key staff, in order to further align their interests to the long-term development of the Company and maximize value of the Company and its shareholders. The proposals have yet to be reviewed or approved by the State-Owned Assets Supervision and Administration Commission of Qingdao Municipal Government and has yet to be submitted to the shareholders meeting, A-share shareholders meeting and H-share shareholders meeting for consideration and approval. The details can be found in the announcement titled *Proposed Adoption of the Restricted A-share Incentive Plan (Draft) and Connected Transactions* dated 23 March 2020, as uploaded by the Company on the website of The Stock Exchange of Hong Kong Limited, and other overseas regulation announcements.

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

Qingdao, the People's Republic of China
27 March 2020

The Company's Directors on the date of announcement:

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