TSINGTAO BREWERY COMPANY LIMITED

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

(Stock Code: 168)

ANNOUNCEMENT OF 2020 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 2020 (the "Reporting Period") made pursuant to China Accounting Standard for Business Enterprises ("CAS").

1. CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan unless otherwise stated)

Consolidated Balance Sheet

ASSETS	*Note*	**30 June 2020 (unaudited)**	31 December 2019
Current assets			
Cash at bank and on hand		**18,956,550,214**	15,301,983,408
Financial assets held for trading		**1,894,596,161**	1,523,793,019
Notes receivable		**29,013,290**	75,100,000
Accounts receivable	*2*	**148,968,802**	151,069,427
Advances to suppliers		**160,979,564**	117,156,091
Other receivables		**109,974,545**	86,269,436
Inventories		**2,316,614,699**	3,181,769,333
Other current assets		**186,721,288**	564,677,336
Total current assets		**23,803,418,563**	21,001,818,050
Non-current assets			
Long-term equity investments		**372,733,530**	376,641,802
Other non-current financial assets		**600,000**	600,000
Investment properties		**32,113,394**	36,504,682
Fixed assets		**10,230,042,782**	10,222,034,465
Construction in progress		**344,559,663**	178,993,842
Right-of-use assets		**121,330,690**	66,970,435
Intangible assets		**2,462,738,497**	2,558,572,455
Goodwill		**1,307,103,982**	1,307,103,982
Long-term prepaid expenses		**39,869,406**	35,255,388
Deferred tax assets		**1,671,282,870**	1,455,035,532
Other non-current assets		**119,000,441**	72,852,914
Total non-current assets		**16,701,375,255**	16,310,565,497
TOTAL ASSETS		**40,504,793,818**	37,312,383,547

Consolidated Balance Sheet *(continued)*

LIABILITIES AND EQUITY	*Note*	30 June 2020 (unaudited)	31 December 2019
Current liabilities			
Short-term borrowings		**275,645,686**	270,906,631
Notes payable		**268,063,017**	220,825,323
Accounts payable	*3*	**3,508,330,149**	2,167,178,181
Contract liabilities		**4,910,305,764**	6,275,719,703
Employee benefits payable		**1,510,316,310**	1,458,665,786
Taxes payable		**1,185,036,034**	513,058,160
Other payables		**3,862,128,674**	2,424,857,501
Current portion of non-current liabilities		**34,066,534**	22,208,025
Other current liabilities		**367,375**	361,684
Total current liabilities		**15,554,259,543**	13,353,780,994
Non-current liabilities			
Long-term borrowings		–	209,180
Lease liabilities		**76,372,100**	37,471,885
Long-term payables		**400,853,759**	372,579,660
Deferred income		**2,585,669,190**	2,519,926,935
Long-term employee benefits payable		**894,642,666**	931,008,557
Deferred tax liabilities		**169,093,923**	184,035,480
Total non-current liabilities		**4,126,631,638**	4,045,231,697
Total liabilities		**19,680,891,181**	17,399,012,691
Equity			
Share capital		**1,350,982,795**	1,350,982,795
Capital surplus		**3,270,837,863**	3,444,317,455
Other comprehensive income		**(50,401,351)**	(47,347,633)
Surplus reserve		**1,400,704,380**	1,400,704,380
General reserve		**234,715,680**	234,715,680
Undistributed profits	*4*	**13,900,152,922**	12,788,210,357
Total equity attributable to shareholders of the Company		**20,106,992,289**	19,171,583,034
Non-controlling interests		**716,910,348**	741,787,822
Total equity		**20,823,902,637**	19,913,370,856
TOTAL LIABILITIES AND EQUITY		**40,504,793,818**	37,312,383,547

Consolidated Income Statement

	Note	Six months ended 30 June 2020 (unaudited)	2019 (unaudited)
Revenue	5	**15,678,991,336**	16,550,665,464
Less: Cost of sales	5	**(9,131,648,894)**	(9,911,821,503)
Taxes and surcharges	6	**(1,203,887,260)**	(1,320,966,492)
Selling and distribution expenses		**(2,865,454,502)**	(2,989,388,327)
General and administrative expenses		**(503,010,708)**	(590,627,801)
Research and development expenses		**(6,689,518)**	(7,928,139)
Finance expenses		**236,113,350**	235,121,980
Including: Interest expenses		**(8,490,374)**	(6,594,455)
Interest income		**251,335,596**	253,227,854
Add: Other income		**330,275,468**	313,300,318
Investment income		**21,958,363**	20,591,398
Including: Share of profit of associates and a joint venture		**16,497,374**	19,265,218
Profits arising from changes in fair value (Losses are listed with "–")		**27,783,514**	31,023,477
Credit impairment losses (Losses are listed with "–")		**511,352**	1,900,121
Asset impairment losses (Losses are listed with "–")		**(1,538,581)**	(1,259,543)
Gains on disposals of assets (Losses are listed with "–")	7	**(8,007,618)**	(21,948,784)
Operating profit		**2,575,396,302**	2,308,662,169
Add: Non-operating income		**6,423,694**	15,474,872
Less: Non-operating expenses		**(23,670,172)**	(1,918,592)
Total profit		**2,558,149,824**	2,322,218,449
Less: Income tax expense	8	**(618,702,999)**	(596,677,665)
Net profit		**1,939,446,825**	1,725,540,784
Classified by continuity of operations			
Net profit from continuing operations		**1,939,446,825**	1,725,540,784
Net profit from discontinued operations		–	–
Classified by ownership of the equity			
Attributable to shareholders of the Company		**1,854,983,102**	1,630,516,036
Attributable to non-controlling interests		**84,463,723**	95,024,748
Other comprehensive income, net of tax		**(3,053,718)**	(494,826)
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		**77,344**	32,847
Currency translation differences		**(3,131,062)**	(527,673)
Total comprehensive income		**1,936,393,107**	1,725,045,958
Attributable to shareholders of the Company		**1,851,929,384**	1,630,021,210
Attributable to non-controlling interests		**84,463,723**	95,024,748
Earnings per share	9		
Basic earnings per share		**1.373**	1.207
Diluted earnings per share		**1.373**	1.207

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.

2 Accounts receivable

	30 June 2020 (unaudited)	31 December 2019
Accounts receivable	**335,193,863**	337,040,440
Less: Provision for bad debts	**(186,225,061)**	(185,971,013)
	148,968,802	151,069,427

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 to dealers.

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

	30 June 2020 (unaudited)	31 December 2019
Within 1 year	**149,289,592**	151,053,718
1 to 2 years	**1,867**	47,764
2 to 5 years	**206,725**	246,918
Over 5 years	**185,695,679**	185,692,040
	335,193,863	337,040,440

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 2020 (unaudited)	31 December 2019
Within 1 year	**3,495,531,595**	2,153,166,928
1 to 2 years	**3,950,197**	4,998,759
2 to 3 years	**2,071,821**	2,245,977
Over 3 years	**6,776,536**	6,766,517
	3,508,330,149	2,167,178,181

4 Dividend

Pursuant to the resolution at the Annual General Meeting dated 8 June 2020, the Company approved a cash dividend RMB0.55 per share (tax included) to the shareholders of the Company of RMB743,040,537 for the year of 2019, based on a total number of 1,350,982,795 shares (2019: cash dividend of 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 shares).

No interim dividend for the six months ended 30 June 2020 has been proposed by the Company (For the six months ended 30 June 2019: nil).

5 Revenue and cost of sales

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Revenue from main operation	**15,569,515,965**	16,406,304,740
Revenue from other operations	**109,475,371**	144,360,724
	15,678,991,336	16,550,665,464

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Cost of main operation	**(9,056,342,173)**	(9,819,940,217)
Cost of other operations	**(75,306,721)**	(91,881,286)
	(9,131,648,894)	(9,911,821,503)

6 Taxes and surcharges

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Consumption tax	**891,833,533**	981,826,288
City maintenance and construction tax	**134,417,803**	146,345,742
Education surcharges	**101,551,781**	109,791,245
Land use tax	**26,963,555**	30,320,375
Real estate tax	**26,289,767**	30,234,869
Stamp tax	**12,327,962**	13,299,555
Others	**10,502,859**	9,148,418
	1,203,887,260	1,320,966,492

7 Gains on disposals of assets

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Losses on disposals of fixed assets	**(11,460,555)**	(21,948,784)
Gains on disposals of intangible assets	**3,452,937**	–
	(8,007,618)	(21,948,784)

8 Income tax expense

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax	**849,619,347**	854,947,080
Current profits tax calculated according to tax law and related regulations in Hong Kong SAR — Hong Kong profits tax	**–**	1,199,731
Current profits supplemental tax calculated according to tax law and related regulations in Macau SAR — Macau profits supplemental tax	**272,547**	519,074
Deferred income tax	**(231,188,895)**	(259,988,220)
	618,702,999	596,677,665

8 **Income tax expense** *(continued)*

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

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Total profit	**2,558,149,824**	2,322,218,449
Income tax expense calculated at applicable tax rates	**638,808,101**	579,376,595
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	**22,063,376**	13,713,463
Income not subject to tax	**(10,013,778)**	(10,551,685)
Utilization of previously unrecognised deferred tax assets	**(60,650,242)**	(54,640,876)
Deductible temporary differences for which no deferred tax assets were recognised	**7,782,065**	14,590,218
Deductible tax losses for which no deferred tax assets were recognised	**20,713,477**	54,189,950
Income tax expense	**618,702,999**	596,677,665

(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 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 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	**1,854,983,102**	1,630,516,036
Weighted average numbers of ordinary shares outstanding	**1,350,982,795**	1,350,982,795
Basic earnings per share	**1.373**	1.207
Including:		
— Basic earnings per share from continuing operations:	**1.373**	1.207

(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 2020 (six months ended 30 June 2019: 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
— 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 2020 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	9,634,098,290	1,287,285,102	2,672,495,940	1,468,818,500	367,903,581	243,359,433	4,386,293	644,197	–	15,678,991,336
Inter-segment revenue	1,083,680,119	491,798,392	902,951,316	158,750,041	3,633,310	51,444,873	12,107,363	248,755	(2,704,614,169)	–
Cost of sales	(6,958,676,107)	(1,130,460,572)	(2,276,680,725)	(1,094,802,111)	(267,029,418)	(200,414,323)	(30,873)	(431,194)	2,796,876,429	(9,131,648,894)
Selling and distribution expenses	(1,993,965,211)	(216,777,063)	(330,255,135)	(218,523,251)	(61,985,930)	(43,947,912)	–	–	–	(2,865,454,502)
Interest income	27,159,502	8,337,806	22,309,952	3,049,892	553,045	909,535	146,946,306	105,879,959	(63,810,401)	251,335,596
Interest expenses	(1,645,356)	(2,310,938)	(5,822,824)	(6,032,631)	(34,800)	(4,246,693)	(66,724,998)	–	78,327,866	(8,490,374)
Share of profits of associates and a joint venture	–	–	–	–	–	–	–	16,497,374	–	16,497,374
Credit impairment reversals/(losses)	1,017,305	(142)	(166,562)	(24,175)	–	(370,697)	(2,674,261)	–	2,729,884	511,352
Asset impairment losses	(978,368)	–	–	(560,213)	–	–	–	–	–	(1,538,581)
Depreciation and amortization	(246,440,841)	(83,651,663)	(107,154,311)	(79,693,463)	(19,162,124)	(1,961,412)	(664,864)	(28,946,624)	–	(567,675,302)
Total profit	1,151,357,185	302,465,611	688,540,610	105,982,959	5,958,522	48,477,874	124,481,329	20,908,778	109,976,956	2,558,149,824
Income tax expense	(306,831,017)	(69,567,370)	(157,749,865)	(12,180,112)	(3,299,518)	(11,843,849)	(31,138,862)	–	(26,092,406)	(618,702,999)
Net profit	844,526,168	232,898,241	530,790,745	93,802,847	2,659,004	36,634,025	93,342,467	20,908,778	83,884,550	1,939,446,825
Total assets	13,125,351,478	4,367,750,711	7,872,291,796	3,615,516,553	839,978,604	653,055,456	14,376,340,989	10,495,214,153	(14,840,705,922)	40,504,793,818
Total liabilities	10,628,350,274	2,054,659,427	4,996,943,884	3,064,314,664	571,724,176	717,098,563	11,640,286,971	565,415,559	(14,557,902,337)	19,680,891,181
Non-cash expenses other than depreciation and amortization	7,401,377	325,428	2,479,481	407,404	142,200	37,702	–	–	–	10,793,592
Long-term equity investments in associates and a joint venture	–	–	–	–	–	–	–	372,733,530	–	372,733,530
Additions of non-current assets *(i)*	445,357,413	79,113,763	117,735,933	104,308,459	11,725,064	1,072,270	–	9,601,081	(3,774,347)	765,139,636

(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 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)/reversals	(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)*

(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 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Revenue from external customers		
Mainland China	**15,381,641,740**	16,212,450,430
Hong Kong and Macau SAR	**90,763,619**	102,950,910
Other overseas	**206,585,977**	235,264,124
	15,678,991,336	16,550,665,464

	30 June 2020 (unaudited)	30 June 2019 (unaudited)
Total non-current assets		
Mainland China	**15,013,978,883**	15,064,384,990
Hong Kong and Macau SAR	**15,513,502**	15,482,457
	15,029,492,385	15,079,867,447

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 2020.

III. MANAGEMENT DISCUSSION AND ANALYSIS

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

In the first half year of 2020, China's beer industry suffered from the impact of COVID-19, with market sales facing huge difficulties and challenges. In particular, damage to the first quarter under the pandemic was severe, and domestic catering end sales were almost into a complete halt. As the epidemic was put under effective control in the second quarter, domestic beer market went back on track step by step. In the first half of the fiscal year, China's total beer production volume reached 17.14 million kl, a decrease of 9.5% from the corresponding period in the previous year. (Data source: National Bureau of Statistics; statistical population: all industrial corporate entities with annual revenue of more than RMB20 million.)

Facing the unprecedented challenges brought to the Company's operations by COVID-19 in the first half of the fiscal year, the Company firmly implemented the high-quality development strategy established by the Board. Under the six strategic guidelines including "Led by Brand, Driven by Innovation, Quality First, Prioritizing Efficiency, Optimizing Structure and Coordinated Development", the Company gave full play to the brand and quality advantages of Tsingtao Beer and wasted no time in developing domestic and foreign markets. It accelerated the improvement and upgrading of product mix and marketing innovation, expedited the development of high value-added products, improved the end management system, and continued to enhance its end control ability, leading to stable growth in its business against the head wind. During the Reporting Period, the Company's total product sales volume reached 4.406 million kl, generating operating revenue of RMB15.68 billion; net profits attributable to the shareholders of the listed company was RMB1.85 billion, an increase of 13.8% from the corresponding period in the previous year.

During the Reporting Period, the Company continued to step up effort in constructing the strategic belt of market base. It commenced the reconstruction and expansion projects, such as the Expansion of Tsingtao Beer Pingdu Smart Industry Demonstration Park with the Capacity of 1 Million KL Beer and the Expansion and Upgrading of the Intelligent Manufacturing Demonstration Plant of Tsingtao Beer Factory. The Company focused on developing large and intelligent production bases and strengthening growth drivers to promote the transformation and upgrading of corporate development.

The Company took full advantage of its sales network that covers major domestic market, accelerated marketing and channel innovations, seized emerging channels such as online and community channels, and grasped the market opportunity brought by the growing proportion of household consumption in the new context. It expanded its delivery services and product promotion to communities and implemented new channels and new models to adapt to the new environment, including "contact-free Delivery" services and "Giving Back to Millions of Communities", resulting in expansion in market sales. The Company beefed up online marketing and made use of its multi-dimensional e-commerce channel system of "Online Supermarket + Official Flagship Store + Authorized Franchised Store + WeChat Mall" to seize the e-commerce consumption opportunity. It took the lead in kicking off the "Distributor" plan on the WeChat platform of Tsingtao Beer and "KOL Livestreaming Sales" to drive brand communication and sales. This has helped the Company adapt to the new marketing environment with diverse consumption scenarios in the context of COVID-19, and allowed it to effectively enhance its marketing efficiency and maintain its industrial leading position in the development of new products, new channels and modern channels. With respect to international market, influenced by the epidemic control of other countries in the first half year, consumption outlets especially the ready-to-drink outlets were closed or open to a limited extent, the brand marketing could not be normally carried out, thus to a great extent impacting the major overseas markets in Europe, America, Japan, Korea, and Australia etc..

During the Reporting Period, the Company continued to proactively implement its brand strategy of "Tsingtao Beer as Core Brand + Laoshan Beer as Second Brand". Focused on the immersive and all-around marketing model, it further improved its brand influence and market competitiveness, and accelerated the transformation and upgrade of high value-added products represented by canned beer and craft beer. During the Reporting Period, the Company's total sales volume of its core brand, Tsingtao Beer, reached 2.091 million kl. Core brand sales include a total of 0.971 million kl in high-end products such as "Augerta, Hong Yun Dang Tou, Classic 1903 and draft beer" etc. The Company managed to maintain its competitive advantage in domestic mid- and high-end beer market.

In the darkest hours of the epidemic in the first half of the fiscal year, the Company made a resolute decision to introduce *The Restricted A Shares Incentive Plan of Tsingtao Brewery Company Limited* and set very challenging business targets. This has further improved the Company's corporate governance structure, refined its mid- and long-term reward and restraint mechanism, and fully motivated the enthusiasm and creativity of its core management personnel and key business personnel, injecting strong drives into the sustainable high-quality development of the Company.

(II) Core Competitiveness Analysis

The Company's core competitiveness did not change during the Reporting Period. Please refer to the Company's 2019 Annual Report for details.

IV. SIGNIFICANT EVENTS

(I) The Incentive Plan

1. On 23 March 2020, the 2020 third extraordinary meeting of the ninth session of the Board and the 2020 first extraordinary meeting of the ninth session of the Supervisory Committee approved the resolutions in relation to the Restricted A Share Incentive Plan of Tsingtao Brewery Company Limited (Draft) and its abstract, as well as the management measures for the implementation and assessment of the Restricted A Share Incentive Plan of Tsingtao Brewery Company Limited.

2. On 21 April 2020, the 2020 fifth extraordinary meeting of the ninth session of the Board approved the resolution in relation to requesting the Annual General Meeting to authorize the Board to handle matters in relation to the Restricted A Share Incentive Plan.

3. The Incentive Plan has been approved by the state-owned Assets Supervision & Administration Commission of the People's Government of Qingdao and submitted to the Company's 2019 Annual General Meeting and the 2020 first A Share and H Share class meetings for consideration and approval.

4. On 29 June 2020, the 2020 eighth extraordinary meeting of the ninth session of the Board and the 2020 second extraordinary meeting of the ninth session of the Supervisory Committee approved the resolutions in relation to adjusting the Grant Price of the First Grant under the Restricted A Share Incentive Plan of the Company, adjusting the list of Participants and the number of restricted shares granted in the First Grant under the Restricted A Share Incentive Plan of the Company, and the First Grant of Restricted A Shares to the Participants.

5. On 7 July 2020, Zhongxingcai Guanghua Certified Public Accountants LLP verified the actual payment for subscribing the restricted shares made by the Company's Participants and issued the Capital Verification Report numbered "ZXCGHSYZ (2020) No. 315001".

6. On 24 July 2020, the Company completed the registration of part of the Restricted A Shares under the First Grant of Restricted A Share Incentive Plan with the Shanghai Branch of China Securities Depository and Clearing Co., Ltd..

7. On 12 August 2020, the Company completed the registration procedures for the change in the registered capital in its business license.

For more details on the Incentive Plan, please refer to the Company's circular of connected transaction dated 29 April 2020 and related announcements published on the websites of Shanghai Stock Exchange and Hong Kong Exchanges and Clearing Limited.

(II) Changes in the Directors and Supervisors of the Company during the Reporting Period

1. Due to personal redeployment of his work, Mr. YU Jia Ping resigned from his position of supervisor as employees' representative, which took effect from 8 January 2020. After resigning from his position of supervisor as employees' representative, Mr. YU Jia Ping continues to work for the Company. Meanwhile, in accordance with democratic election procedures, the Company has elected Mr. HUANG Zu Jiang and Mr. MENG Qing Shang to be supervisors as employees' representative of the ninth session of the Supervisory Committee starting from 8 January 2020 until the expiry of the term of the ninth session of the Board of Supervisors.

2. As Mr. FAN Wei reached the statutory retirement age, he resigned from his positions of Executive Director and President of the Company, which took effect from 28 February 2020.

3. The Company held an extraordinary general meeting on 16 April 2020, where the resolution to elect Mr. SHI Kun as Non-executive Director of the ninth session of the Board was considered and approved. The term of office would start from the date of the approval of his appointment at the Company's extraordinary general meeting until the expiry of the ninth session of the Board.

4. The Company held the 2019 Annual General Meeting on 8 June 2020, where the resolution to elect Mr. XIAO Geng and Mr. SHENG Lei Ming as Independent Non-executive Directors of the ninth session of the Board was considered and approved. The terms of office would start from the date of the approval of their appointments at the Company's Annual General Meeting until the expiry of the ninth session of the Board. The Company's Independent Non-executive Directors Mr. BEN Sheng Lin and Mr. JIANG Min had served for six years and left their positions after the end of the Annual General Meeting.

(III) Significant Investment during the Reporting Period

At the ninth meeting of the ninth session of the Board of the Company, the feasibility report on the project concerning the establishment of Tsingtao Beer (Zaozhuang) Co., Ltd. (the "Zaozhuang Branch") with the capacity of 600,000 kl beer production was considered and approved. The Zaozhuang Branch was incorporated with a registered capital of RMB200 million on 4 June 2020 with the Company as the sole shareholder. Currently, the project is in the preparation stage.

(IV) Others

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

2. 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 2020 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 CO., LTD.
Chairman
HUANG Ke Xing

Qingdao, People's Republic of China
28 August 2020

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. YU Zhu Ming and Mr. WANG Rui Yong*
Non-executive Director:	*Mr. SHI Kun*
Independent Non-Executive Directors:	*Mr. YU Zeng Biao, Mr. XIAO Geng, Mr. SHENG Lei Ming and Mr. JIANG Xing Lu*