TSINGTAO BREWERY COMPANY LIMITED

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

(Stock Code: 168)

ANNOUNCEMENT OF 2021 INTERIM RESULTS

The board of directors (the "Board") of Tsingtao Brewery Company Limited (the "Company") hereby presents the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2021 (the "Reporting Period") made pursuant to China Accounting Standard for Business Enterprises.

1. CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan unless otherwise stated)

Consolidated Balance Sheet

ASSETS	*Note*	**30 June 2021 (unaudited)**	31 December 2020
Current assets			
Cash at bank and on hand		**9,322,353,390**	18,466,880,608
Financial assets held for trading		**9,177,366,562**	1,888,862,835
Notes receivable		**14,103,629**	5,648,580
Accounts receivable	2	**197,266,935**	119,506,428
Advances to suppliers		**197,090,082**	239,884,336
Other receivables		**128,672,472**	73,893,587
Inventories		**2,213,640,971**	3,281,033,526
Other current assets		**6,595,016,017**	552,409,778
Total current assets		**27,845,510,058**	24,628,119,678
Non-current assets			
Long-term equity investments		**373,673,634**	374,333,837
Other non-current financial assets		**600,000**	600,000
Investment properties		**22,470,794**	27,183,434
Fixed assets		**10,509,375,815**	10,302,628,630
Construction in progress		**330,050,969**	339,805,369
Right-of-use assets		**168,614,698**	168,329,047
Intangible assets		**2,474,905,093**	2,503,842,988
Goodwill		**1,307,103,982**	1,307,103,982
Long-term prepaid expenses		**94,480,821**	86,258,334
Deferred tax assets		**2,009,158,442**	1,718,307,625
Other non-current assets		**100,966,627**	57,672,911
Total non-current assets		**17,391,400,875**	16,886,066,157
TOTAL ASSETS		**45,236,910,933**	41,514,185,835

Consolidated Balance Sheet *(continued)*

LIABILITIES AND EQUITY	*Note*	**30 June 2021 (unaudited)**	31 December 2020
Current liabilities			
Short-term borrowings		**450,255,705**	703,273,054
Notes payable		**192,247,098**	149,491,592
Accounts payable	*3*	**3,387,360,154**	2,222,601,042
Contract liabilities		**5,244,815,963**	6,567,320,256
Employee benefits payable	*4*	**1,873,598,111**	1,906,199,446
Taxes payable		**1,216,630,502**	548,026,847
Other payables		**5,306,657,698**	3,074,878,208
Current portion of non-current liabilities		**46,752,841**	42,089,297
Other current liabilities		**98,023,765**	296,065,856
Total current liabilities		**17,816,341,837**	15,509,945,598
Non-current liabilities			
Lease liabilities		**111,535,058**	115,839,869
Long-term payables		**288,053,679**	462,046,060
Deferred income		**2,958,428,519**	2,899,626,024
Long-term employee benefits payable		**942,091,056**	991,111,582
Deferred tax liabilities		**163,994,685**	167,564,536
Total non-current liabilities		**4,464,102,997**	4,636,188,071
Total liabilities		**22,280,444,834**	20,146,133,669
Equity			
Share capital		**1,364,476,795**	1,364,182,795
Capital surplus		**3,838,740,408**	3,675,291,623
Less: Treasury stock		**(275,682,420)**	(279,576,000)
Other comprehensive income		**(18,400,364)**	(19,851,339)
Surplus reserve		**1,400,704,380**	1,400,704,380
General reserve		**260,344,554**	260,344,554
Undistributed profits	*5*	**15,613,028,235**	14,220,864,502
Total equity attributable to shareholders of the Company		**22,183,211,588**	20,621,960,515
Non-controlling interests		**773,254,511**	746,091,651
Total equity		**22,956,466,099**	21,368,052,166
TOTAL LIABILITIES AND EQUITY		**45,236,910,933**	41,514,185,835

Consolidated Income Statement

	Note	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Revenue	6	**18,291,160,751**	15,678,991,336
Less: Cost of sales	6	**(10,170,373,951)**	(9,131,648,894)
Taxes and surcharges	7	**(1,330,624,241)**	(1,203,887,260)
Selling and distribution expenses		**(3,345,152,307)**	(2,865,454,502)
General and administrative expenses		**(711,549,902)**	(503,010,708)
Research and development expenses		**(8,248,555)**	(6,689,518)
Finance expenses		**135,425,576**	236,113,350
Including: Interest expenses		**(11,003,365)**	(8,490,374)
Interest income		**172,412,314**	251,335,596
Add: Other income		**221,466,965**	330,275,468
Investment income		**59,948,931**	21,958,363
Including: Share of profit of associates and a joint venture		**18,854,829**	16,497,374
Profits arising from changes in fair value (Losses are listed with "–")		**130,474,522**	27,783,514
Credit impairment losses (Losses are listed with "–")		**(1,714,712)**	511,352
Asset impairment losses (Losses are listed with "–")		**(5,826)**	(1,538,581)
Gains on disposals of assets (Losses are listed with "–")	8	**10,654,155**	(8,007,618)
Operating profit		**3,281,461,406**	2,575,396,302
Add: Non-operating income		**9,882,386**	6,423,694
Less: Non-operating expenses		**(483,496)**	(23,670,172)
Total profit		**3,290,860,296**	2,558,149,824
Less: Income tax expense	9	**(803,995,081)**	(618,702,999)
Net profit		**2,486,865,215**	1,939,446,825
Classified by continuity of operations			
Net profit from continuing operations		**2,486,865,215**	1,939,446,825
Net profit from discontinued operations		–	–
Classified by ownership of the equity			
Attributable to shareholders of the Company		**2,415,521,329**	1,854,983,102
Attributable to non-controlling interests		**71,343,886**	84,463,723
Other comprehensive income, net of tax		**1,450,975**	(3,053,718)
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		**(137,707)**	77,344
Currency translation differences		**1,588,682**	(3,131,062)
Total comprehensive income		**2,488,316,190**	1,936,393,107
Attributable to shareholders of the Company		**2,416,972,304**	1,851,929,384
Attributable to non-controlling interests		**71,343,886**	84,463,723
Earnings per share	10		
Basic earnings per share		**1.780**	1.373
Diluted earnings per share		**1.780**	1.373

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.

The new Hong Kong "Companies Ordinance" came into effect on 3 March 2014. According to the requirement of Hong Kong "Companies Ordinance", there are changes to presentation and disclosures of certain information in the financial statements.

2 Accounts receivable

	30 June 2021 (unaudited)	31 December 2020
Accounts receivable	**378,594,576**	302,944,075
Less: Provision for bad debts	**(181,327,641)**	(183,437,647)
	197,266,935	119,506,428

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 2021 (unaudited)	31 December 2020
Within 1 year	**197,260,750**	119,520,059
1 to 2 years	**18,498**	12,134
2 to 3 years	–	1,610
3 to 4 years	**65,926**	197,440
4 to 5 years	–	6,946
Over 5 years	**181,249,402**	183,205,886
	378,594,576	302,944,075

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 2021 (unaudited)	31 December 2020
Within 1 year	**3,375,414,021**	2,207,455,041
1 to 2 years	**3,114,538**	6,103,714
2 to 3 years	**2,733,438**	2,476,483
Over 3 years	**6,098,157**	6,565,804
	3,387,360,154	2,222,601,042

4 Employee benefits payable

	30 June 2021 (unaudited)	31 December 2020
Short-term employee benefits payable	**1,420,713,786**	1,422,262,293
Defined contribution plans payable *(i)*	**22,590,700**	21,654,106
Termination benefits payable	**408,009,455**	439,981,258
Supplemental post-employment benefits payable	**22,284,170**	22,301,789
	1,873,598,111	1,906,199,446

(i) Defined contribution plans are post-employment benefit plan under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions. During the reporting period, the defined contribution plans of the Group include the basic pension and unemployment insurance paid for employees.

The employees of the Group participated in the basic pension and unemployment insurance organized and implemented by the local labour and social security departments. If the employees leave the plans prior to vesting fully in such contributions, the Group has no right to utilise such contributions under the post-employment benefit plan to reduce the existing level of contributions.

5 Dividend

Pursuant to the resolution at the Annual General Meeting dated 28 June 2021, the Company approved a cash dividend of RMB0.75 per share (tax included) to the shareholders of the Company of RMB1,023,357,596 for the year of 2020, based on a total number of 1,364,476,795 shares and the Company paid the cash dividend on 10 August 2021 (2020: cash dividend of 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).

No interim dividend for the six months ended 30 June 2021 has been proposed by the Board (For the six months ended 30 June 2020: nil).

6 Revenue and cost of sales

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Revenue from main operation	**18,031,065,721**	15,569,515,965
Revenue from other operations	**260,095,030**	109,475,371
	18,291,160,751	15,678,991,336

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Cost of main operation	**(9,993,618,887)**	(9,056,342,173)
Cost of other operations	**(176,755,064)**	(75,306,721)
	(10,170,373,951)	(9,131,648,894)

7 Taxes and surcharges

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Consumption tax	**989,768,837**	891,833,533
City maintenance and construction tax	**148,689,170**	134,417,803
Education surcharges	**112,221,175**	101,551,781
Real estate tax	**31,494,264**	26,289,767
Land use tax	**30,066,824**	26,963,555
Stamp tax	**14,852,508**	12,327,962
Others	**3,531,463**	10,502,859
	1,330,624,241	1,203,887,260

8 Gains on disposals of assets

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Losses on disposals of fixed assets	**(891,001)**	(11,460,555)
Gains on disposals of intangible assets	**11,337,200**	3,452,937
Gains on disposals of right-of-use assets	**207,956**	–
	10,654,155	(8,007,618)

9 Income tax expense

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Current income tax calculated according to tax law and related regulations — China enterprise income tax	**1,061,024,567**	849,619,347
Current profits tax calculated according to tax law and related regulations — Hong Kong profits tax	**2,474,238**	–
Current profits supplemental tax calculated according to tax law and related regulations — Macau profits supplemental tax	**(158,016)**	272,547
Deferred income tax	**(259,345,708)**	(231,188,895)
	803,995,081	618,702,999

9 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 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Total profit	**3,290,860,296**	2,558,149,824
Income tax expense calculated at applicable tax rates	**820,899,615**	638,808,101
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	**17,094,061**	22,063,376
Income not subject to tax	**(13,484,454)**	(10,013,778)
Impact of utilisation of deductible tax losses and temporary differences previously unrecognized deferred tax assets	**(58,165,322)**	(60,650,242)
Deductible temporary differences of currently unrecognized deferred tax assets	**8,746,820**	7,782,065
Deductible tax losses of currently unrecognized deferred tax assets	**28,904,361**	20,713,477
Income tax expense	**803,995,081**	618,702,999

(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, Macau profits supplemental tax and Vietnam corporate income tax

Tsingtao Brewery Hong Kong Trading Co.,Ltd, Asia Brewery (Macau) Co.,Ltd and Tsingtao Brewery Vietnam Co.,Ltd, the Company's subsidiaries, were established in Hong Kong, Macau and Vietnam, applying Hong Kong profits tax, Macau profits supplemental tax and Vietnam corporate income 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%. Vietnam corporate income tax has been provided at the rate of 20% on the estimated assessable profit for the period.

10 Earnings per share

(a) Basic earnings per share

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

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Consolidated net profit attributable to shareholders of the Company	**2,415,521,329**	1,854,983,102
Less: Cash dividend of restricted shares expected to be vested in the future	**(10,120,500)**	–
Consolidated net profit attributable to ordinary shareholders of the Company	**2,405,400,829**	1,854,983,102
Weighted average numbers of ordinary shares outstanding	**1,350,982,795**	1,350,982,795
Basic earnings per share	**1.780**	1.373
Including:		
— Basic earnings per share from continuing operations:	**1.780**	1.373

(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. The restricted shares incentive plan implemented by the Company has no dilutive effect on earnings per share for the six months ended 30 June 2021 (six months ended 30 June 2020: there were no dilutive potential ordinary shares), so diluted earnings per share equals to basic earnings per share.

11 Segment information

As the Group is mainly engaged in the production and distribution of beer, etc., 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 in Shandong region and surrounding regions
— South China region segment, responsible for the production and distribution in South China region
— North China region segment, responsible for the production and distribution in North China region
— East China region segment, responsible for the production and distribution in East China region
— Southeast China region segment, responsible for the production and distribution in Southeast China region
— Hong Kong, Macau and other overseas region segment, responsible for the distribution 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.

11 Segment information *(continued)*

(a) Segment information as at and for the six months ended 30 June 2021 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	11,144,886,789	1,523,994,869	3,248,270,608	1,576,071,560	480,114,629	309,258,467	5,306,324	3,257,505	–	18,291,160,751
Inter-segment revenue	1,485,372,214	424,094,052	1,043,485,034	147,306,792	3,677,180	89,426,907	8,439,759	12,453,733	(3,214,255,671)	–
Cost of sales	(7,782,289,120)	(1,197,657,807)	(2,752,813,878)	(1,128,382,239)	(297,598,945)	(320,889,128)	(20,458)	(15,193,240)	3,324,470,864	(10,170,373,951)
Selling and distribution expenses	(2,315,743,732)	(240,807,219)	(444,074,086)	(233,740,254)	(74,109,041)	(36,677,975)	–	–	–	(3,345,152,307)
Interest income	34,536,445	10,835,411	25,675,939	4,739,910	953,975	499,420	167,166,261	18,247,839	(90,242,886)	172,412,314
Interest expenses	(1,443,402)	(1,901,494)	(1,141,878)	(7,247,560)	(658,916)	(1,255,239)	(98,960,265)	–	101,605,389	(11,003,365)
Share of profits of associates and a joint venture	–	–	–	–	–	–	–	18,854,829	–	18,854,829
Credit impairment reversals/(losses)	312,253	–	95,228	(6,370)	–	(27,990)	(3,882,918)	–	1,795,085	(1,714,712)
Asset impairment losses	–	(5,826)	–	–	–	–	–	–	–	(5,826)
Depreciation and amortisation	(251,972,331)	(84,480,257)	(111,383,472)	(79,774,067)	(9,134,129)	(1,770,829)	(891,568)	(29,875,355)	–	(569,282,008)
Total profit	1,688,678,061	295,775,308	799,540,619	146,162,298	71,736,149	32,607,069	149,770,933	25,950,005	80,639,854	3,290,860,296
Income tax expense	(447,554,469)	(67,758,464)	(190,011,705)	(19,251,324)	(4,618,853)	(6,854,080)	(38,282,448)	–	(29,663,738)	(803,995,081)
Net profit	1,241,123,592	228,016,844	609,528,914	126,910,974	67,117,296	25,752,989	111,488,485	25,950,005	50,976,116	2,486,865,215
Total assets	15,597,270,562	4,519,453,434	8,865,383,036	3,657,057,697	846,930,368	658,133,241	17,039,245,375	10,981,696,933	(16,928,259,713)	45,236,910,933
Total liabilities	11,817,545,855	1,915,136,231	5,102,745,502	3,013,882,899	596,137,190	708,813,945	14,093,746,549	1,580,833,953	(16,548,397,290)	22,280,444,834
Non-cash expenses other than depreciation and amortisation	13,996,573	701,745	3,062,025	789,964	276,661	61,611	–	–	–	18,888,579
Long-term equity investments in associates and a joint venture	–	–	–	–	–	–	–	373,673,634	–	373,673,634
Additions of non-current assets *(i)*	371,356,594	57,142,486	343,288,695	35,083,662	4,876,727	4,119,020	234,906	26,552,619	(38,043,635)	804,611,074

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

11 Segment information *(continued)*

(b) Segment information as at and for the six months ended 30 June 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 amortisation	(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 amortisation	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.

11 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 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Revenue from external customers		
Mainland China	**17,957,768,054**	15,381,641,740
Hong Kong and Macau SAR	**84,508,015**	90,763,619
Other overseas regions	**248,884,682**	206,585,977
	18,291,160,751	15,678,991,336

	30 June 2021 (unaudited)	30 June 2020 (unaudited)
Total non-current assets		
Mainland China	**15,365,140,738**	15,013,978,883
Hong Kong and Macau SAR	**16,490,335**	15,513,502
Other overseas regions	**11,360**	–
	15,381,642,433	15,029,492,385

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 2021.

III. MANAGEMENT DISCUSSION AND ANALYSIS

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

In the first half of 2021, the domestic beer market saw restorative growth driven by the trend of upgraded consumption in the beer industry. In the first half of the fiscal year, China's total beer production reached 18.89 million kl. (Data source: National Bureau of Statistics; statistical population: all industrial corporate entities with annual revenue over RMB 20 million.)

During the Reporting Period, the Company firmly implemented high quality development strategy formulated by the Board of Directors. Internal growth drivers were fully activated, which accelerated the optimization of capacity and the upgrading of product mix, gave full play to the brand and quality advantages of Tsingtao Beer and proactively developed domestic and foreign markets. At the same time, by cultivating more sources of income, reducing costs and increasing efficiency, the Company achieved continuous stable growth in business performance. During the Reporting Period, the Company's total product sales volume reached 4.769 million kl, a year-on-year increase of 8.2%, generated operating revenue of RMB 18.29 billion, a year-on-year increase of 16.66%; net profits attributable to the shareholders of the listed company was RMB 2.416 billion, a year-on-year increase of 30.22%.

In the first half of the year, the Company took full advantage of its sales network that covers major domestic markets, continued to strengthen traditional core markets and entered emerging markets along the strategic belt. Led by the upgrading of product mix, the Company focused on core products, took the initiative to develop a series of artistically-created products such as distinctive-flavored "Centennial Journey" and "Amber Lager", and by virtue of a quality differentiated product mix, set the trend for ultra high-end development and product upgrade of China's beer industry. During the Reporting Period, the Company achieved a growth of 7.8% year-on-year in revenue from beer sales per kl, with the total sales volume of its core brand, Tsingtao Beer, reached 2.528 million kl, a year-on-year increase of 20.9%. The sales volume of products of above the high end increased by 41.4% year-on year. The Company managed to maintain its competitive edge in domestic mid- and high-end beer market with its expanding high-quality development achievements.

On the international market, the Company carried out branding communication and marketing activities led by the high quality, high prices and high visibility of Tsingtao Beer. Facing the tough challenge of the pandemic on the international market, the Company made plans in advance as a fast response to continuously boost market sales and international influence. The Company achieved a year-on-year increase of 21.3% in sales volume on the overseas market.

During the Reporting Period, the Company continued to proactively implement its brand strategy of "Tsingtao Beer as Core Brand + Laoshan Beer as Second Brand". It stepped up effort in brand communication and channel innovation, setting a new marketing trend of diversified consumption scenarios on the backdrop of consumption upgrading through pervasive all-round brand promotion. As of now, the Company has established more than 200 "TSINGTAO1903 Tsingtao Beer Bars" across the country to create new high ground for immersive beer experience and satisfy consumers' multi-level demands for individualized, scenario-based, convenient, and high-end experience.

During the Reporting Period, the Company accelerated its digital transformation for stronger synergistic effect through large and intelligent production bases developed from industrial internet network. As a result of these efforts, Tsingtao Brewery Factory is recognized as the "Lighthouse Factory" as the world's first industrial internet network in the beer and beverage industry; the Company has established a "charismatic quality management model based on digital end-to-end decoding", delivered an effective charismatic quality management system that saw tangible achievements. In addition, the Company saw rapid growth in emerging business such as smart supply chain. New achievements in the development of digital supply chain were made. These contributed to the continuous improvement in the Company's management efficiency.

During the Reporting Period, "Tsingtao Beer" continued to maintain first place in terms of brand value in China's beer industry with a brand value of RMB 198.566 billion. The total value of the Company's brands such as "Tsingtao Beer", "Laoshan Beer" and "Hans Beer" has exceeded RMB 300 billion (Data source: World Brand Lab).

(II) Core Competitiveness Analysis

The Company's core competitiveness and the discussion and analysis on the Company's future developments (including the Company's development strategy and business plan) did not change during the Reporting Period. Please refer to the Company's 2020 Annual Report for details.

IV. SIGNIFICANT EVENTS

(I) The Incentive Plan

1. At the first extraordinary meeting of 2021 of the ninth session of the Board of Directors and the first extraordinary meeting of 2021 of the ninth session of the Board of Supervisors held by the Company on 22 March 2021, the Proposal on Granting Reserved Restricted A Shares to the Participants was reviewed and approved. At the same meeting, the award date is approved to be 22 March 2021, when 300,000 reserved restricted A shares under The Restricted A Share Incentive Plan of Tsingtao Brewery Company Limited (Draft) would be granted to 35 eligible participants at a price of RMB 21.18 per share.

2. The Company has granted 294,000 restricted A shares to 34 participants. On 26 May 2021, the Company completed registration of reserved restricted A shares under its Restricted A Share Incentive Plan at Shanghai Branch of China Securities Depository and Clearing Co., Ltd. Total capital stock of the Company was changed from 1,364,182,795 to 1,364,476,795 and registered capital changed from RMB 1,364,182,795 to RMB 1,364,476,795. Furthermore, the Company has amended relevant terms in the Articles of Association and completed administrative procedures for the change in registered capital.

For more details on the Incentive Plan, please refer to the Company's circular of connected transaction dated 22 March and 27 May 2021 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. Mr. LI Gang, Chairman of the Company's Board of Supervisors, has reached the statutory retirement age and thus resigned from current positions as Shareholder Supervisor and Chairman of the Board of Supervisors on 9 April 2021. During the extraordinary general meeting and the annual general meeting held on 28 May 2021 and 28 June 2021 respectively, the Company elected Mr. GUO Xiu Zhang as Shareholder Supervisor of the ninth session and tenth session of the Board of Supervisors. He was also elected as Chairman of the Board of Supervisors with more than half of the votes of the Board of Supervisors. His tenure starts from the date when the election result was approved by the annual general meeting and ends with the term of the tenth session of the Board of Supervisors.

2. Mr. YU Zeng Biao, Independent Director of the Company, whose tenure is almost six years, resigned after the end of the annual general meeting. At the annual general meeting held on 28 June 2021, the Company elected Ms. Rania Zhang as Independent Director of the Company's tenth session of the Board of Directors. Her tenure starts from the date when the election result was approved by the annual general meeting and ends with the term of the tenth session of the Board of Directors.

For more detail on changes to the Company's directors and supervisors, please refer to the announcements published on the websites of Shanghai Stock Exchange and Hong Kong Exchanges and Clearing Limited dated 9 April, 13 May, 28 May and 28 June 2021.

(III) 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 2021 Interim Results.

VI. 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. The Company is dedicated to maintain a high level of corporate governance and abided by all the provisions set out in the Corporate Governance Code of Appendix 14 of the Listing Rules during the Reporting Period, except the deviation from provision A.2.1 of the Corporate Governance Code.

Provision A.2.1 of the Corporate Governance Code stipulates that the roles of the Chairman of the Board and the Chief Executive Officer should be separated and not be performed by the same person. Since Mr. FAN Wei resigned from the positions of Executive Director and President of the Company on 28 February 2020 because he had reached the statutory retirement age, the position of President of the Company remains temporarily vacant as the successor of the Company's President has been under discussion and negotiation. In order to ensure the normal operation of the Company, the Chairman of the Board has been discreetly performing the duties of the President in line with the demand of maintaining a sound and stable corporate governance structure that meets the needs of the Company.

By order of the Board
TSINGTAO BREWERY CO., LTD.
Chairman
HUANG Ke Xing

Qingdao, People's Republic of China
25 August 2021

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. XIAO Geng, Mr. SHENG Lei Ming, Mr. JIANG Xing Lu and Ms. Rania ZHANG*