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## TSINGTAO BREWERY COMPANY LIMITED

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

(Stock Code: 168)

### ANNOUNCEMENT OF 2012 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") prepared pursuant to China Accounting Standard for Business Enterprises ("CAS") for the six months ended 30 June 2012 (the "Reporting Period").

#### I. FINANCIAL INFORMATION

(All amounts in RMB Yuan unless otherwise stated)

##### Consolidated Balance sheet

	<i>Note</i>	30 June 2012 (Unaudited)	31 December 2011
<b>Current assets</b>			
Cash at bank and on hand		8,740,950,947	6,107,611,258
Notes receivable		58,470,000	98,350,000
Accounts receivable	2	139,688,411	88,097,460
Advances to suppliers		57,112,388	273,208,801
Interest receivable		62,003,930	13,346,298
Other receivables		159,074,017	114,425,093
Inventories		2,130,985,819	2,717,721,790
Other current assets		114,240,451	170,592,062
<b>Total current assets</b>		<b>11,462,525,963</b>	<b>9,583,352,762</b>
<b>Non-Current assets</b>			
Long-term equity investments		157,851,445	151,965,192
Investment properties		7,441,415	—
Fixed assets		7,762,975,476	7,204,985,036
Construction in progress		700,945,762	624,331,319
Fixed assets pending for disposal		10,632,245	3,426,554
Intangible assets		2,349,113,885	2,378,806,001
Goodwill		1,081,684,918	1,081,684,918
Long-term prepaid expenses		5,958,382	7,582,630
Deferred tax assets		451,965,277	392,464,144
Other non-current assets		445,771,714	205,555,005
<b>Total Non-Current assets</b>		<b>12,974,340,519</b>	<b>12,050,800,799</b>
<b>TOTAL ASSETS</b>		<b>24,436,866,482</b>	<b>21,634,153,561</b>

<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<i>Note</i>	<b>30 June 2012 (Unaudited)</b>	31 December 2011
<b>Current liabilities</b>			
Short-term borrowings		165,818,267	162,696,637
Notes payable		63,100,425	83,893,730
Accounts payable	3	2,499,150,740	1,662,021,869
Advances from customers		557,829,021	751,128,688
Employee benefits payable		785,903,705	757,810,303
Taxes payable		837,911,376	568,596,400
Interest payable		1,532,799	2,458,418
Dividends payable		351,255,527	761,458
Other payables		3,791,581,341	3,164,401,766
Current portion of non-current liabilities		<u>1,493,221</u>	<u>2,315,634</u>
<b>Total current liabilities</b>		<u><b>9,055,576,422</b></u>	<u>7,156,084,903</u>
<b>Non-current liabilities</b>			
Long-term borrowings		456,233,196	454,116,834
Debentures payable		1,365,423,403	1,334,692,717
Long-term payables		1,000,000	1,000,000
Payables for specific projects		316,695,543	190,538,407
Deferred tax liabilities		197,723,252	209,569,271
Other non-current liabilities		<u>1,050,927,671</u>	<u>1,011,216,862</u>
<b>Total non-current liabilities</b>		<u><b>3,388,003,065</b></u>	<u>3,201,134,091</u>
<b>Total liabilities</b>		<u><b>12,443,579,487</b></u>	<u><b>10,357,218,994</b></u>
<b>Shareholders' equity</b>			
Share capital		1,350,982,795	1,350,982,795
Capital surplus		4,017,938,901	4,017,938,901
Surplus reserve		808,735,661	808,735,661
Undistributed profits	4	5,571,812,712	4,915,661,595
Difference on translation of foreign currency financial statements		<u>14,869,074</u>	<u>17,119,722</u>
<b>Total equity attributable to equity holders of the Company</b>		<u><b>11,764,339,143</b></u>	<u>11,110,438,674</u>
Minority interests		<u>228,947,852</u>	<u>166,495,893</u>
<b>Total shareholders' equity</b>		<u><b>11,993,286,995</b></u>	<u><b>11,276,934,567</b></u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u><b>24,436,866,482</b></u>	<u><b>21,634,153,561</b></u>

## Consolidated Income Statement

ITEM	Note	Six months ended 30 June	
		2012 (Unaudited)	2011 (Unaudited)
<b>Revenue</b>	5	13,405,497,777	12,049,983,553
<i>Less:</i> Cost of sales	5	(7,978,963,221)	(6,840,298,683)
Taxes and surcharges	6	(1,166,105,348)	(1,055,938,143)
Selling and distribution expenses		(2,461,537,136)	(2,375,755,752)
General and administrative expenses		(564,882,018)	(494,642,260)
Financial income/(expenses) — net		83,799,423	(2,373,512)
Asset impairment losses		(3,341,335)	(1,445,070)
<i>Add:</i> Investment income		5,886,253	1,975,523
Including: Share of profit of associates and joint ventures		<u>5,886,253</u>	<u>1,975,523</u>
<b>Operating profit</b>		<b>1,320,354,395</b>	1,281,505,656
<i>Add:</i> Non-operating income		114,569,567	124,562,972
<i>Less:</i> Non-operating expenses		(15,998,886)	(14,675,952)
Including: Losses on disposal of non-current assets		<u>(8,136,098)</u>	<u>(6,718,195)</u>
<b>Total profit</b>		<b>1,418,925,076</b>	1,391,392,676
<i>Less:</i> Income tax expenses	7	<u>(368,736,836)</u>	<u>(344,557,300)</u>
<b>Net profit</b>		<b><u>1,050,188,240</u></b>	<b><u>1,046,835,376</u></b>
Attributable to equity holders of the Company		1,007,406,644	989,902,083
Minority interests		42,781,596	56,933,293
<b>Earnings per share</b>	8		
Basic earnings per share		0.746	0.733
Diluted earnings per share		0.746	0.733
<b>Other comprehensive (losses)/income</b>		<u>(2,250,648)</u>	<u>621,116</u>
<b>Total comprehensive income</b>		<b><u>1,047,937,592</u></b>	<b><u>1,047,456,492</u></b>
Attributable to equity holders of the Company		1,005,155,996	990,523,199
Minority interests		42,781,596	56,933,293

**Notes:**

**1. Basis of preparation**

The financial statements were prepared in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as “the Accounting Standards for Business Enterprises” or “CAS”) 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 (2010 revised) issued by the China Securities Regulatory Commission.

**2. Accounts receivable**

	<b>30 June 2012 (Unaudited)</b>	31 December 2011
Accounts receivable	<b>368,794,023</b>	325,048,799
<i>Less: provision for bad debts</i>	<u><b>(229,105,612)</b></u>	<u>(236,951,339)</u>
	<u><b>139,688,411</b></u>	<u>88,097,460</u>

The majority of the Company’s domestic sales are made with cash and advances from customers. The remainings are settled by letters of credit, bank acceptance notes or credit terms from 30 to 150 days.

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

	<b>30 June 2012 (Unaudited)</b>	31 December 2011
Within 6 months	<b>137,457,379</b>	87,799,273
6 months to 1 year	<b>2,277,309</b>	137,349
1 to 2 years	<b>135,175</b>	335,411
2 to 3 years	<b>231,322</b>	186,438
Over 3 years	<u><b>228,692,838</b></u>	<u>236,590,328</u>
	<u><b>368,794,023</b></u>	<u>325,048,799</u>

### 3. Accounts payable

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

	<b>30 June 2012 (Unaudited)</b>	31 December 2011
Within 1 year	2,460,425,276	1,631,517,734
1 to 2 years	10,174,934	11,031,540
2 to 3 years	9,953,473	5,507,092
Over 3 years	18,597,057	13,965,503
	<u>2,499,150,740</u>	<u>1,662,021,869</u>

### 4. Undistributed profits

In accordance with the resolution at the Annual General Meeting dated 27 June 2012, the Company proposed a cash dividend to the shareholders of the Company of RMB351,255,527 (RMB0.26 per share (pre-tax)), based on total number of shares 1,350,982,795 (2011: cash dividend for 2010 RMB0.18 per share (pre-tax) at RMB243,176,903). As at 30 June 2012, the dividend has not been paid yet.

### 5. Revenue and cost of sales

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
Revenue from main operation	13,206,159,391	11,873,127,931
Revenue from other operation	199,338,386	176,855,622
	<u>13,405,497,777</u>	<u>12,049,983,553</u>
	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
Cost of main operation	(7,837,496,311)	(6,719,638,039)
Cost of other operation	(141,466,910)	(120,660,644)
	<u>(7,978,963,221)</u>	<u>(6,840,298,683)</u>

## 6. Tax and surcharges

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Consumption tax	907,876,379	833,531,824
City maintenance and construction tax	144,570,722	130,334,099
Education surcharge	109,894,132	89,906,520
Business tax	3,660,877	2,124,133
Others	103,238	41,567
	<u>1,166,105,348</u>	<u>1,055,938,143</u>

## 7. Income tax expenses

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Current income tax calculated according to tax law and related regulations — China enterprise income tax	438,834,446	477,971,754
Current profits tax calculated according to tax law and related regulations — Hong Kong profits tax	158,678	3,597,585
Current profits tax calculated according to tax law and related regulations — Macau profits supplemental tax	1,090,864	807,336
Deferred income tax	<u>(71,347,152)</u>	<u>(137,819,375)</u>
	<u>368,736,836</u>	<u>344,557,300</u>

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

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Total profit	<u>1,418,925,076</u>	<u>1,391,392,676</u>
Income tax expenses calculated at applicable tax rates	347,169,569	338,059,174
Tax impact for equivalent sales and expenses not deductible	18,518,721	25,196,654
Income not subject to tax	(3,659,738)	(5,604,445)
Utilisation of previously unrecognised deferred tax assets	(30,891,635)	(25,937,872)
Tax losses for which no deferred tax asset was recognised	<u>37,599,919</u>	<u>12,843,789</u>
Income tax expenses	<u>368,736,836</u>	<u>344,557,300</u>

**(1) Enterprise income tax**

*(i) Enterprise income tax of the Company*

In accordance with an approval document dated 18 April 1994 issued by the State Administration for Taxation (“SAT”) of the PRC, net profit earned by the Company was subject to enterprise income tax at 15%, which was effective from the date of establishment of the Company until there is further changes of the relevant laws and regulations. The Company also received a confirmation from the Finance Bureau of Qingdao on 23 March 1997 that this preferential tax treatment would not be terminated until further notice.

On 5 July 2007, the Company became aware of a notice (Guoshuihan [2007] No.664) which was issued by SAT in June 2007(the “Notice”) regarding the preferential tax treatment granted to nine state-owned enterprises listed on the Stock Exchange of Hong Kong Limited in 1993 (including the Company). According to the Notice, the relevant local tax authorities were required to immediately rectify the expired preferential tax treatments adopted by the Company and take appropriate action on the differences of income taxes collected in prior years arising therefore in accordance with the applicable rules and provisions under the promulgated Law on Tax Collection and Administration of the PRC. For this purpose, the Company issued an announcement in relation to such matter on the websites of stock exchanges in the PRC and overseas, and in domestic newspapers on 6 July 2007.

On April 2008, the Company was informed by the governing local tax bureau that the applicable enterprise income tax rate for the year ended 31 December 2007 was adjusted from 15% to 33%. The Company has not been notified by any tax authorities regarding the exposure of prior years. The directors are of the view that the final outcome cannot be reliably estimated and, therefore, no provision for potential enterprise income tax exposure in prior years had been made in the financial statements.

The applicable enterprise income tax rate of the Company for the period is 25%.

*(ii) Enterprise income tax of the subsidiaries*

The applicable corporate income tax rate of the subsidiaries incorporated and operated in mainland China is 25% except for certain subsidiaries which are taxed at preferential tax rate of 12.5% based on the relevant PRC tax laws and regulations.

**(2) Hong Kong profits tax and Macau profits supplemental tax**

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%.

## 8. 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 number of ordinary shares outstanding:

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	1,007,406,644	989,902,083
Weighted average number of ordinary shares outstanding	<u>1,350,982,795</u>	<u>1,350,982,795</u>
Basic earnings per share	<u>0.746</u>	<u>0.733</u>
Including:		
— Basic earnings per share relating to continuing operations	0.746	0.733

### (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 2012 and 30 June 2011, diluted earnings per share equal to basic earnings per share.

## 9. Segment information

As the Group is mainly engaged in the production and distribution of beer, the reportable segments of the Group are business units operating in different regions. Each region requires different marketing strategy, the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

Inter-segment transfer prices are based on mutually-agreed prices.

Assets are allocated based on the operation of the segment and the physical location of the assets. Liabilities are allocated based on the operation of the segment. Expenses indirectly attributable to each segment are allocated among segments based on the proportion of each segment's revenue.

**(a) Segment information as at and for the six months ended 30 June 2012 is as follow (unaudited):**

	Shandong Region	Huanan Region	Huabei Region	Huadong Region	Dongnan Region	Hong Kong, Macau and other overseas	Finance Company	Unallocated	Elimination	Total
Revenue from external customers	6,806,703,539	2,353,927,179	2,047,543,170	1,133,378,239	839,009,317	224,934,023	2,310	—	—	13,405,497,777
Inter-segment revenue	741,590,033	113,278,713	569,803,320	123,952,030	19,520,011	28,462,419	2,717,076	—	(1,599,323,602)	—
Selling and distribution expenses	(1,354,945,372)	(447,096,584)	(191,996,172)	(227,698,423)	(175,424,648)	(64,278,637)	(97,300)	—	—	(2,461,537,136)
Interest income	5,050,174	4,123,925	7,003,246	2,490,069	550,368	60,806	130,950,448	28,136,868	(34,916,443)	143,449,461
Interest expenses	4,873,590	(3,842,113)	(19,316,206)	(5,495,477)	—	(6,806,261)	(34,916,444)	(48,136,411)	60,347,766	(53,291,556)
Share of profit of associates and jointly controlled entity	—	—	—	—	—	—	—	5,886,253	—	5,886,253
Asset impairment losses	(3,315,424)	85,835	92,333	118,016	(10,313)	(311,782)	—	—	—	(3,341,335)
Depreciation and amortisation	(156,705,438)	(104,351,422)	(72,154,073)	(38,553,262)	(17,361,642)	(1,764,582)	(275,595)	(18,663,640)	—	(409,829,654)
Total profit	798,253,518	246,164,929	246,462,973	(45,696,339)	98,622,887	19,385,047	96,643,075	(81,679,715)	40,768,701	1,418,925,076
Income tax expenses	(182,432,834)	(78,774,345)	(61,387,149)	(6,569,936)	(16,843,536)	(4,746,194)	(19,208,374)	—	1,225,532	(368,736,836)
Net profit	615,820,684	167,390,584	185,075,824	(52,266,275)	81,779,351	14,638,853	77,434,701	(81,679,715)	41,994,233	1,050,188,240
Total assets	8,463,722,003	4,735,338,396	4,064,334,939	1,998,086,933	1,391,773,535	180,066,222	7,447,108,790	4,782,232,750	(8,625,797,086)	24,436,866,482
Total liabilities	4,336,381,111	2,439,329,824	2,726,510,640	1,265,280,587	742,756,151	470,539,995	7,041,020,735	2,120,471,409	(8,698,710,965)	12,443,579,487
Long-term equity investments in associates and jointly controlled entity	—	—	—	—	—	—	—	156,542,803	—	156,542,803
Additions to non-current assets other than long-term equity investments	299,069,685	481,250,140	218,428,319	211,861,038	66,539,850	10,002,687	178,149	21,621,058	(24,103,100)	1,284,847,826

**(b) Segment information as at and for the six months ended 30 June 2011 is as follow (unaudited):**

	Shandong Region	Huanan Region	Huabei Region	Huadong Region	Dongnan Region	Hong Kong, Macau and other overseas	Unallocated	Elimination	Total	
Revenue from external customers	5,994,655,353	2,240,327,440	1,863,049,009	921,361,900	802,762,642	227,827,209	—	—	12,049,983,553	
Inter-segment revenue	1,109,793,564	117,748,165	347,934,681	73,068,187	30,640,924	57,642,071	—	(1,736,827,592)	—	
Selling and distribution expenses	(1,316,257,901)	(480,846,927)	(195,235,549)	(153,013,324)	(178,032,254)	(52,369,797)	—	—	(2,375,755,752)	
Interest income	5,402,549	3,880,082	7,249,795	1,206,487	658,269	58,608	30,536,232	—	—	48,992,022
Interest expenses	(228,118)	(4,133,211)	(14,753,256)	(3,731,486)	—	(63,156)	(40,477,835)	19,597,922	—	(43,789,140)
Share of profit of associates and jointly controlled entity	—	—	—	—	—	—	1,975,523	—	—	1,975,523
Asset impairment losses	(1,537,636)	24,071	394,657	(225,005)	(63,365)	(37,792)	—	—	—	(1,445,070)
Depreciation and amortisation	(112,921,764)	(81,861,393)	(54,152,193)	(34,893,140)	(11,634,631)	(915,370)	(20,746,530)	—	—	(317,125,021)
Total profit	831,532,417	310,351,202	206,289,650	14,825,918	62,488,928	58,797,059	(82,445,825)	(10,446,673)	—	1,391,392,676
Income tax expenses	(186,128,622)	(88,297,312)	(45,008,420)	142,527	(14,949,515)	(10,108,806)	(207,152)	—	—	(344,557,300)
Net profit	645,403,795	222,053,890	161,281,230	14,968,445	47,539,413	48,688,253	(82,652,977)	(10,446,673)	—	1,046,835,376
Total assets	8,433,263,689	3,577,573,861	3,078,682,845	1,784,519,870	974,409,032	172,822,391	5,022,234,819	(1,417,850,855)	—	21,625,655,652
Total liabilities	4,614,009,759	2,237,407,000	2,092,293,564	866,052,409	616,688,109	460,135,054	1,620,905,452	(1,397,828,281)	—	11,109,663,066
Long-term equity investments in associates and jointly controlled entity	—	—	—	—	—	—	153,684,258	—	—	153,684,258
Additions to non-current assets other than long-term equity investments	1,699,371,282	317,673,183	188,904,986	201,972,075	96,341,030	9,202,335	47,596,736	—	—	2,561,061,627

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

<b>Revenue from external customers</b>	<b>Six months ended 30 June</b>	
	<b>2012</b> <b>(Unaudited)</b>	<b>2011</b> <b>(Unaudited)</b>
Domestic	<b>13,109,391,531</b>	11,761,161,164
Hong Kong & Macau	<b>122,871,872</b>	131,236,764
Other overseas	<b>173,234,374</b>	157,585,625
	<b><u>13,405,497,777</u></b>	<b><u>12,049,983,553</u></b>
<b>Total non-current assets</b>	<b>30 June 2012</b> <b>(Unaudited)</b>	<b>30 June 2011</b> <b>(Unaudited)</b>
Domestic	<b>12,510,485,138</b>	10,714,822,892
Hong Kong & Macau	<b>11,890,104</b>	10,584,835
	<b><u>12,522,375,242</u></b>	<b><u>10,725,407,727</u></b>
<b>10. Net current assets</b>		
	<b>30 June</b> <b>2012</b> <b>(Unaudited)</b>	<b>31 December</b> <b>2011</b>
Current assets	<b>11,462,525,963</b>	9,583,352,762
<i>Less:</i> Current liabilities	<b>(9,055,576,422)</b>	(7,156,084,903)
Net current assets	<b><u>2,406,949,541</u></b>	<b><u>2,427,267,859</u></b>
<b>11. Total assets less current liabilities</b>		
	<b>30 June</b> <b>2012</b> <b>(Unaudited)</b>	<b>31 December</b> <b>2011</b>
Total assets	<b>24,436,866,482</b>	21,634,153,561
<i>Less:</i> Current liability	<b>(9,055,576,422)</b>	(7,156,084,903)
Total assets less current liabilities	<b><u>15,381,290,060</u></b>	<b><u>14,478,068,658</u></b>

## **12. Contingencies**

As described in Note 7(1)(i), the Group's potential risk of income tax liabilities related to prior years has not been settled. The directors are of the view that the potential income tax liabilities could not be reliably estimated and therefore, no provision was made in these financial statements.

## **II. DIVIDENDS**

The Company shall not distribute interim dividends for the 6 months ended 30 June 2012 pursuant to the provisions in the articles of association of the Company.

## **III. MANAGEMENT DISCUSSIONS AND ANALYSIS**

### **(I) Review of Operational Results for the First Half of 2012**

In the first half of 2012, due to the adverse effects such as the slow-down of the economic growth in China and the comparatively low temperature, the growth rate of the beer market in China decreased slightly, the national output volume reached 239.9 million hl in aggregate, increasing by 4.85% comparing with that of the corresponding period in the previous year (statistics from the National Bureau of Statistics).

In the first half-year, facing the negative factors including the slow-down of the growth of the domestic beer market, and the rise of costs, the Company maintained the continuous growth of sales volume, revenues and profits by, externally, actively exploring the market, optimizing the product mix, and consummating the market layout; internally, implementing the system integration, improving the efficiency, decreasing the costs and increasing the profits through optimizing the management. The Company achieved fast growth of the sales volume by continuing to insist on the brand-driven development strategy, by taking full advantages of Tsingtao beer brand, and through the way of sports marketing. In the first half-year, the Company realized 41.8 million hl of sales volume of beer, increasing by 11.3% comparing with that of the corresponding period in the previous year; realized RMB13.41 billion of sales revenues, increasing by 11.2% comparing with that of the corresponding period in the previous year; realized RMB1.01 billion of net profits attributable to the shareholders of the company, increasing by 1.8% comparing with that of the corresponding period in the previous year. The sales volume of Tsingtao beer, the principal brand, reached 22 million hl, increasing by 8.2% comparing with that of the corresponding period in the previous year, in which, the sales volume of the high value-added products such as Tsingtao draft beer increased by 14.9% comparing with that of the corresponding period in the previous year. At the same time, the products of the secondary brands grew comparatively fast, which contributed to the increase of the Company's market share in the country.

In the first half-year, the Company actively carried forward the development strategy of "dual drivers". It has started the construction project of a new plant with annual output capacity of 2 million hl in Jiujiang, Jiangxi Province, successfully put into production the beer project with annual output capacity of 3 million hl in Jieyang, Guangdong Province, and put into in succession

the expansion projects of Tsingtao Brewery No. 2 Factory, Shanghai Songjiang, and Shandong Xin Immense, which further improved the Company's strength and advantages in competition in base markets. At the same time, the Company innovated the mode of external cooperation by entering into cooperative framework agreements with Suntory (China) Investment Co., Ltd, which built a firm basis for rapidly changing the competition situation in the eastern China market.

**(II) Analysis to Principal Financials during the Reporting Period (Calculated in accordance with CAS)**

**1. Analysis to the principal business and operational situations**

*Unit: RMB'000*

Profit Items	Jan-Jun 2012	Jan-Jun 2011	Increased/ (Decreased) amount	Increase/ (Decrease) (%)
Revenue	13,405,498	12,049,984	1,355,514	11.2
Cost of sales	7,978,963	6,840,299	1,138,664	16.6
Taxes and surcharges	1,166,105	1,055,938	110,167	10.4
Selling and distribution expenses	2,461,537	2,375,756	85,781	3.6
General and administrative expenses	564,882	494,642	70,240	14.2
Financial (income)/expenses — net	(83,799)	2,374	(86,173)	(3,629.9)
Investment income	5,886	1,976	3,910	197.9

(1) The revenue increased by 11.2% comparing with that of the corresponding period in the previous year, which was mainly due to the increase in revenue caused by the increase in sales volume of principal products during the Reporting Period.

(i) Table of principal business by industries and products

*Unit: RMB'000*

By industries or products	Sales revenue	Sales cost	Operating profit rate (%)	Increase in sales revenue (%)	Increase in sales cost (%)	Decrease in operating profit rate (%)
By industries						
Beer	13,206,159	7,837,496	31.82	11.23	16.64	(2.69)
By products						
Beer	13,206,159	7,837,496	31.82	11.23	16.64	(2.69)

The Group is mainly engaged in the production and sales of beer.

(ii) Table of principal business by geographical markets

*Unit: RMB'000*

<b>Region</b>	<b>Incomes from principal business</b>	<b>Increase (%)</b>
Shandong Province	7,070,490	12.4
South China	2,420,055	4.3
North China	2,602,983	18.9
East China	1,239,321	26.8
South-East China	850,753	2.9
Hong Kong, Macau and other overseas	<u>220,425</u>	0.8
Sub-total	14,404,027	12.3
Less: Eliminations	<u>1,197,868</u>	25.9
Total	<u><u>13,206,159</u></u>	11.2

(2) *Cost of sales*

In the first half of 2012, the cost of sales increased by 16.6% comparing with that of the corresponding period in the previous year, which was mainly due to the increase in cost of sales caused by the growth of sales volume and the price-hike of raw materials during the Reporting Period.

(3) *Taxes and surcharges*

In the first half of 2012, the taxes and surcharges increased by 10.4% comparing with that of the corresponding period in the previous year, which was mainly due to the increase in various taxes caused by the growth of sales volume during the Reporting Period.

(4) *Expenses during the period*

(i) In the first half of 2012, the selling and distribution expenses increased by 3.6% comparing with that of the corresponding period in the previous year, which was mainly due to the increase in employees' remunerations, logistics expenses and advertisement fees during the Reporting Period.

- (ii) In the first half of 2012, the general and administrative expenses increased by 14.2% comparing with that of the corresponding period in the previous year, which was mainly due to, during the Reporting Period, the increase in employees' remunerations, and the increase in general and administrative expenses caused by the increase in new constructions for merged or acquired subsidiaries comparing with that of the corresponding period in the previous year.
- (iii) In the first half of 2012, the financial expenses decreased by 3,629.9% comparing with that of the corresponding period in the previous year, which was mainly due to the increase in interests received during the Reporting Period.

(5) *Investment income*

In the first half of 2012, the investment income increased by 197.9% comparing with that of the corresponding period in the previous year, which was mainly due to the increase in net profits from the Company's associates during the Reporting Period.

2. *Interpretation of composition of assets/liabilities*

*Unit: RMB '000*

Item	30 June 2011	31 December 2011	Increased/ (Decreased) amount	Increase/ (Decrease) (%)
Cash at bank and on hand	8,740,951	6,107,611	2,633,340	43.1
Notes receivable	58,470	98,350	(39,880)	(40.5)
Accounts receivable	139,688	88,097	51,591	58.6
Advances to suppliers	57,112	273,209	(216,097)	(79.1)
Interests receivable	62,004	13,346	48,658	364.6
Other receivables	159,074	114,425	44,649	39.0
Other current assets	114,240	170,592	(56,352)	(33.0)
Investment properties	7,441	—	7,441	—
Fixed assets pending for disposal	10,632	3,427	7,205	210.2
Other non-current assets	445,772	205,555	240,217	116.9
Accounts payable	2,499,151	1,662,022	837,129	50.4
Taxes payable	837,911	568,596	269,315	47.4
Dividends payable	351,256	761	350,495	46,057.2
Payables for specific projects	316,696	190,538	126,158	66.2
Minority interests	228,948	166,496	62,452	37.5

(1) *Cash at bank and on hand*

At the end of the Reporting Period, the cash at bank and on hand increased by 43.1% from the beginning of the Reporting Period, which was mainly due to the increase in net cash flow from operating activities during the Reporting Period.

(2) *Notes receivable*

At the end of the Reporting Period, the notes receivable decreased by 40.5% from the beginning of the Reporting Period, which was mainly due to the decrease in settling goods amount with accepted bank bills of exchange during the Reporting Period.

(3) *Accounts receivable*

At the end of the Reporting Period, the accounts receivable increased by 58.6% from the beginning of the Reporting Period, which was mainly due to the increase in balance of accounts receivable in the peak seasons during the Reporting Period.

(4) *Advances to suppliers*

At the end of the Reporting Period, the advances to suppliers decreased by 79.1% from the beginning of the Reporting Period, which was mainly due to the decrease in prepayments for purchasing raw materials during the Reporting Period.

(5) *Interests receivable*

At the end of the Reporting Period, the interests receivable increased by 364.6% from the beginning of the Reporting Period, which was mainly due to the increase in interests of bank deposits receivable from the Finance Company, a subsidiary of the Company, during the Reporting Period.

(6) *Other receivables*

At the end of the Reporting Period, the other receivables increased by 39.0% from the beginning of the Reporting Period, which was due to the increase in cash pledge of bottles and cases caused by the growth of sales volume in the peak seasons during the Reporting Period.

(7) *Other current assets*

At the end of the Reporting Period, the other current assets decreased by 33.0% from the beginning of the Reporting Period, which was mainly due to that the outstanding input VAT of some subsidiaries at the end of last year had been set-off during the Reporting Period and the decrease of pre-paid income tax.

(8) *Investment properties*

At the end of the Reporting Period, the investment properties increased by RMB7,441,000 from the beginning of the Reporting Period, which was mainly due to the premises of some subsidiaries were listed under the item of investment real estate as they were transferred from self-use to leasing during the Reporting Period.

*(9) Fixed assets pending for disposal*

At the end of the Reporting Period, the fixed assets pending for disposal increased by 210.2% from the beginning of the Reporting Period, which was mainly due to the increase in old assets pending for disposal for the technical reconstruction and relocation projects of some subsidiaries during the Reporting Period.

*(10) Other non-current assets*

At the end of the Reporting Period, the other non-current assets increased by 116.9% from the beginning of the Reporting Period, which was mainly due to the increase in prepayments for projects and purchasing equipment caused by the technical reconstruction and expansion of some subsidiaries, and the increase in the construction projects of relocated and new plants during the Reporting Period.

*(11) Accounts payable*

At the end of the Reporting Period, the accounts payable increased by 50.4% from the beginning of the Reporting Period, which was mainly due to the increase in accounts payable caused by the increase in purchasing materials for the production in the peak seasons during the Reporting Period.

*(12) Taxes payable*

At the end of the Reporting Period, the taxes payable increased by 47.4% from the beginning of the Reporting Period, which was mainly due to the increase in value-added taxes payable and consumption taxes payable caused by the increase in sales volume and revenues during the Reporting Period.

*(13) Dividends payable*

At the end of the Reporting Period, the dividends payable increased by 46,057.2% from the beginning of the Reporting Period, which was mainly due to that the payment of cash dividends according to the resolution passed at the general meeting had not been made during the Reporting Period.

*(14) Payables for specific projects*

At the end of the Reporting Period, the payables for specific projects increased by 66.2% from the beginning of the Reporting Period, which was mainly due to the increase in the relocation compensations received by some subsidiaries from the local governments during the Reporting Period.

*(15) Minority interests*

At the end of the Reporting Period, the minority interests increased by 37.5% from the beginning of the Reporting Period, which was mainly due to the increase in capital contribution made by the minority shareholders to the subsidiaries during the Reporting Period.

*(16) Bank borrowings*

At the end of the Reporting Period, the short-term borrowings increased by 1.9% from the beginning of the Reporting Period.

At the end of the Reporting Period, the non-current liabilities to mature within 1 year decreased by 35.5% from the beginning of the Reporting Period, which was mainly due to that the long-term accounts payable to mature within 1 year matured during the period and were paid during the Reporting Period.

At the end of the Reporting Period, the long-term borrowings increased by 0.5% from the beginning of the Reporting Period. By the end of the Reporting Period, the total amount of bank borrowings of the Group was RMB623,545,000, which included RMB165,818,000 of short-term borrowings and RMB457,727,000 of long-term borrowings. Among the long-term borrowings, those would mature within 1 year were amounted to RMB1,493,000, those would mature in 1-5 years were amounted to RMB454,316,000, and those would mature over 5 years were amounted to RMB1,918,000.

At the end of the Reporting Period, the borrowings in Renminbi amounted to RMB62,000,000, borrowings in Hong Kong dollars amounted to RMB552,178,000, borrowings in Euro amounted to RMB5,548,000, and borrowings in Danish krone amounted to RMB3,819,000.

All borrowings of the Group were affected by the fluctuation of the interest rate in the market. As at the settlement date, the effective annual interest rates of Renminbi and Hong Kong dollar were 7.209% and 2.964% respectively.

### 3. *Analysis of cash flow*

Unit: RMB '000

Item	Jan.-Jun. 2012	Jan.-Jun. 2011	Increased/ (Decreased) amount	Increase/ (Decrease) (%)
Cash flow from operating activities-net	3,574,303	2,127,011	1,447,292	68.0
Cash flow from investing activities-net	(1,387,678)	(2,503,082)	1,115,404	44.6
Cash flow from financing activities-net	(16,062)	319,678	(335,740)	(105.0)
Net increase in cash and cash equivalents	2,170,970	(58,409)	2,229,380	3,816.8

1. The net cash flow from operating activities increased by 68.0% comparing with that of the corresponding period in the previous year, which was mainly due to the increase in cash received from selling the goods during the Reporting Period comparing with that of the corresponding period in the previous year, and the decrease in the cash paid for purchasing the goods during the Reporting Period comparing with that of the corresponding period in the previous year.
2. The net cash flow from investing activities increased by 44.6% comparing with that of the corresponding period in the previous year, which was mainly due to the decrease in cash paid to acquire subsidiaries during the Reporting Period comparing with that of the corresponding period in the previous year.
3. The net cash flow from financing activities decreased by 105.0% comparing with that of the corresponding period in the previous year, which was mainly due to the decrease in amounts of borrowings obtained from the financial institutes during the Reporting Period comparing with that of the corresponding period in the previous year.

### 4. *Interpretation for other operational situations*

#### (1) *Debt/Capital ratio*

On 30 June 2012, the Group's debt/capital ratio was 13.4% (13.9% on 31 December 2011). The calculation of debt/capital is: total amount of long-term borrowings/(total amount of long-term borrowings + shareholders' interests attributable to the parent company).

#### (2) *Assets mortgage*

As at 30 June 2012, none of the bank borrowings of the Group was with mortgage (Nil as at 31 December 2011).

*(3) Risk of fluctuations of exchange rate*

The Group is exposed to foreign exchange risk arising from financing activities and business transactions denominated in foreign currencies, primarily with respect to HKD.

*(4) Capital expenses*

In 2012, the Company will continue to improve the efficiency in utilizing the existing assets. According to the Company's current situation in funds and profitability, it has sufficient funds and continuous net in-flow of operational cash flow to satisfy its needs for funds for the capital projects of the Company.

*(5) Investments*

For details please refer to the enclosed Notes to Financial Statements.

*(6) Contingent liabilities*

For details please refer to the enclosed Notes to Financial Statements.

**(III) Outlook for the Second Half of 2012**

The Board is of the view that, the recent changes of personnel in the management team will not affect the Company's development strategy and targets. In the second half-year, although the Company will continue to face the severe market and operational situation, under the leadership of the Board and the management team which is led by Chairman SUN Ming Bo and President HUANG Ke Xing, the Company will continue to follow the changes with the strength of reform, continue to develop with the strength of innovation, forge ahead and surmount the difficulties, to achieve new success. At the same time, it will actively promote the implementation of the development strategy of "dual drivers", continue to take the advantages of the Tsingtao beer brand, improve the premium capacity of the brands, continue to strengthen the market promotions through sports marketing, to further increase the output volume of the beer. The Board and the management team of the Company are confident and determined to realize the grand target that the output volume of beer reaches 100 million hl in 2014.

#### IV. SIGNIFICANT EVENTS

##### (I) Matters on the merger and acquisition and information on investment during the Reporting Period

1. On 27 February 2012, the 7th Board of Directors of the Company held an extraordinary meeting, at which the feasible report of the Company's new construction project of a beer production base for an annual output capacity of 2 million hl in Jiujiang, Jiangxi Province was considered and approved. It is estimated that the investment for the construction of fixed assets is approximately RMB299.54 million, which will be from the capital funds input through establishing a subsidiary and be provided with entrusted loan. On 12 June 2012, Tsingtao Brewery (Jiujiang) Company Limited ("Jiujiang Company") was formally established by the Company and Jiujiang Ocean Industries Co., Ltd. with investment of capital fund of RMB180 million and RMB20 million respectively. At present, the project of plant construction is in the phase of construction.
2. On 25 May 2012, an equity transfer agreement was entered into between the Company and Tsingtao Brewery Shanghai Songjiang Company Limited ("Songjiang Company"), its wholly-owned subsidiary, pursuant to which the 20% equity interests held by the Company in Tsingtao Brewery (Yangzhou) Company Limited ("Yangzhou Company") was sold for a consideration of RMB1 million.

On 31 May 2012, the 7th Board of Directors of the Company held an extraordinary meeting to consider and approve the related transaction of Songjiang Company increasing cash investment in Yangzhou Company. It agreed to increase the registered capital of Yangzhou Company from RMB5 million to RMB16 million, of which the RMB11 million of increased investment was paid solely by Songjiang Company in cash. The pricing of the increased investment was made with reference to the assessed value of the 100% equity interests in Yangzhou Company (approximately RMB4.91 million), and the factor of relocation compensation of the relocation and construction project of Yangzhou Company, which was fair. The Company is of the view that, such increase in investment can thoroughly solve the problem of horizontal competition and remove the obstacles of investment and development caused by the shareholding by Tsingtao Brewery Group Company Limited ("Tsingtao Group") in Yangzhou Company, expands the room for the future development of Yangzhou Company. For details of the abovementioned transaction, please refer to the related announcement published on the websites of the stock exchange in which the Company is listed and domestic newspapers.

In accordance with the *Capital Injection Agreement* entered into between Songjiang Company and Yangzhou Company, the aforesaid increased amount had been actually paid by Songjiang Company. On 17 July 2012, the procedures for the changes at the industrial and commercial administration for the aforesaid sale of equity interests and fund increase in Yangzhou Company had been completed. Yangzhou Company therefore became a controlling subsidiary in which the Company indirectly held 75% equity interests, and the remaining 25% equity interests will continue to be held by Tsingtao Group.

3. On 5 June 2012, the 7th Board of Directors of the Company held an extraordinary meeting to consider and approve the cooperative transaction between the Company and Suntory (China) Investment Co., Ltd. (“Suntory China”). Both parties have entered into *Business Joint-investment Company Framework Agreement* and *Sales Joint-investment Company Framework Agreement* on the same day. The Company and Suntory China will restructure and integrate the assets and business of the respective target subsidiaries in Shanghai and whole Jiangsu Province into two joint-investment companies, including a business joint-investment company which is in charge of the matters including business plan, brand/product development, propaganda and advertisement, production and purchasing of all integrated beer business of the both parties in Shanghai and the whole Jiangsu Province; and the other sales joint-investment company which is in charge of the matters including marketing and planning, sales, logistics, supplies, sales service and promotional advertisement of all integrated beer business of both parties in Shanghai and the whole Jiangsu Province. The two framework agreements are inter-conditional, and are effective at the same time. For details of the abovementioned transaction, please refer to the related announcement published on the websites of the stock exchange in which the Company is listed and domestic newspapers.

## **(II) Other Issues**

1. During the Reporting Period, the Company was not involved in any new significant litigations and arbitration.
2. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the Reporting Period.

## **V. REVIEW OF THE UNAUDITED INTERIM RESULTS**

The Audit & Finance Committee under the Board has reviewed the Group’s unaudited interim results for the year 2012.

## **VI. IN COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE PRACTICE AND CORPORATE GOVERNANCE CODE**

The Company had been committing to the corporate governance and its transparency. Under the requirements on corporate governance raised by the regulatory authority, the Company had been improving its internal control to realize a standard and highly efficient operations to ensure its shareholders can obtain rewards from sound corporate governance.

During the Reporting Period, the Company had been in compliance with the *Code of Corporate Governance Practice* (effective till 31 March 2012) and *Corporate Governance Code* (effective from 1 April 2012) in Appendix 14 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*.

By order of the Board  
**Tsingtao Brewery Company Limited**  
*Chairman*  
**SUN Ming Bo**

Qingdao, the People's Republic of China  
15 August 2012

Directors of the Company as at the date of this announcement are:

*Executive Directors:* *Mr. SUN Ming Bo (Chairman), Mr. WANG Fan (Vice Chairman), Ms. JIANG Hong and Mr. SUN Yu Guo*

*Non-executive Directors:* *Mr. Fumio YAMAZAKI and Mr. CHEN Zhi Cheng*

*Independent Non-executive Directors:* *Mr. WANG Xue Zheng, Mr. ZHAO Chang Wen, Mr. WU Xiao Bo and Mr. MA Hai Tao*