



青島啤酒股份有限公司  
TSINGTAO BREWERY CO., LTD.

(Stock Code 股份代號 : 168)

激情成就夢想  
Passion, dreams & success



2007  
ANNUAL REPORT  
年度報告

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Quest for  
**EXCELLENCE**



## 公司簡介 Company Profile

青島啤酒股份有限公司前身為國有青島啤酒廠，始建於一九零三年，是中國歷史最為悠久的啤酒生產廠。公司一九九三年六月十六日註冊成立，隨後在香港發行了H種股票並於七月十五日在香港聯合交易所有限公司上市，成為首家海外上市的國內企業，同年七月在國內發行了A種股票並於八月二十七日在上海證券交易所上市。

公司的經營範圍是啤酒製造、銷售以及與之相關的業務。目前公司在國內擁有51家啤酒生產企業和1家麥芽生產企業，分布於全國18個省市地區，規模和市場份額居國內啤酒行業領先地位。其生產的青島啤酒為國際市場上最具知名度的中國品牌，已營銷世界五十餘個國家和地區。

公司並成功成為北京二零零八年奧運會之贊助商。

Tsingtao Brewery Company Limited, the earliest brewery in China, can trace its root back to 1903 when its predecessor, Tsingtao Brewery Factory, was established. The Company was incorporated on 16 June 1993, and then issued H-Shares in Hong Kong which were listed on The Stock of Exchange of Hong Kong Limited on 15 July 1993. It was the first enterprise in Mainland China listed on an overseas stock exchange. In July 1993, the Company issued A-Shares in PRC, which were listed on the Shanghai Stock Exchange on 27 August 1993.

The business scope of the Company is the brewery and sales of beer, and other related business. The Company occupies leading position in production scale and market share with 51 breweries and 1 malting plant in 18 provinces, cities and regions all over China. Its product Tsingtao Beer has become one of the most well-known Chinese brands in the international market and has been distributed to more than 50 countries and regions throughout the world.

The Company is the Official Sponsor of Beijing 2008 Olympic Games.



# 會計數據摘要 Financial Highlights

## 一. 按香港財務報表準則編制

(單位：人民幣千元)

## 1. Prepared in accordance with HKFRS

(UNIT: RMB'000)

		集團 Group				
		2007	2006	2005	2004	2003
銷售額	Turnover	<b>13,529,892</b>	11,677,160	10,019,857	8,620,687	7,507,959
除稅前盈利	Profit before taxation	<b>992,580</b>	627,820	531,662	490,465	417,364
稅項	Taxation	<b>(413,812)</b>	(179,063)	(188,356)	(186,391)	(134,988)
少數股東損益	Profit and loss of minority shareholders	<b>(39,857)</b>	(890)	(36,717)	(18,911)	(37,331)
股東應占盈利	Profit attributable to shareholders	<b>538,911</b>	447,867	306,589	285,163	245,045
總資產	Total assets	<b>11,545,235</b>	9,577,983	9,575,458	9,820,533	8,923,569
總負債	Total liabilities	<b>(5,556,900)</b>	(3,878,260)	(4,042,382)	(4,522,072)	(3,929,278)
少數股東權益	Minority interests	<b>(479,150)</b>	(452,294)	(576,686)	(544,333)	(579,465)
股東權益	Shareholders' equity	<b>5,509,185</b>	5,247,429	4,956,390	4,754,128	4,414,826

		集團 Group		
		2007	2006	2005
1. 每股盈利(元)	Earnings per share (RMB)	<b>0.412</b>	0.342	0.248
2. 淨資產收益率(全面攤薄)	Return on net assets (fully diluted)	<b>9.78%</b>	8.53%	6.19%
3. 每股淨資產(元)	Net assets employed per share (RMB)	<b>4.21</b>	4.01	3.79
4. 股東權益比例	Shareholders' equity ratio	<b>47.72%</b>	54.79%	51.76%

## 二. 按中國會計準則編制

### 1. 公司二零零七年財務資料

(單位：人民幣千元)

營業利潤  
利潤總額  
歸屬於母公司股東的淨利潤  
歸屬於母公司股東的扣除  
非經常性損益後的淨利潤  
經營活動產生的現金流量淨額

註：非經常性損益項目包括：

1. 非流動資產處置損益  
2. 計入當期損益的政府補助，但與公司  
業務密切相關，按照國家統一標準  
定額或定量享受的政府補助除外  
3. 除上述各項之外的其他營業外收支淨額  
4. 應付福利費年初餘額沖銷  
5. 非經常性損益的所得稅影響數

合計

## 2. Prepared in accordance with PRC GAAP

### 1. 2007 financial information of the Group

(UNIT : RMB'000)

Operating profit 885,950  
Total Profit 1,004,123  
Net profit attributable to shareholders of listed Company 558,142  
Net profit attributable to shareholders of listed Company  
after deduction of extraordinary profit and loss 410,462  
Net cash flows from operating activities 1,094,094

Note: Extraordinary items include:

Gains on disposal of non-current assets 11,494  
Government subsidies included in the profit and loss  
of the period, but excluding government subsidies  
closely related to the business of the Company and  
are of fixed amount or fixed quantity in  
accordance with the State's unified standards 96,202  
Other net non-operational income and expenses  
excluding the above items 10,477  
Write-off of opening balance of welfare funds payable 57,550  
Income tax effects on extraordinary gain and losses (28,043)

Total

147,680

2. 本集團在香港聯合交易所有限公司上市H股所披露的會計報表按照香港財務報告準則編制，該等準則與本集團之法定報表採用的中國會計準則存在差異。

2. The financial statements of the Group are prepared under Hong Kong Financial Reporting Standards ("HKFRS") for disclosure purposes of its H Shares listed on The Stock Exchange of Hong Kong Limited. These standards are different from the generally accepted accounting principles in China ("PRC GAAP") adopted in the statutory financial statements of the Group.

# 會計數據摘要 Financial Highlights

(單位：人民幣千元)

(UNIT: RMB'000)

項目 Item		淨利潤 Net Profit		淨資產 Net Assets	
		本期數 Current period	上期數 Last period	期初數 Opening balance	期末數 Closing balance
按中國會計準則	Under PRC GAAP	558,142	436,958	5,228,197	5,509,185
按香港財務報告準則調整的分項及合計：	Separation and aggregation under HKFRS:				
因按中國會計準則及香港財務報告準則對於資產估值採用不同的會計處理方法須多提的折舊支出	Additional provision for depreciation charges required due to difference between the accounting for assets valuation under PRC GAAP and HKFRS	(18,434)	(366)		
其他	Others	(797)	11,275	19,232	
按香港財務報告準則	Under HKFRS	538,911	447,867	5,247,429	5,509,185

### 3. 主要會計數據及財務指標

### 3. Principal financial data and financial indicators

(單位：人民幣千元)

(UNIT: RMB'000)

主要會計資料 Major accounting information	2007	2006		2005	
		調整後 After adjustment	調整前 Before adjustment	調整後 After adjustment (未經審計)	調整前 Before adjustment
營業收入	13,709,220	11,832,850	11,832,850	10,175,195	10,175,195
利潤總額	1,004,123	616,247	614,812	536,806	528,328
歸屬於母公司股東的淨利潤	558,142	436,958	434,897	312,437	303,958
歸屬於母公司股東的扣除非經常性損益的淨利潤	410,462	354,253	352,192	255,373	246,894
基本每股收益	0.4266	0.3340	0.3324	0.2388	0.2323
稀釋每股收益	0.4266	0.3340	0.3324	0.2388	0.2323
扣除非經常性損益後的基本每股收益	0.3138	0.2708	0.2692	0.1952	0.1887
全面攤薄淨資產收益率(%)	10.13	8.36	8.33	6.32	6.15
加權平均淨資產收益率(%)	10.41	8.64	8.60	7.06	6.81
扣除非經常性損益後全面攤薄淨資產收益率(%)	7.45	6.78	6.74	5.17	5.00
扣除非經常性損益後的加權平均淨資產收益率(%)	7.65	7.06	6.97	5.81	5.53
經營活動產生的現金流量淨額	1,094,094	1,127,832	1,127,832	1,180,576	1,180,576
每股經營活動產生的現金流量淨額	0.84	0.86	0.86	0.90	0.90
總資產	11,545,235	9,560,722	9,589,433	9,555,729	9,589,117
歸屬於母公司的股東權益	5,509,185	5,228,197	5,223,722	4,943,844	4,941,430
歸屬於母公司股東的每股淨資產	4.21	4.00	3.99	3.78	3.78

# 會計數據摘要 Financial Highlights

## 4. 報告期內股權權益變動情況

(單位：人民幣千元)

項目	Items	歸屬於母公司股東權益 Attributable to shareholders of the parent						股東權益 合計 Total shareholders' equity
		股本 Share capital	資本公積 Capital reserve	盈餘公積 Surplus reserve	未分配利潤 Un- appropriated profits	外幣報表 折算差額 Translation difference	少數股東 權益 Minority interests	
期初數(經重述)	Opening balance (restated)	1,308,219	2,854,810	476,721	583,710	4,737	453,157	5,681,354
本期增加	Increase in the period		9,755	18,498	558,142	898	55,896	643,189
本期減少	Decrease in the period				(306,306)		(29,902)	(336,208)
期末數	Closing balance	1,308,219	2,864,565	495,219	835,546	5,635	479,151	5,988,335

變動原因：

- (1) 資本公積：本年增加為對可供出售金融資產的確認；
- (2) 盈餘公積：本年增加為本年提取的盈餘公積；
- (3) 未分配利潤：本年增加為本年實現的歸屬於母公司的淨利潤，本年減少為本年提取盈餘公積及分配股利；
- (4) 外幣報表折算差額：本年增加是附屬公司外幣報表折算差額的確認；
- (5) 少數股東權益：本期增加為少數股東損益以及股東投入資本，本期減少為分配股利。

Reasons for changes:

- (1) Capital reserve: Increase in the year represents the recognition of available-for-sale financial assets;
- (2) Surplus reserve: Increase in the year represents the surplus reserve appropriated in the year;
- (3) Unappropriated profits: Increase in the year represents the net profit attributable to the parent realised this year. Decrease in the year represents the appropriation of surplus reserve and distribution of dividends;
- (4) Translation differences: Increase in the year represents the recognition of translation differences of subsidiaries;
- (5) Minority interests: Increase in the period represents profit and loss of minority shareholders and contribution from minority shareholders, while decrease in the period represents the distribution of dividends.

Recognition for  
**QUALITY**





李桂榮先生  
Mr. LI Gui Rong

### 致各位股東：

本人謹此提呈青島啤酒股份有限公司截止2007年12月31日會計年度之業務報告及經審計之財務報告，敬請各位股東審閱。

### 國內市場分析

2007年國內啤酒市場保持了持續增長態勢，全年啤酒產銷量達到3,931萬千升，同比增長13.8%，連續五年成為世界最大的啤酒生產和消費國及發展最快的市場之一，但國內啤酒市場目前仍處於整合階段，消費升級所帶來的廣闊市場前景令國內外啤酒巨頭紛紛加大了對中國市場的投入，通過購并、新建、擴建等方式擴充產能，加劇了市場競爭，也使市場集中度進一步提高，07年國內前十大啤酒生產商的市場份額已達到64%。近年來國內適度從緊的金融形勢和啤酒生產原材料價格連續上漲，對啤酒生產企業形成了較大的壓力，行業利潤仍偏低。儘管如此，由於中國人均啤酒消費量與國外發達國家相比仍有較大的差距，隨著國民消費水平的提高，啤酒行業的龍頭企業仍然具有較大的發展空間。



### Dear shareholders,

I hereby present the Business Report and audited Financial Statements of Tsingtao Brewery Company Limited for the accounting year end 31 December 2007 for your kind review.

### Analysis of Domestic Market

In 2007, the domestic brewery sector maintained its continuous growth. Its annual sales volume reached 393.1 million hl with a year-on-year growth of 13.8%, which enabled it to become the country with largest beer production and consumption, and one of the fastest growing markets in the world for the fifth consecutive year. At present, China's beer market is still in the phase of integration, and the prospect brought about by the rise in consumption has caused the domestic and international brewery magnates to increase their investments in China. The production capacity was increased through mergers and acquisitions, new construction and expansion, which led to fiercer competition and a more centralized market. In 2007, the market share of the top 10 domestic beer producers reached 64%. The moderately tightened financial trend in China and the rising price of raw materials for beer production in recent years brings great pressure to the beer producers, and the profit of the industry remains low. Despite of these factors, as there is still a relatively big disparity in per capita beer consumption volume between China and other developed countries, the leading enterprises in the beer industry still have great room for development with the increase in national consumption level.

### 經營業績穩步提高

2007年公司圍繞年度工作方針，進一步完善了公司治理和內部風險控制體系，並通過深化組織變革、優化資源配置、強化品牌推廣等舉措，取得了較好的經營成果。公司全年實現啤酒銷量505萬千升，較06年增長11%，其中主品牌銷量193萬千升，同比增長19%；按照香港財務報告準則計算，實現銷售收入人民幣135.3億元，同比增長15.9%；實現股東應佔盈利人民幣5.4億元，同比增長20%；繼續呈現利潤增長大於銷售收入增長，銷售收入增長大於銷量增長的良好發展態勢。董事會建議派發2007年度現金股利每股人民幣0.22元（A股含稅）。

### 持續深化組織變革

基於對未來競爭形勢的分析，公司進行了以優化價值鏈為主的組織變革和業務流程再造，將公司總部和原有的七個區域營銷公司依據公司總體價值鏈進行專業化分工，成立投資、營銷和製造三大中心的一體化運營的管理架構，建立了「結構一體化、資源集約化、分工專業化和執行一致性」的組織體系。為保障組織變革順利實施，公司採取了與變革相配套的團隊建設、財務控制、風險防範等措施，確保變革穩步推進。此次組織變革對於提升公司核心競爭力、運營效率和戰略協同效用已經並將繼續產生重大推動作用。



### Steady Growth in Operational Results

In 2007, the Company further improved its corporate governance and internal risk control system by focusing on its annual work guideline, and achieved better operational results by deepening organizational reform, optimizing resource utilization and strengthening brand promotion, etc. This year, the Company realized a sales volume of 50.5 million hl, representing an increase of 11% compared to 2006, among that the sales volume of the principal brand reached 19.3 million hl, representing an increase of 19% compared to the previous year. Calculation in accordance with the HKFRS revealed a sales income of RMB13,530 million, representing an increase of 15.9% compared to the previous year; profit attributable to shareholders was RMB540 million, representing an increase of 20% compared to the previous year, which continues to show a good development trend in which the growth in profit is greater than the increase in sales income, which is in turn greater than the increase in sales volume. The Board of Directors proposed to distribute dividend in cash for the year of 2007 with an amount of RMB0.22 (A-share including tax) per share.

### Continuously Deepening Organizational Reform

Based on an analysis of the future competition situation, the Company has carried out organizational reform and business rebuilding process with the principal aim to improve its value chain. It has carried out specialized division of work for the Company's headquarters and its 7 original regional sales companies based on the overall value chain of the Company, and established a centralized management structure with 3 centers, namely, investment, marketing and manufacturing, building an organization with "integrative structure, resources gathering, specialized work division and consistent implementation". To ensure the smooth implementation of the organizational reform, the Company implemented team building, financial control and risk prevention measures to ensure the steady promotion of the reform. The organizational reform will give an impetus in improving the Company's core competitiveness, operational efficiency and strategic cooperation impacts.

### 實施整合與擴張並舉戰略

近年來，公司著力於內部系統整合，管理能力持續提高，為未來發展奠定了良好的基礎。在新的競爭形勢下，公司董事會制定了整合與擴張並舉的發展戰略，以加快發展步伐。07年是公司實施新發展戰略的第一年，在公司總體戰略的指導下，青島啤酒第三有限公司、濟南公司、成都公司等一批新建、擴建項目相繼實施，使公司年內總產能提高80萬千升，公司將通過加大市場開拓力度，繼續保持在國內啤酒行業的領導地位。



### 深入開展奧運營銷，加快品牌整合，提升品牌影響力

2007年公司深入開展了「激情歡動，奧運同行」為主題的奧運營銷活動，通過「青島啤酒·傾國傾城」和「青島啤酒·我是冠軍」等營銷活動，有力推動了公司奧運營銷戰略的實施，提升了品牌影響力和美譽度。通過推進「1+3」品牌戰略，品牌集中度進一步提高，全年公司前四大品牌佔總銷量比例達到76%，同比提高了8個百分點，純生、聽裝等高端產品銷量較去年同期增長達23%。根據英國《金融時報》公佈的「中國十大世界級品牌調查」結果顯示，青島啤酒第二次入圍「中國十大世界級品牌」，並從第四名上升到第三。此外，青島啤酒還囊括了品牌價值、優質品牌、產品與服務、品牌價值海外榜四項榜單之冠，在國際市場上樹立了自己高端品牌形象。

### Implementation of Strategies of Integration and Expansion

In recent years, by focusing on the internal systematic integration, the Company has been improving its management ability which helped to establish a sound basis for future development. Under the latest competitive situation, the Board of Directors of the Company has formulated a development strategy of integration and expansion to speed up its development. The year of 2007 was the first year in which the Company has implemented its latest development strategy. Under the direction of the Company's overall strategy, a series of projects of new establishments and expansions like Tsingtao Brewery Company Limited No. 3, Jinan Company, Chengdu Company were successively carried out, which led to an increase of 8 million hl in the Company's total output capacity within the year. The Company will maintain its leading position in the national beer industry through more intense market development.

### Strengthening Olympic Marketing, Accelerating Brand Integration, Increasing Brand Impacts

In 2007, the Company further carried out Olympic marketing activities in the theme of "Passion with Olympics". It effectively promoted the implementation of the Company's Olympic marketing strategy, and raised its brand impact and reputation through the activities of "Tsingtao Beer • City Show" and "Tsingtao Beer • I am the Champion". The carrying out of the "1+3" brand strategy led to a higher brand centralization level, and the sales volume of its top 4 brands amounted to 76% of its total sales volume, which is 8 % higher than that of the previous year, and the sales volume of the high-end products like draft beer and canned beer increased by 23% compared to the previous year. According to the results of the "Top 10 Chinese Global Brands Survey" announced by the UK "Financial Times", Tsingtao Beer was awarded the "Top 10" for the second time and its ranking rose from No. 4 to No.3. In addition, Tsingtao Beer was ranked No. 1 in 4 areas, namely, brand value, brand quality, product & service, and brand value overseas rank, establishing an image of high-end brand in the global market.

### 誠信經營，節能減排

作為啤酒生產企業，公司認真履行社會責任，節約能源、保護環境。多年來，公司按照「減量化、再利用、資源化」的原則，持續開展清潔生產，發展循環經濟，並在國內同行業中率先通過ISO14001環境管理體系、OHSAS18001職業安衛管理體系和HACCP食品安全管理體系認證，被國家清潔生產中心授予「清潔生產審核示範企業」稱號，2007年公司合計工廠水單耗同比下降10.37%，電單耗同比下降6.95%，標煤單耗同比下降9.89%，為企業和社會的和諧發展貢獻了自己的力量。

### 新年度展望

展望2008年，我們既面對中國經濟快速發展為企業提供的良好市場機遇，也面臨著原材料價格上漲和競爭進一步加劇的挑戰，因此，公司將08年工作方針確定為「深化組織變革，資源集約，能力集成，打造一體化的供應鏈平臺；強化運營整合，協同一致，執行到位，建立強有效的競爭力體系。」公司將通過繼續深化組織變革，對公司的制度和流程進行優化調整，用更加專業化的變革管理強力打造青啤公司的核心競爭力體系。同時，公司將全力推進15億元人民幣分離交易可轉債的募集資金投資項目的建設，如期形成實際生產能力，以擴大企業生產銷售規模，並提高盈利能力。

2008年北京奧運會漸行漸近，北京奧運會是舉世矚目的盛事，也是企業進行市場推廣千載難逢的機遇，青島啤酒作為北京奧運會的贊助商，將緊緊圍繞奧運營銷，推出以「釋放激情」為主題的一系列奧運營銷活動，持續提升青島啤酒的品牌影響力和市場佔有率。

2008年，公司的啤酒產銷量將力爭達到570萬千升，其中青島啤酒主品牌達到220萬千升。本人及董事會相信，在公司管理層及全體員工的不懈努力下，公司將會取得更加快速的發展，以良好的業績回饋全體股東、客戶、員工和社會。

### Energy Saving and Operation with Integrity

As a beer producer, the Company takes its social responsibilities seriously by saving energy and protecting the environment. For years, the Company has been following the principle of “Reducing Waste, Recycling and Transforming into Resources”, and continuously carries out clean production and develops a sustainable economy. It was also the first, among the domestic beer industry, to be authenticated by ISO14001, OHSAS18001 and HACCP, and was awarded “Model Enterprise of Cleaner Production” by China Cleaner Production Center. Compared to the previous year, in 2007, the Company’s factories’ total water consumption decreased by 10.37%, its electricity consumption decreased by 6.95% while its standard coal consumption decreased by 9.89%, making contributions to the harmonic development of the enterprise and the society.

### Outlook for 2008

For the year of 2008, we will face the opportunities brought about by the rapid development of China’s economy, but on the other hand, we will have to meet the challenges of increasing raw materials price and fiercer competition. Therefore, the Company had laid down its working guideline as “Deepening organizational reform, gathering resources, integrating the capabilities, and building a centralized supplying platform; strengthening operational integration, insisting on cooperation, ensuring the implementation, and establishing a powerful competitive system”. The Company will adjust and improve its policies and work procedures through deepening its organizational reform, and establish the Company’s core competitive system by adopting more professional reform management. The Company will promote the projects with full strength using proceeds from RMB1.5 billion of bonds with warrants to reach its actual production capability in time, so as to enlarge its production and sales scale, and improve its profitability.

The 2008 Beijing Olympic Games is coming soon. It is a great event for the world, and also an important opportunity for marketing. As the official sponsor of the Games, Tsingtao Brewery will continue to increase the brand impacts and market share of Tsingtao Beer through a series of Olympic marketing activities in the theme of “Being Passionate”.

In 2008, the Company will strive to achieve a total beer sales volume of 57 million hl, with Tsingtao Beer accounting for 22 million hl. The Board of Directors believes that, with the efforts of the management and all staff, the Company would achieve faster development and reward all of its shareholders, clients, staff and the society with good results.

各位股東，本屆董事會將於2008年6月屆滿，董事會已向股東提出新一屆董事會構成的建議名單，本人年事已高，決定不再繼續履任。承蒙各界的支持與厚愛，本人自1996年以來已連任四屆董事會主席，在股東利益至上的原則指導下，本人與董事會成員共同努力，在過去的12年中，與社會各界朋友共同見證了青島啤酒的快速成長，從96年產銷35萬千升發展到現在產銷500餘萬千升的規模，經營業績也大幅提升，本人倍感欣慰，深知這與歷任公司董事會成員的共同努力密不可分。在此，謹向各位董事表示衷心感謝。值此對過去一直以來給於本公司長期支持和付出辛勤努力的各位股東、投資者、業務合作夥伴、公司管理層和全體員工表示衷心的感謝！

預祝青島啤酒在新的董事長領導下取得更加輝煌的成績！

董事長

李桂榮

中華人民共和國•青島

二零零八年四月二十一日

To all shareholders: The 5th Board of Directors will expire in June 2008, so it has proposed a list of new Board of Director. I have decided not to take position in the next Board of Directors due to my age. With your great supports and affection, I have worked as Board Chairman for 12 years since 1996. I am pleased that we have witness together with our friends from all around of the society Tsingtao Brewery's fast growth in the principle of shareholders' interests taking the priority and with the joint efforts by me and the board members in the past 12 years, whose sales volume increased from 3.5 million hl in 1996 to over 50 million hl in nowadays, together with the great increase in operational results. I sincerely feel thankful to all of the Directors as I truly know that we could not achieve such results without joint efforts of them. Therefore, hereby I would like to express my sincere gratitude to our shareholders, investors, business partners, dedicative management team and staff for your great supports in the past.

May Tsingtao Brewery have more glorious achievements under leadership of the new Chairman.

Chairman

LI Gui Rong

Qingdao, the People's Republic of China

21 April 2008





Passion for  
**BREAKTHROUGHS**





金志國先生  
Mr. JIN Zhi Guo

## 一. 公司經營情況

本公司的主要業務為生產及銷售啤酒。附屬公司及聯營公司主要從事啤酒生產、銷售及國內貿易。

本公司為中國最大的啤酒生產商和銷售商之一。

本集團營業額及盈利幾乎完全由生產及銷售啤酒而產生。

### 1. 主營業務收入分地區構成情況 (按中國會計準則計算)

地區 Region		營業收入 Business Earnings	比上年增減 (%) Increase/Decrease (%)
青島地區	Qingdao	5,724,205	30.9
山東(不含青島)	Shandong Province (excluding Qingdao)	2,111,182	17.2
華北地區	North China	2,580,529	(3.7)
華南地區	South China	4,315,098	20.3
出口銷售	Exports	345,943	5.9
合計	Sub-total	15,076,957	18.1
減: 各地區分部間抵銷金額	Less: Intra-group set-offs	1,547,065	41.8
合計	Total	13,529,892	15.9

山東、華南地區的啤酒銷售都較06年有大幅增長。

## I. Operations of the Company

The Company is mainly engaged in the production and sales of beer, while its subsidiaries and associated companies are mainly engaged in the production, sales and domestic trade of beer.

The Company is one of the largest beer producers and distributors in China.

Nearly all turnover and profit of the Group are generated from the production and sales of beer.

### 1. The Company's Revenues from Principal Business by Geographical Markets (calculated in accordance with PRC GAAP)

單位: 人民幣千元  
RMB'000

The sales of beer in Shandong Province and South China recorded greater growth compared with that in 2006.

## 2. 主要控股子公司的經營情況及業績(按中國會計準則計算)

### 盈利最大的前三家子公司情況

子公司名稱 Name of Subsidiary	業務性質 Business Nature	總資產 Total Assets	淨利潤 Net Profit
深圳市青島啤酒華南營銷有限公司 Shenzhen Tsingtao Brewery South China Sales Company Limited	國內啤酒貿易 Domestic Trade of Beer	1,023,378	124,122
青島啤酒(珠海)有限公司 Tsingtao Brewery (Zhuhai) Company Limited	國內啤酒生產及銷售 Domestic Beer Production and Sales	532,029	80,005
深圳青島啤酒朝日有限公司 Shenzhen Tsingtao-Asahi Company Limited	啤酒生產及銷售 Beer Production and Sales	734,976	63,764

單位：人民幣千元  
Unit: RMB'000

## 3. 報告期內主要供貨商和客戶情況

- (1) 本公司向前五名供貨商合計的採購金額佔公司年度採購總額的9.6%。
- (2) 本公司向前五名客戶銷售額合計佔公司銷售總額的6%。

報告期內，本公司各董事、監事及其聯繫人或任何持有本公司股份多於5%之股東並無擁有上述之供貨商及銷售商的任何權益。

## 二. 利潤分配

董事會建議就截至二零零七年十二月三十一日止年度派發末期股息每股人民幣0.22元(A股含稅)，其餘未分配利潤結轉下一年度。上述分配預案須經本公司二零零七年度股東年會審議批准。

## 2. Operations and Results of Main Controlling Subsidiaries (calculated in accordance with PRC GAAP)

### Information of Top 3 Subsidiaries with Largest Profit

## 3. Main Suppliers and Clients

- (1) The total amount of the Company's purchase from its top 5 suppliers accounted for 9.6% of its full-year purchasing amount.
- (2) The total amount of the Company's sales to its top 5 clients accounted for 6% of its sales amount in aggregate

During the reporting period, Directors, Supervisors or their associates or any shareholders who held more than 5% of the Company's shares did not hold any interests in the aforesaid suppliers and distributors.

## II. Profit Distribution

The Board of Directors proposed a final dividend of RMB0.22 (A-share including tax) per share for the year ended on 31 December 2007, and carried forward the remaining distributable profits to the next year. The aforesaid proposed dividend is subject to the approval by the 2007 Annual General Meeting ("AGM") of the Company.

## 三. 儲備

報告期內本公司及集團的儲備變動詳列於綜合財務報表(按香港財務報告準則編制)附註17。

## 四. 股本變動及股東情況

### 1. 報告期內本公司股本無變動。

本公司以在年報刊發前的最後實際可行日期可以得悉、公司董事也知悉的公開資料作為基礎，本公司的公眾持股量已經滿足《香港聯合交易所有限公司證券上市規則》(《上市規則》)的要求。

截止報告期末，股本結構如下：

## III. Reserves

Details of changes in reserves of the Company and the Group during the reporting period are disclosed in the *Note 17 to Consolidated Financial Statements* (prepared in accordance with HKFRS).

## IV. Changes of Share Capital and Information of Shareholders

### 1. There were no changes of share capital during the reporting period.

Based on the public information which is known on the last actual practicable date before the annual report is published, which is also known by the Directors of the Company, the number of the Company's shares held by the public has been satisfied with the requirements in the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (the "Listing Rules").

The structure of share capital by the end of the reporting period is as follows:

		單位：股 Unit: Share
		報告期末 End of Reporting Period
一、 人民幣普通股 (A股)	I. RMB-denominated Ordinary Shares (A-share)	
1、有限售條件流通股份	1. Listed Shares with Sales Restriction	417,394,505
2、無限售條件流通股份	2. Listed Shares without Sales Restriction	235,755,495
二、 境外上市外資股 (H股)	II. Overseas Listed Shares (H-share)	655,069,178
股份總數	Total Shares	1,308,219,178

## 2. 股東情況

- (1) 報告期末公司股東總數為36,879戶，其中A股股東36,509戶，H股股東370戶。

報告期內，本公司股東未有放棄或同意放棄任何股息的安排的情況。

- (2) 報告期末本公司前十名股東持股情況

## 2. Shareholders

- (1) As at the end of the reporting period, the total number of shareholders of the Company was 36,879, in which 36,509 were holders of A-share, and 370 of H-share

During the reporting period, shareholders of the Company did not or did not agree to give up arrangements of any dividends.

- (2) The shareholdings of top 10 shareholders of the Company as at the end of the reporting period

單位：股  
Unit: Share

股東名稱 Shareholder's Name	年度內增減 Increase/Decrease within the Year	報告期末持股 Shares Held at the End of the Reporting Period	持股比例 (%) Holding Percentage (%)	股份類別 Class of Shareholder
青島啤酒集團有限公司 Tsingtao Brewery Group Company Limited	0	399,820,000	30.56	有限售條件 A股 A-share with sales restriction
香港中央結算(代理人)有限公司 HKSCC Nominees Limited	+2,990,699	298,256,072	22.80	H股 H-share
A-B Jade Hong Kong Holding Co., Ltd.	0	261,643,836	20.0	H股 H-share
Law Debenture Trust (Asia) Limited	0	91,575,342	7.0	H股 H-share
中國建銀投資有限責任公司 China Jianyin Investment Company Ltd.		17,574,505	1.35	有限售條件 A股 A-share with sales restriction
全國社保基金一零八組合 National Social Security Fund 108		15,000,000	1.15	A股 A-share
全國社保基金一零二組合 National Social Security Fund 102		10,749,300	0.82	A股 A-share
博時主題行業股票證券投資基金 Boshi Thematic Sector Equity Securities Investment Fund		9,000,000	0.69	A股 A-share
大成藍籌穩健證券投資基金 Dacheng Blue Chip Steady Securities Investment Fund		8,194,667	0.63	A股 A-share
全國社保基金一零六組合 National Social Security Fund 106		7,000,000	0.54	A股 A-share

(3) 報告期末本公司前十名無限售條件的流通股股東持股情況

(3) The shareholdings of top 10 holders of listed shares without sales restriction of the Company as at the end of the reporting period

單位：股  
Unit: Share

股東名稱 Shareholder's Name	持有無限售條件股份數量 Listed Shares Held	股份種類 Class of Shares
香港中央結算(代理人)有限公司 HKSCC Nominees Limited (Note)	298,256,072	H股 H-share
A-B Jade Hong Kong Holding Co., Ltd.	261,643,836	H股 H-share
Law Debenture Trust (Asia) Limited	91,575,342	H股 H-share
全國社保基金一零八組合 National Social Security Fund 108	15,000,000	A股 A-share
全國社保基金一零二組合 National Social Security Fund 102	10,749,300	A股 A-share
博時主題行業股票證券投資基金 Boshi Thematic Sector Equity Securities Investment Fund	9,000,000	A股 A-share
大成藍籌穩健證券投資基金 Dacheng Blue Chip Steady Securities Investment Fund	8,194,667	A股 A-share
全國社保基金一零六組合 National Social Security Fund 106	7,000,000	A股 A-share
華夏優勢增長股票型證券投資基金 Huaxia Advantage Growth Equity Securities Investment Fund	5,721,660	A股 A-share
全國社保基金一零三組合 National Social Security Fund 103	5,500,000	A股 A-share

Anheuser-Busch Companies, Inc. (「A-B公司」) 通過其全資擁有的附屬公司A-B Jade Hong Kong Holding Co., Ltd. (「A-B香港」) 持有261,643,836股H股股份。Law Debenture Trust (Asia) Limited (「受托人」) 按照委托表決安排持有91,575,342股H股股份，並按青島市國資委的書面指示行使該等股份的表決權，而歸屬於該股份的經濟利益，包括股息、利益分派及款額支付均按A-B公司指示處理。

Anheuser-Busch Companies, Inc. (“A-B Company”) holds 261,643,836 H-shares through its wholly-owned subsidiary A-B Jade Hong Kong Holding Co., Ltd. (“A-B Hong Kong”). Law Debenture Trust Asia Limited (“the Trustee”) is arranged under the entrusted voting to hold 91, 575,342 H-shares, and exercise such voting right under the written instruction of the State-owned Assets Supervision and Administration Commission of Qingdao, while the financial interests including the dividends, profit distribution and payments delivery of these shares are processed under instructions of A-B Company.

除上述，本公司並不知曉前十名股東之間、前十名無限售條件的流通股股東之間是否存在其它關聯關係或一致行動人。

In conclusion, the Company is unaware if there are any other associations among the top 10 shareholders and the top 10 holders of listed shares without sales restriction are parties acting in concert.

## (4) 控股股東變更情況

報告期內，本公司控股股東青島市國資委將所持本公司的39982萬股國家股無償劃轉給其全資子公司—青島啤酒集團有限公司（「青啤集團公司」）持有。有關的國家股劃轉已獲得國務院國有資產監督管理委員會批准，並取得香港證監會和中國證監會同意豁免青啤集團公司的要約收購義務，於2007年4月4日完成股權過戶手續。有關股權劃轉的詳情請見公司於2007年2月6日、3月27日和4月11日在境內外發佈公告。

## (5) H股主要股東

於2007年12月31日，除下述人士外，本公司的董事並不知悉有任何本公司的董事、監事、最高行政人員或他們的聯繫人以外的人士，在本公司的股份及相關股份中擁有權益或淡倉，而該等權益或淡倉是根據《證券及期貨條例》（香港法例第571章）（「《證券及期貨條例》」）第336條而備存的登記冊所載錄者：

## (4) Change of Controlling Shareholders

During the reporting period, SASACQ, the controlling shareholder of the Company unconditionally transferred 399,820,000 shares of state-owned share in the Company to its wholly-owned subsidiary Tsingtao Brewery Group Company Limited ('TB Group Company'). The transfer of the subject state-owned shares has obtained approval from SASAC, and waiver of tender offer from Securities and Futures Commission in Hong Kong. The procedures for the shares transfer was completed on 4 April 2007. For details of the subject for the shares transfer, please refer to the announcements disclosed both at home and in abroad on 6 February 27 March and 11 April 2007.

## (5) Substantial Shareholders of H-shares

Save as disclosed below, the Directors of the Company are not aware of any persons other than a Director or Supervisor or chief executive of the Company or his/her respective associate(s) who, as at 31 December 2007, had an interest or short position in the shares or underlying shares of the Company which was recorded in the register to be kept under Section 336 of the *Securities and Futures Ordinance* (Cap. 571, Laws of Hong Kong) (the "SFO"):

名稱 Name	性質 Nature	股份類別 Class of Shares	持股身份 Capacity	註釋 Note	股份／相關 股份的數目 Number of shares/ underlying shares	佔全部已發行 股本之百分比 As a percentage of the entire issued capital	佔全部H股之 百分比 As a percentage of all H Shares
青島市國資委 SASACQ	好倉 Long Position	A股 A-Share	法團權益 Corporate	1	399,820,000 A股 A-Shares	30.56%	不適用 N/A
	好倉 Long Position	H股 H-Share	第317條協議 Section 317 Agreement	1, 2	353,219,178 H股 H-Shares	27.00%	53.92%
A-B公司 A-B Company	好倉 Long Position	H股 H Share	法團權益／ 信託受益人 Corporate/ Beneficiary of a trust	1, 2	353,219,178 H股 H-Shares	27.00%	53.92%
	好倉 Long Position	A股 A-Share	第317條協議 Section 317 Agreement	1	399,820,000 A股 A-Shares	30.56%	不適用 N/A

# 董事會報告 Report of the Directors

名稱 Name	性質 Nature	股份類別 Class of Shares	持股身份 Capacity	註釋 Note	股份／相關 股份的數目 Number of shares/ underlying shares	佔全部已發行 股本之百分比 As a percentage of the entire issued capital	佔全部H股之 百分比 As a percentage of all H Shares
JPMorgan Chase & Co.	好倉 Long Position	H股 H-Share	受控制法團權益/ 實益擁有人/ 投資經理/ 保管人	3	46,119,051 H股 H-Shares	3.53%	7.04%
	可供借出 股份中的權益 Interest in a lending pool	H股 H-Share	Interest of controlled corporations/ Beneficial Owner/ Investment Manager/ Custodian		23,093,020 H股 H-Shares	1.77%	3.53%
	淡倉 Short Position	H股 H-Share	實益擁有人 Beneficial Owner		236,000 H股 H-Shares	0.02%	0.04%

## 註釋:

- (1) 青島市國資委與A-B公司於2002年10月21日簽訂的承諾協議（「承諾協議」），構成《證券及期貨條例》項下第317條所指的協定。就披露責任而言，第317條適用的任何協議的每一方，均須視為擁有任何其他一方在該協議之外擁有的任何股份權益。根據青島市國資委、A-B公司及青島啤酒集團有限公司於2007年4月19日簽訂的《關於2002年10月21日簽訂之承諾協議之合同變更協議》，青島市國資委在承諾協議項下之所有權益及義務由其全資子公司——青島啤酒集團有限公司取代。青島市國資委持有的上述A股股份亦於2007年4月4日劃轉予青島啤酒集團有限公司，有關股權劃轉的詳情請見本公司於2007年2月6日、3月27日和4月11日在國內及香港刊登之公告。
- (2) 被視為由A-B公司享有權益的353,219,178股H股是分別透過其全資附屬公司持有。當中91,575,342股H股按《受託表決協定》配發予表決受託人。
- (3) JPMorgan Chase & Co.被視為享有權益的股份是分別透過多家中間控股公司持有。
- (4) 公司主要股東新近的披露權益申報，請參閱香港交易及結算所有限公司（「香港交易所」）網站（www.hkex.com.hk）有關「披露權益」的部份。

## Notes:

- (1) An undertaking agreement (“Undertaking Agreement”) between SASACQ and A-B Company dated 21 October 2002 constitutes an agreement under section 317 of the SFO. For the purposes of the duty of disclosure, in the case of an agreement to which section 317 applies, each party to the agreement is deemed to be interested in any shares comprised in the relevant share capital in which any other party to the agreement is interested apart from the agreement. According to the Novation Agreement in respect of an Undertaking Agreement dated 21 October 2002 signed between SASACQ, A-B Company and the Tsingtao Brewery Group Company Limited on 19 April 2007, all rights and obligations of SASACQ under the Undertaking Agreement have been novated to its wholly-owned subsidiary, the Tsingtao Brewery Group Company Limited. All of the aforesaid A-shares held by SASACQ were also transferred to the Tsingtao Brewery Group Company Limited on 4 April 2007. For the details of the transfer of shares, please refer to the announcements published in the PRC and Hong Kong on 6 February, 27 March and 11 April 2007.
- (2) The 353,219,178 H-shares which were deemed to be interested by A-B Company were held by its wholly-owned subsidiaries. Of which, 91,575,342 H-shares were allotted to a voting trustee pursuant to the Voting Trust Agreement.
- (3) The Shares in which JPMorgan Chase & Co. was deemed to be interested were held through various intermediate holding companies.
- (4) For the latest disclosure of interests filings for the Company’s substantial shareholders, please refer to the “Disclosure of Interests” section on the website of Hong Kong Exchanges and Clearing Limited (“HKEx”) (www.hkex.com.hk).

### 3. 優先認股權

本公司章程或中國法律無有關優先認股權的規定，致令本公司必須首先按比例向現有股東發售新股份，然而，本公司須遵守《上市規則》關於優先認股權的規定。

## 五. 董事、監事、高級管理人員和員工情況

### 1. 董事、監事及高級管理人員變動

為落實公司組織機構變革方案，經公司總裁提名，董事會公司治理與薪酬委員會審查，2007年10月23日召開的第五屆董事會第十三次會議審議通過聘任嚴旭女士為營銷總裁；聘任樊偉先生為生產運營總裁，原總釀酒師職務相應予以解聘；聘任董建軍先生為公司總釀酒師；聘任于嘉平先生為生產運營副總裁；聘任陸文金先生為營銷副總裁；聘任楊華江先生為營銷副總裁。上述高級管理人員之任期自董事會聘任之日起至本屆董事會到期日止。

于嘉平先生因擔任本公司高級管理人員，於2007年10月22日獲准辭去所任監事職務。

除此，其餘董事、監事及高級管理人員概無變動，任期均自2005年6月23日起至2007年股東年會召開之日止。

### 3. Pre-emptive Right

There are no provisions concerning pre-emptive rights in the Company's *Articles of Association* or any of laws in China, therefore, the Company must firstly issue new shares to its existing shareholders in accordance with the percentage, however, the Company has to abide by the rules concerning pre-emptive right in the Listing Rules.

## V. Directors, Supervisors, Senior Management and Staff

### 1. Changes of Directors, Supervisors and Senior Management

To take the scheme of organizational reform into practice, and under nomination by the President of the Company and review by the Corporate Governance & Remuneration Committee under the Board of Directors, the 13th Meeting of the 5th Board of Directors held on 23 October 2007 considered and approved to employ Ms. YAN Xu as President of Marketing; Mr. FAN Wei as President of Production and Operations, and his former position as Chief Brewer was released accordingly; Mr. DONG Jian Jun as Chief Brewer; Mr. YU Jia Ping as Vice-President of Production and Operations; Mr. LU Wen Jin as Vice-President of Marketing; Mr. YANG Hua Jiang as Vice-President of Marketing. The service term of the above members of senior management begins on the date of appointment by the Board of Directors and ends on expiration of the term of the current Board of Directors.

Mr. YU Jia Ping was approved to resign from Supervisor on 22 October 2007 as being member of senior management of the Company.

Besides that, there were no changes on other Directors, Supervisors and senior management. Their service term is effective from 23 June 2005 to the date when the 2007 AGM is held.



## 2. 董事、監事和高級管理人員持股變動

## 2. Changes of Shares Held by Directors, Supervisors and Senior Management

單位：股  
Unit: Share

姓名 Name	職務 Position	期初持股數 Shares Held at the Beginning of the Period	持股數量 增／減 Changes (+/-)	期末持股數 Shares Held at the End of the Period	股份種類 Class of Share
孫明波 SUN Ming Bo	執行董事、常務副總裁 Executive Director, Executive Vice President	1840	0	1840	A股 A-share
劉英弟 LIU Ying Di	執行董事 Executive Director	5894	0	5894	A股 A-share
樊偉 FAN Wei	生產運營總裁 President of Production and Operations	4,576	-1,100	3,476	A股 A-share
黃祖江 HUANG Zu Jiang	職工監事 Supervisor as Staff Representative	9,430	-2,330	7,100	A股 A-share
張學舉 ZHANG Xue Ju	副總裁 Vice President	1179	0	1179	A股 A-share
曹向東 CAO Xiang Dong	副總裁 Vice President	2358	0	2358	A股 A-share
董建軍 DONG Jian Jun	總釀酒師 Chief Brewer	92	0	92	A股 A-share
陸文金 LU Wen Jin	營銷副總裁 Vice President of Marketing	78	0	78	A股 A-share

截至二零零七年十二月三十一日止，除上述人員持股外，本公司的董事、監事和最高行政人員及彼等的聯繫人並無在本公司或其相聯法團（定義見《證券及期貨條例》第XV部所指的相聯法團）的股份、相關股份及債券證中擁有任何權益及淡倉，而該等權益及淡倉是指根據《證券及期貨條例》第352條須予備存的登記冊所記錄的或依據《上市規則》附錄十所載之《上市發行人董事進行證券交易的標準守則》（「《標準守則》」）通知本公司及香港聯合交易所有限公司。

As at 31 December 2007, save as disclosed above, none of the Directors, Supervisors and senior management of the Company and his/her respective associate(s) have any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (as defined in Part XV of the SFO), which was recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") included in Appendix 10 of the Listing Rules.

本公司已以《標準守則》以及本公司制訂的《公司董事、監事及高級管理人員所持本公司股份及其變動的管理規則》作為董事進行證券交易的行為守則和規範。本公司已向所有董事作出特定查詢，彼等亦確認於報告期內之所有適用時期，均遵守《標準守則》及其行為守則和規範所規定有關董事的證券交易的標準。

### 3. 董事、監事、高級管理人員年度報酬情況

公司執行董事的報酬依據公司股東大會審議通過的董事年度薪酬計劃和董事服務協議以及公司的經營效益情況確定其薪酬，非執行董事、獨立董事、外部監事按股東大會審議通過的酬金標準領取年度津貼，公司高級管理人員的薪酬按董事會通過的經營者薪酬方案，由董事會下設公司治理與薪酬委員會根據公司經營業績和個人所承擔的工作職責進行業績考核兌現年度薪酬。



The Company has adopted the *Model Code* and the *Administration Regulations of the Company's Shares held by Directors, Supervisors and Senior Management of the Company and its Changes* formulated by the Company as its codes of conduct and standards in respect of securities transactions by the Directors. Specific enquiries were made with all Directors who had confirmed that they had complied with the *Model Code* and its codes of conduct and standards regarding Director's securities transactions at all applicable time during the reporting period.

### 3. Annual Remuneration of Directors, Supervisors and Senior Management

The remuneration of the Executive Directors of the Company is determined in accordance with the annual remuneration schemes of members of Board of Directors considered and approved by the Company's general meeting, Service Contract of Directors and the operational results of the Company. Non-executive Directors, Independent Directors and External Supervisors received annual subsidy in accordance with the remuneration standard discussed and approved at the general meeting. The remuneration of senior management is determined in accordance with the operator's remuneration scheme approved by the Board of Directors, and is determined after the performance appraisal conducted by the Corporate Governance and Remuneration Committee under the Board of Directors based on the Company's operational results and the individual work responsibilities borne by each of them.

公司總裁金志國先生榮膺「2007 CCTV中國十大經濟年度人物」  
Mr. Jin Zhi Guo, President of the Company, was entitled "2007 CCTV Top 10 Economic Figures".

# 董事會報告 Report of the Directors

單位：人民幣千元  
Unit: RMB'000

姓名 Name	職務 Position	報告期內從公司領取的報酬總額(稅前) Total Remuneration Obtained from the Company during the Reporting Period (Pre-tax)
李桂榮 LI Gui Rong	董事長 Chairman of Board of Directors	558.0
金志國 JIN Zhi Guo	副董事長、總裁 Vice Chairman, President	570.1
Stephen J. BURROWS	副董事長、非執行董事 Vice Chairman, Non-executive Director	30
孫明波 SUN Ming Bo	執行董事、常務副總裁 Executive Director, Executive Vice President	442.9
劉英弟 LIU Ying Di	執行董事 Executive Director	388.9
孫玉國 SUN Yu Guo	執行董事、副總裁、總會計師 Executive Director, Vice President, Chief Accountant	398.9
Mark F.SCHUMM	非執行董事 Non-executive Director	30
楚振剛 CHU Zhen Gang	獨立董事 Independent Director	80
付洋 FU Yang	獨立董事 Independent Director	80
李燕 LI Yan	獨立董事 Independent Director	80
潘昭國 POON Chiu Kwok	獨立董事 Independent Director	80
孫賈堯 SUN Jia Yao	監事會主席 Chairman of Board of Supervisors	80
黃祖江 HUANG Zu Jiang	職工監事 Supervisor as Staff Representative	138.2
任增貴 REN Zeng Gui	職工監事 Supervisor as Staff Representative	111.4
鄭曉凡 Frances ZHENG	股東代表監事 Supervisor as Shareholders Representative	30
劉清遠 LIU Qing Yuan	外部監事 External Supervisor	40
鐘明山 ZHONG Ming Shan	外部監事 External Supervisor	40
樊偉 FAN Wei	生產運營總裁 President of Production and Operations	302.9
嚴旭 YAN Xu	營銷總裁 President of Marketing	518.0
張學舉 ZHANG Xue Ju	副總裁 Vice President	298.9
曹向東 CAO Xiang Dong	副總裁 Vice President	298.9
姜宏 JIANG Hong	副總裁 Vice President	298.9
張安文 ZHANG An Wen	副總裁 Vice President	298.9
董建軍 DONG Jian Jun	總釀酒師 Chief Brewer	151.7
于嘉平 YU Jia Ping	生產運營副總裁 Vice President of Production and Operations	151.9
陸文金 LU Wen Jin	營銷副總裁 Vice President of Marketing	405.2
楊華江 YANG Hua Jiang	營銷副總裁 Vice President of Marketing	228.4
袁璐 YUAN Lu	董事會秘書、董事長助理 Secretary to the Board of Directors, Assistant to the Chairman of Board of Directors	225.1
合計		6,357.2

## 4. 董事、監事、高級管理人員在股東單位任職情況

## 4. Positions Taken by Directors, Supervisors and Members of Senior Management in Shareholders' Company

姓名 Name	股東單位名稱 Name of Shareholders' Company	擔任的職務 Position	是否領取報酬津貼 Remuneration
李桂榮 LI Gui Rong	青島啤酒集團有限公司 Tsingto Brewery Group Company Limited	董事長 Chairman of Board of Directors	否 N
金志國 JIN Zhi Guo	青島啤酒集團有限公司 Tsingto Brewery Group Company Limited	副董事長 Vice Chairman of Board of Directors	否 N
劉英弟 LIU Ying Di	青島啤酒集團有限公司 Tsingto Brewery Group Company Limited	董事、執行總裁 Director, Executive President	否 N
孫賈堯 SUN Jia Yao	青島啤酒集團有限公司 Tsingto Brewery Group Company Limited	監事會主席 Chairman of Board of Supervisors	否 N
伯樂思 Stephen J. BURROWS	安海斯—布希國際公司 Anheuser-Busch International, Inc.	首席執行官、總裁 CEO, President	是 Y
馬爽 Mark F. SCHUMM	安海斯—布希國際公司 Anheuser-Busch International, Inc.	亞洲業務運作和開發副總裁 Vice President of Asia Operations and Development	是 Y
鄭曉凡 Frances ZHENG	安海斯—布希亞洲公司 Anheuser-Busch Asia, Inc.	財務總監 Finance Director	是 Y

## 5. 員工情況

## 5. Staff

截至報告期末，本公司（包括下屬子公司）在職員工共計28,542人，離退休員工為3,831人。

As of the end of the reporting period, the Company (including its subsidiaries) totally had 28,542 staff, and 3,831 retired staff.

員工專業構成如下：

The composition of staff is as follows:

專業構成類別 Professional Class	人數 Number of Persons
行政管理人員 Administrative personnel	4,567
財務人員 Financial Personnel	856
工程技術人員 Technical and Engineering Personnel	1,998
銷售人員 Sales Personnel	5,708
生產服務人員 Production and Services Personnel	15,413

公司關愛員工，保障員工的合法權益，按照國家有關規定為在職員工辦理了養老保險、基本醫療保險、失業保險、工傷保險、生育保險等各類社會保險，並足額繳納各類保險費用。

The Company cares about its staff and protects their lawful rights. It provides the working staff with social insurances including pension, basic medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance, and pays the insurance premium in full.

公司重視員工教育培訓，加強教育培訓體系的建立，根據公司需要有针对性地開展實際、適用、有效的培訓計劃。培訓內容主要包括提升管理人員綜合管理水平，提高員工崗位業務技能，以及專業技術人員的繼續教育等。2007年度累計參加培訓人數達10,316人次。

The Company takes seriously about its staff's education and trainings by strengthening its establishment of education and training system, and carrying out the practical, applicable and effective training programs based on the Company's needs. The contents of training includes: promoting the comprehensive managing level of management team, improving staff's professional skills for their own position, and the continuing education of professional technicians. In 2007, the number of persons who attended the trainings reached 10316 person-time.

### 六. 董事及監事收購股份之權利

除上文所披露者外，本公司或其任何附屬公司概無於年內任何時間參與任何安排，以致本公司之董事及監事可藉購入本公司或任何其它團體之股份或債券而獲益。

### 七. 募集資金使用情況

報告期內，本公司未發生新募集資金的情況。前次A股募集資金使用情況請見公司2007年11月12日刊發之董事會關於公司前次募集資金使用情況的說明。

### 八. 董事或監事合約權益及董事服務合約

本公司所有獲委任董事均已與本公司訂立服務合約，各董事概無與本公司簽定任何一年內若由本公司及其附屬公司終止合約時須作出賠償的服務合約(法定賠償除外)。除此之外，本年度內董事及監事均無在與本公司及其附屬公司訂立的任何合約中直接或間接擁有重大權益。

### 九. 獨立董事之獨立性的確認

本公司已經根據《上市規則》第3.13條收到每名現任獨立董事就其獨立性而作出的年度確認函，本公司仍然認為有關獨立董事屬獨立人士。

### 十. 購回、出售及贖回上市股份

報告期內，本公司或其任何附屬公司並無購入、出售及贖回本公司任何上市證券。

報告期內，本公司或本公司附屬公司概無發行或授予任何可轉換債券、期權、權證或其它類似權利，亦無任何行使轉換權或認購權的情況。

### VI. Directors' and Supervisors' Right of Purchasing Shares

Save as disclosed above, neither the Company nor any of its subsidiaries participated in any arrangements in any time of the year which enabled its Directors and Supervisors to obtain interests through purchasing shares or bonds of the Company or that of any other organizations.

### VII. Use of Proceeds

During in the reporting period, no capital was raised. For details of use of proceeds from previous issuance of A-share, please refer to the explanation of use of proceeds from previous offering of the Company by the Board of Directors disclosed by the Company on 12 November 2007.

### VIII. Contractual Rights of Director or Supervisor and Director Service Contract

All Directors appointed by the Company have entered into service contract with the Company, and do not enter any service contract with the Company which will require the Company and its subsidiaries to compensate the Directors when it terminates the contract within 1 year after the contract is signed by both parts (excluding statutory compensation). Besides that, neither Directors nor Supervisors have, directly or indirectly, obtained any material interests from any contracts entered into with the Company and its subsidiaries within the year.

### IX. Confirmation of Independence of Independent Director

The Company has received annual confirmation letter from each existing Independent Director on their independence pursuant to Rule 13.3 of the *Listing Rules*, and still believes that, the aforesaid Independent Directors are independent.

### X. Purchase, Sales and Redemption of Shares

During the reporting period, the Company or any of its subsidiaries did not purchase, sell or redeem any of its listed securities.

During the reporting period, the Company or any of its subsidiaries did not issue or provide any convertible bonds, options, warrants or any other similar equities, nor exercise any rights of conversion or subscription.

### 十一. 主要附屬公司及聯營公司

本公司各附屬公司及聯營公司之詳情載於隨附財務報表附註。

### 十二. 固定資產

有關報告期內固定資產之變動載於隨附財務報表之附註。

### 十三. 銀行貸款

於二零零七年十二月三十一日之銀行貸款詳情載於隨附財務報表之附註。

### 十四. 其它報告事項

本公司二零零七年年報摘要，分別用中文和英文同時於二零零八年四月二十二日刊登在中國內地《上海證券報》、《中國證券報》和上海證券交易所網頁(www.sse.com.cn)、香港交易所網頁(www.hkex.com.hk)以及本公司網頁(www.tsingtao.com.cn)。本年報以中、英兩種文字編制，在對兩種文本理解發生歧義時，以中文文本為準。

### 十五. 核數師

報告期內以及在過去六年內普華永道中天會計師事務所有限公司和羅兵咸永道會計師事務所一直獲委任為本公司之境內外核數師，並已審計隨附之財務報表。

董事會代表

李桂榮

董事長

中華人民共和國·青島

二零零七年四月二十一日

### XI. Major Subsidiaries and Associated Companies

The details of the subsidiaries and associated companies of the Company are listed in the attached Notes to the Financial Statements.

### XII. Fixed Assets

Any changes of fixed assets during the year are listed in the attached Notes to the Financial Statements.

### XIII. Bank Loans

The details of bank loans as at 31 December 2007 are listed in the attached Notes to the Financial Statements.

### XIV. Other Reported Issues

The summary of the Company's 2007 Annual Report is published on 22 April 2008 in Chinese and English respectively in *Shanghai Securities News*, *China Securities Journal*, *Securities Times*, and at the website of Shanghai Stock Exchange (www.sse.com.cn), website of HKEx (www.hkex.com.hk) and website of the Company (www.tsingtao.com.cn). The Annual Report is prepared both in Chinese version and English version, in case of any discrepancies existing between the Chinese version and the English version, the Chinese version shall prevail.

### XIV. Auditor

During the reporting period and for the past 6 years, PricewaterhouseCoopers Zhong Tian Certified Public Accountants Limited Company and PricewaterhouseCoopers were appointed as domestic and international auditor of the Company respectively, and have audited the attached Financial Statements.

Representative of the Board of Directors

LI Gui Rong

Chairman

Qingdao, the People's Republic of China

21 April 2008



孫賈堯先生  
Mr. SUN Jia Yao

### 各位股東：

本人謹此提呈青島啤酒股份有限公司2007年度之監事會報告，敬請各位股東審閱。

報告期內，監事會全體成員遵照《公司法》、《公司章程》及《監事會議事規則》等有關規定，通過法定程序，認真履行職責，依法行使職權，積極維護公司、股東和員工的利益。具體工作情況如下：

### 一、監事會會議及決議情況

報告期內，公司監事會以現場會議和書面決議方式召開會議九次：

監事會第五屆第九次會議審議通過了青島啤酒第三有限公司異地搬遷項目的可行性方案等議案；第五屆第十次會議審議通過了公司2006年年度報告、公司監事會2006年工作報告等議案；第五屆第十一次會議審議通過了公司2007年第一季度報告；第五屆第十二次會議審議通過了公司2007年半年度報告等議案；第五屆第十三次會議審議通過了公司2007年第三季度報告等議案。

第五屆監事會2007年召開4次臨時會議，分別審議通過了公司治理專項活動自查報告和整改計劃等議案；公司擬發行認股權和債券分離交易的可轉換公司債券的議案和募集資金投向等議案；青島啤酒工程有限公司為公司控股子公司和生產廠的新建和技改擴建項目提供設備及安裝工程服務簽訂框架協議的事宜等議案；公司受讓青島啤酒西安漢斯集團有限公司少數股東所持23.9%股權關聯交易事宜等議案。

### Dear shareholders,

I hereby present the 2007 Report of the Supervisors of Tsingtao Brewery Company Limited for your kind review.

In the reporting period, all members of the Board of Supervisors actively maintained the interests of the Company, shareholders and staff by seriously undertaking their responsibilities and legally carrying out their authorities through legal procedures and pursuant to the *Company Law, Articles of Association and Order of Meeting of Board of Supervisors*.

### I. Meetings and Resolutions

The Board of Supervisors totally held 9 meetings in forms of site meetings and written resolutions during the reporting period.

The 9th meeting of the 5th Board of Supervisors considered and approved the cases including the Feasible Scheme of Relocating Tsingtao Brewery Company Limited No. 3; the 10th meeting considered and approved the cases including the Company's 2006 Annual Report, and 2006 Work Report of Board of Supervision; the 11th meeting considered and approved the cases including the Company's 1st Quarterly Report of 2007; the 12th meeting considered and approved the cases including the Company's 2007 Interim Report; the 13th meeting considered and approved the cases including the Company's 3rd Quarterly Report of 2007.

The 5th Board of Supervisors totally held 4 interim meetings in 2007, respectively considered and approved the cases including the Company's Report on Self-inspection of Specific Activities of Corporate Governance and Improving Plan; the Company's Proposed Issuance of Bonds with Warrants and Investments with Proceeds from the Proposed Issuance of Bonds with Warrants; the affairs on the Framework Agreement on Providing Equipments and Installing Services for Greenfields and Technical Reconstructions by Tsingtao Brewery Engineering Company Limited to the Controlling Subsidiaries and Plants of the Company; the affairs on Related Party Transaction of the Company Acquiring 23.9% of Shares in Tsingtao Brewery Xi'an Hans Group Company Limited Held by Minority Shareholders.

## 二、監事會考察

報告期內，公司監事會共組織兩次考察。上半年組織監事到成都青島啤酒西南營銷有限公司進行考察，瞭解西南營銷公司生產經營情況，市場競爭環境以及在成都建廠的可行性；下半年組織監事到青島啤酒東南營銷有限公司及所屬企業進行考察，對公司開展的組織變革推進情況進行了調研。通過聽取管理人員匯報和實地考察，進一步瞭解了公司各地的經營和發展情況。

## 三、對有關事項的獨立意見

### (一) 公司依法運作情況

報告期內，監事會參加和列席了年度股東大會和歷次董事會會議，監事會主席列席了公司組織變革、重大投資論證、年度工作會、總裁辦公會等重要會議。監事會認為，公司依法經營，規範運作，各項決策程序合法；法人治理結構、內部管理和內部控制制度等在運作中不斷健全和完善；信息披露及時、準確、透明；董事及高級管理人員誠實守信，勤勉盡職，未發現其在執行職務時有違反法律、法規、公司章程或損害公司利益的情況，也沒有濫用職權，損害股東和員工利益的行為。

### (二) 檢查公司財務情況

報告期內，監事會對公司的季度報告、半年度報告、年度報告進行了認真、細緻的審議，認為公司的財務報告真實，在所有重大方面公允地反映了公司的財務狀況和經營成果，會計核算和財務管理符合國家相關法律法規的規定。

## II. Site Visits of the Supervisors

During the reporting period, the Board totally arranged two site visits. It organized the Supervisors to visit Chengdu Tsingtao Brewery South-West Sales Company Limited in the 1st half year, to understand the operations of the South-West Sales Company, the competition environment and feasibility of greenfield in Chengdu; and in the 2nd half year, it organized the Supervisors to visit Tsingtao Brewery South-East Sales Company Limited and its subsidiaries, to make research on the process of organizational reforms initiated by the Company. The Supervisors had a further understanding of operations and developments of subsidiaries of the Company through listening to the reports from the management and the above site visits.

## III. Independent Comments to the Concerned Issues

### 1. Compliant Operation

In the year, the Board of Supervisors attended and sat in on the Annual General Meeting and Board meetings. The Chairman of the Board of Supervisors sat in on the significant meetings of the Company including organizational reform, discussion on significant investments, meeting of annual work, Presidential meeting. It thinks that, the Company operates and makes decisions in legal procedures and compliant manner; gradually completes and improves corporate governance structure, internal management and internal control in the operations; discloses the information timely, accurately and transparently; its Directors and all members of senior management are honest and integrity, diligent and responsible, and is not found to breach any laws, regulations, articles of association or damage any interests of the Company, nor abuse their authorities or damage the interests of its shareholders and staff when undertaking their duties.

### 2. Review of the Financial Conditions

In the reporting period, the Board of Supervisors believed that, after seriously and carefully reviewing the Company's quarterly reports, interim report and annual report, the Company's financial statements truly and fairly reflected its financial conditions and operational results in all significant aspects, the financial accounting and financial management were in compliance with the requirements of the relevant State laws and regulations.

### (三) 最近一次募集資金使用情況

報告期內，本公司無新募集的A股資金。監事會認為，前次A股募集資金使用規範，對公司經濟效益提升發揮了重要作用。

### (四) 報告期內公司出售、收購資產情況

報告期內，公司受讓青島啤酒西安漢斯集團有限公司少數股東所持23.9%股權。監事會認為，公司收購青島啤酒西安漢斯集團有限公司少數股東所持股權，可以提高決策效率，提高西北地區市場運營的一致性，符合公司的發展戰略；公司收購程序規範，價格公允，未發現有內幕交易和損害公司及股東利益的行為。

### 3. Latest Use of Proceeds

There were no proceeds from latest issuance of A-share. The Board of Supervisors thought that, the use of the proceeds for previous issuance of A-share was compliant, which played important role in increasing the Company's economic earnings.

### 4. Assets Sales and Purchase

During the reporting period, the Company acquired 23.9% of shares held by minority shareholders in Tsingtao Brewery Xi'an Hans Group Company Limited. The Board of Supervisors thought that, the acquisition of 23.9% of shares held by minority shareholders in Tsingtao Brewery Xi'an Hans Group Company Limited by the Company would improve the efficiency of decision-making, improve the consistency of market operation in the north-west area, which is in line with the Company's developing strategy; the process of acquisition is legal with a reasonable price, and was not found any behaviors of insider transaction or damaging the interests of the Company and its shareholders.



### (五) 報告期內關聯交易情況

報告期內，青島啤酒集團有限公司全資擁有的青島啤酒工程有限公司為公司控股子公司和生產廠的新建和技改擴建項目提供設備及安裝工程服務，屬關聯交易。監事會認為，該項交易採用招標的方式進行，價格和付款方式合理，性價比高；青島啤酒工程有限公司設備加工和安裝能力較強，在質量保證和售後服務等方面，能夠滿足公司生產主品牌啤酒的工藝要求，屬最佳選擇。2008年3月，青島啤酒工程有限公司經掛牌已轉讓給公司，成為公司的全資子公司。

2008年，監事會將認真履行職責，依法行使職權，維護好公司、股東及員工的利益。同時，對各位股東和公司員工一年來對監事會工作的關心和支持，致以崇高的敬意和衷心的感謝。

監事會主席：孫賈堯  
二零零八年四月十八日

### 5. Related Party Transactions

During the reporting period, the providing equipments and installing services for greenfields and technical reconstruction by Tsingtao Brewery Engineering Company Limited, the wholly-owned subsidiary of Tsingtao Brewery Group Company Limited, to the controlling subsidiaries and plants of the Company was a related party transaction. The Board of Supervisors thought that, the subject transaction was carried out in way of bidding, the price and payment method were reasonable; Tsingtao Brewery Engineering Company Limited was strong in equipment processing and installation, which could satisfy the technical requirements in producing Tsingtao Beer in terms of quality guarantee and after-sale services, therefore was the best choice for the Company. In March 2008, Tsingtao Brewery Engineering Company Limited was transferred to the Company through the bidding, and became a wholly-owned subsidiary of the Company.

In 2008, the Board of Supervisors would carefully undertake our duties and responsibilities pursuant to the concerned laws and regulations, legally undertake our authorities to maintain the interests of all investors. I hereby deliver my sincere respects and thanks to all shareholders and our staff for their care, support and assistance to our work in the past year!

Chairman of the Board of Supervisors: **SUN Jia Yao**  
18 April 2007



本公司自1993年於香港聯合交易所及上海證券交易所上市以來，按照境內外上市規則和監管要求，不斷完善公司治理結構，規範公司運作。公司股東大會、董事會、監事會各司其職，決策獨立，互相監督、制衡。公司董事會設立了審計與財務委員會、戰略與投資委員會和公司治理與薪酬委員會三個由外部董事(包括獨立董事)為主構成的專業委員會，對提高董事會的決策效率起到積極作用，促進了公司治理結構的有效運作。

報告期內，本公司已遵守《香港聯合交易所有限公司證券上市規則》(《上市規則》)附錄十四載列之《企業管治常規守則》的守則條文。本公司所採納的企業管治措施如下：

## 一、董事會

### 1、職責與分工

董事會在董事長的領導下，在公司的發展戰略、管理架構、投資及融資、財務監控、人力資源等方面行使管理決策權，並致力於實現股東價值最大化為宗旨。在本公司的章程及其附件——董事會議事規則中，已詳細列明了董事會在公司發展戰略和管理方面的職權以及董事會對公司發展和經營的監督與檢查職權。

Since the Company was listed on The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange in 1993, it has been improving its corporate governance structure and regulating the operation of the Company in accordance with domestic and foreign listing rules and regulatory requirements. The Company's general meeting, Board of Directors and Supervisory Committee undertake their duties separately and make decisions independently, supervise each other and maintain the balance of power among them. The Board of Directors has set up 3 professional committees, namely Audit & Finance Committee, Strategy & Investment Committee and Corporate Governance & Remuneration Committee, which mainly comprise of external Directors (including independent Directors), bringing positive effect to improving efficiency of decision-making of the Board of Directors, and promoting the effective operation of corporate governance of the Company.

During the reporting period, the Company had abided by the regulations in the *Code on Corporate Governance Practice* under Appendix 14 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")*. The corporate governance measures taken by the Company are as follows:

## I. Board of Directors

### 1. Duties and Assignments

Under the leadership of the Chairman, the Board of Directors exercises its management decision-making power in respect of the Company's development strategies, management structure, investment and financing, financial supervision and control, and human resources, etc., and is dedicated to realize the maximization of its shareholders' value. The Board of Directors' authorities in the Company's development strategies and management, and supervision and inspection over the Company's development and operations have been stated in detail under the Order of Meeting for the Board of Directors in the Company's Articles of Association and its appendices.

公司董事長和總裁的職責分工已清晰界定，並載於本公司的章程及其附件中。公司董事長由李桂榮先生擔任，總裁由金志國先生擔任。董事長負責決定每次董事會會議的議程，其中每次會議前徵詢其他董事有無提案，並按情況考慮將其他董事的提議加入會議議程。此外，董事長亦負責引領和制定本公司的總體發展戰略，並檢查董事會決議的實施情況。

總裁負責組織實施董事會決議及公司年度預算和投資方案，並向董事會報告公司經營情況和重大合同的簽訂執行情況；總裁在董事會的授權範圍內行使對公司資金、資產的運用權及代表公司簽訂合同。同時，公司明確了經理層人員各自具體的職責及其分工，以保證其切實履行誠信義務和勤勉盡責。

## 2、 組成

公司本屆董事會由11名董事組成，包括董事長、副董事長、執行董事、非執行董事、獨立董事。董事之任期自2005年6月23日起至公司2007年度股東年會召開日止。

公司的董事會成員具有不同行業背景和專業知識，其中一名獨立董事具備監管機構要求的會計或相關財務管理專長。董事的個人簡介載列於本年度報告「董事、監事和高級管理人員簡介」

本屆董事會中共有4名獨立董事，佔董事會總人數的1/3以上。現任獨立董事具有不同的專業背景，具有豐富的法律、財務會計及金融投資等方面的專業經驗，這種結構有助於董事會從多角度討論和分析問題，確保董事會的科學決策。自2005年起，獨立董事每年均在股東年會上提交年度述職報告供股東聽取。

The division of duties between the Chairman and President of the Company has been clearly defined and stated in the Company's *Articles of Association* and its appendices. Mr. LI Gui Rong serves as the Chairman while Mr. JIN Zhi Guo serves as the President. The Chairman is responsible for deciding the agenda of every board meeting, and consulting other Directors before each meeting for any proposals to be discussed in the meeting, and considering whether to include their proposals into the agenda according to the circumstances. In addition, the Chairman is responsible for leading and determining the overall development strategies of the Company, and supervising the implementation of resolutions passed by the Board of Directors.

The President is responsible for organizing the implementation of resolutions passed by the Board of Directors, the Company's yearly budget and investment proposal, and reporting to the Board of Directors in respect of the Company's operations, and execution and implementation of material contracts; the President exercises the right as to usage of funds and assets within the scope authorized by the Board of Directors, and executes contracts on behalf of the Company. Meanwhile, the Company specifies the specific duties of and division of work among the senior management, so as to ensure the fulfillment of integrity, duties and responsibilities.

## 2. Composition

The current Board of Directors comprises 11 Directors, including the Chairman, Vice-Chairman, Executive Directors, Non-executive Directors and Independent Directors, whose service term is from 23 June 2005 till the date of holding of the Company's 2007 AGM.

Members of the Board of Directors come from different backgrounds and possess different professional knowledge, among which 1 Independent Director has the qualification on accounting or related financial management skills required by the stock exchanges. The profiles of the Directors are stated in the section headed '*Profiles of Directors, Supervisors and Senior Management*' in the Annual Report.

There are 4 Independent Directors among the current Board of Directors, which accounts for over 1/3 of the total number of the Directors. The Independent Directors in office come from different professional backgrounds and possess rich experience in law, accounting and financial investment. Such structure encourages discussion and analysis of problems from different angles during the Board meetings, ensuring reasonable decision-making by the Board of Directors. Since 2005, the Independent Directors have been submitting their annual performance report to the AGM for review and discussion by shareholders.

### 3、董事會會議

2007年度，本公司共舉行了6次董事會現場會議，以審閱書面議案簽署決議方式召開會議9次，以討論本公司的營運及財務表現、管理架構、投資及融資方案等，主要事項包括：

- 審議年度之財務預算、董事會工作報告；
- 審議年度、半年度及季度業績報告；
- 審議啤酒目標企業的收購方案及所屬子公司新建擴建的資本支出項目；
- 批准核銷財產損失。
- 審議聘任公司高級管理人員、組織變革方案；
- 審議公司分離交易可轉債的發行方案及相關事宜；

會議通知和議案資料在合理的時間內送達各董事，董事會會議能進行富有成效的討論及做出迅速而審慎的決策。在本年度內，各位董事出席董事會和專門委員會會議的詳情載列如下：

### 3. Board Meeting

In 2007, the Company held 6 physical board meetings in total and 9 meetings in the form of written resolutions to discuss the Company's operational and financial performance, management structure, investment and financing proposal, including mainly the followings:

- consider and approve the annual financial budget and work report of the Board of Directors;
- consider and approve annual, interim and quarterly performance results;
- consider and approve the acquisition proposal of target brewery enterprises and capital expenditure programs for the new construction and expansion by the Company's subsidiaries;
- approve the writing-off the property losses.
- consider and approve the employment of members of the senior management of the Company and the organizational reform;
- consider and approve the proposed issuance of bond with warrants and related issues;

The meeting notices and materials to be discussed were sent to all Directors within a reasonable time, and the Board of Directors were able to have fruitful discussion and make efficient but prudent decisions at the meetings. The details of attendance of Directors at Board meetings and professional committee meetings within the current year are set out as follows:

#### 親自出席次數／會議次數 Attend in Person/Total Number of Meetings

董事姓名 Name of Director	董事會 Board of Directors	戰略與投資 委員會 Strategy and Investment Committee	審計與財務 委員會 Audit and Finance Committee	公司治理與 薪酬委員會 Corporate Governance and Remuneration Committee
李桂榮	LI Gui Rong	6/6	—	—
金志國	JIN Zhi Guo	6/6	6/6	—
伯樂思	Stephen J. BURROWS	5/6*	3/6#	—
孫明波	SUN Ming Bo	6/6	6/6	—
劉英弟	LIU Ying Di	6/6	—	—
孫玉國	SUN Yu Guo	6/6	4/6#	0/2#
馬爽	Mark F. SCHUMM	5/6*	5/6#	5/5
楚振剛	CHU Zhen Gang	5/6*	5/6#	4/5*
付洋	FU Yang	5/6*	—	4/5*
李燕	LI Yan	6/6	6/6	5/5
潘昭國	POON Chiu Kwok	5/6*	—	4/5*

#：因公未能親自出席，亦未委托其他董事出席及表決

#: Absent due to business reason, and did not entrust other Directors to attend and vote

\*：因公未能親自出席，委托其他董事出席及表決

\*: Absent due to business reason, but entrusted other Directors to attend and vote

公司董事會的召集、召開嚴格按照《公司章程》、《董事會議事規則》的規定。董事會會議由董事長主持召開，並在會議通知發出後按時召開，各項提案在會議上充分討論，並對提案進行逐項表決。召開董事會定期會議的通知在會議召開前14天發出。如有董事因公務不能出席會議，則由該董事書面委托其他董事出席並代為行使表決權，如是獨立董事則委托其他獨立董事出席和表決。

The convening and holding of Board meetings is strictly in accordance with the rules in the *Articles of Association and Order of Meeting of the Board of Directors*. The Board meetings are hosted by the Chairman, and are held on time after delivery of meeting notice. All proposals are discussed thoroughly at the meetings and voted for one by one. The notice of regular meeting of the Board of Directors is dispatched 14 days before the meeting. If a Director could not attend the meeting due to business reason, he authorize other Directors in written form to attend the meeting and vote on his behalf, and in the case of an Independent Director, he could authorize other Independent Directors to attend the meeting and vote on his behalf.

公司管理層負責向董事會提供審議各項議案所需的相關資料和信息，並在董事會會議召開時匯報相關工作。本公司獨立董事根據《公司章程》的規定行使職權、履行職責或業務的需要時，可聘請獨立專業機構為其服務，由此發生的合理費用由本公司承擔。

The management of the Company is responsible for providing the Board of Directors with all relevant materials and information needed for reviewing the proposals, and reporting any related work at the Board meeting. The Independent Directors may appoint independent professional organizations to provide service when exercising their authorities and duties in accordance with the Articles of Association or when the business requires, and the reasonable expenses incurred will be borne by the Company.

#### 4、獨立董事履行職責情況

#### 4. Exercise of Duties and Responsibilities by Independent Directors

本公司獨立董事本著對全體股東負責的態度，出席了年內召開的各次董事會和專門委員會會議，並按照兩地上市規則及相關法律法規要求，行使了獨立董事的權利，履行了誠信勤勉義務，保護了中小股東的合法利益。

As the Independent Directors of the Company held a responsible attitude towards all shareholders, they attended all board meetings and professional committees meetings held within the year, and exercised the powers of Independent Director in accordance with the requirements under the listing rules and related laws and regulations in PRC and Hong Kong SAR, and carried out their obligations diligently and with integrity, , protecting the legal rights of intermediate and minority shareholders.

報告期內，公司獨立董事未對公司本年度的董事會議案及其他非董事會議案事項提出異議。

During the reporting period, the Independent Directors of the Company did not raise any objections to the proposals made at Board meetings and non-board meetings in the current year.

獨立董事對本公司2007年度的對外擔保情況進行了審閱確認並發表了獨立意見，並對本公司與青島啤酒工程有限公司簽訂框架協議涉及到的持續關聯交易事項發表了同意的獨立意見。獨立董事

The Independent Directors have reviewed, confirmed and expressed independent opinion regarding external guarantees provided by the Company in 2007; they have also expressed independent opinion with approval in respect of continuous

認為框架協議項下進行的持續關聯交易乃按一般商業條款進行，有關交易的條款是公平合理的，符合本公司及其股東的整體利益。由獨立董事組成的審計委員會已按《上市規則》之規定開展工作，對本公司年度、半年度及季度財務報告進行了審議，認為財務報告客觀、公允地反映了本公司的實際財務狀況及盈利能力。

## 二、董事

### 1、 信息支持與專業發展

新董事獲委任後，公司已向其提供一套全面的介紹材料—《董事手冊》，包括集團業務簡介、管理架構、董事責任及其他法定要求，並會安排其參加監管機構或內部舉辦的專門培訓。報告期內共有2位執行董事參加了監管機構組織的董事培訓課程。

公司於報告期內還安排獨立董事到公司所屬子公司考察，以利於獨立董事對公司有更加深入、全面的瞭解，便於決策。通過資料提供、工作匯報以及專業培訓等多種形式，使所有董事，特別是非執行董事，能夠及時瞭解公司的業務發展、競爭和監管環境以及其他可能影響公司和所屬行業的資料，以確保董事能瞭解其應盡的職責，有利於董事作出正確的決策和有效的監督，以及保證董事會的程序得以貫徹執行和適用的法律法規得以恰當遵守。

related party transactions involved in the framework agreement signed between the Company and Tsingtao Brewery Engineering Company Limited. The Independent Directors believed that the continuous related party transactions under the above framework agreement were based on ordinary commercial terms, and the terms and conditions of the transactions are fair and reasonable, which were in line with the overall interests of the Company and its shareholders. The Audit Committee which comprised Independent Directors has carried out its work in accordance with the rules stipulated in the *Listing Rules*, and having reviewed the Company's annual, interim and quarterly financial statements, it was of the view that the financial reports objectively and fairly reflected its actual financial situation and profitability.

## II. Directors

### 1. Information Support and Professional Development

After the new directors were appointed, the Company has provided them with a set of complete introductory materials named *Director's Manual* which includes brief introduction about the Group's business, management structure, responsibilities of Directors and other legal requirements, and will make arrangement for them to attend the specialized training held internally or by the Supervisory authorities. During the reporting period, a total of 2 Executive Directors attended the Directors training programs organized by the Supervisory authorities.

During the reporting period, the Company has also arranged for the Independent Directors to pay visits to its subsidiaries, so as to enable the Independent Directors to gain a deeper and more thorough understanding of the Company, which was helpful in decision-making. The provision of information, work reporting and professional training enables all Directors, especially those Non-executive Directors, to have a timely understanding of the Company's business development, competition and supervisory environment, and information which may affect the Company and the industry in which it belongs to, so as to ensure that the Directors understand their duties and responsibilities, and enables them to make correct decisions and provide efficient supervision, and to ensure that the procedures of the Board of Directors were implemented and the appropriate laws and regulations were followed.

## 2、 董事的獨立性

本公司已委任足夠數目的獨立董事。根據《上市規則》第3.13條的規定，董事會已收到所有獨立董事就其獨立性提交的書面確認函。

## 3、 董事的證券交易

本公司採納香港聯交所《上市規則》附錄十所載的《上市發行人董事進行證券交易的標準守則》，制定了本公司的《董事、監事及高級管理人員所持本公司股份及其變動管理制度》。在向所有董事作出特定查詢後，本公司確認，本公司所有董事於報告期內均有遵守《上市規則》所規定的有關董事進行證券交易的標準。

## 4、 財務匯報和董事就財務報表所承擔的責任

根據管理層提供的充分財務資料，本公司董事會每年對年度、半年度及季度業績報告進行審議並批准對外披露。董事有責任在財務部門的支持下，為公司每個財政年度編制財務報表，並確保在編制財務報表時貫徹應用適當的會計政策及遵守中國會計準則及制度和國際財務報告準則，以真實及公平地報告本公司的財務狀況及經營成果。

## 三、 董事會專門委員會

董事會已成立3個專門委員會，各委員會均制訂了工作細則，明確其監察公司個別範疇業務的職權範圍，並已獲得董事會的批准。

### 1、 審計與財務委員會（「審計委員會」）

該委員會職權範圍依據《上市規則》附錄十四之《企業管治常規守則》及中國證監會頒布的《中國上市公司治理準則》而制訂，其主要職責包括：檢討公司內部監控體系及制度的健全性和有效

## 2. Independence of Director

The Company has appointed a sufficient number of Independent Directors. The Board of Directors has received from all Independent Directors their written confirmation on their independence in accordance with Rule 3.13 of the *Listing Rules*.

## 3. Securities Transactions by Directors

The Company adopted the Model Code for Securities Transactions by Directors by Listed Issuers under Appendix 10 of *Listing Rules* and laid down the Company's *Regulations on Holding of Shares of the Company by Directors, Supervisors and Members of Senior Management and Relevant Changes*. The Company confirms, after making specific enquiries to all Directors, that they have complied with the *Model Code* of the *Listing Rules*.

## 4. Financial Reporting and Responsibilities borne by Directors in relation to Financial Statements

Based on the adequate financial information provided by the management, the Board of Directors reviews the annual, interim and quarterly reports every year and approves external disclosure. The Directors have responsibility, with the support of the Finance Department, to prepare financial reports for every fiscal year, and to ensure that the appropriate accounting policies are adopted and the PRC GAAP and international financial reporting standard are complied with when preparing financial statements, so as to accurately and fairly report the financial situation and operational results of the Company.

## III. Professional Committees under the Board of Directors

The Board of Directors has established 3 specific committees, and each of them has worked out detailed working guidelines and expressly stated their scope of duty in supervising individual business areas of the Company, and has obtained approval from the Board of Directors.

### 1. Audit & Finance Committee ('Audit Committee')

The scope of duty of the Audit Committee is determined in accordance with the *Code on Corporate Governance Practice* under Appendix 14 of the *Listing Rules* and *Guidelines for Corporate Governance of Listed Companies in China* published by China Securities Regulatory Commission. Its principal duties include: reviewing the

性，審閱公司的年度、半年度及季度財務報表，負責公司外部審計師的聘任、工作協調及對其工作效率和工作質量進行檢討，檢討及監察公司財務匯報質量和程序。

現任審計委員會由四名獨立董事與一名非執行董事組成，由李燕女士擔任主席，其他成員包括非執行董事馬爽先生及獨立董事楚振剛先生、付洋先生和潘昭國先生，均由董事會委任。其中李燕女士擁有中國註冊會計師專業資格，具備財務和會計業務的經驗和能力。

2007年度審計委員會共舉行了5次會議，為保證匯報的獨立性，會議主席已安排外部審計師與審計委員會成員進行單獨的會議。於每次會議後，委員會均會就討論的重要事項向董事會提交建議。

審計委員會在本年度主要工作包括：

- 審閱本公司的年度、半年度及季度業績報告和財務報告；
- 檢討本公司採納的會計政策及會計實務的有關事項；
- 就續聘公司審計師事宜向董事會提供建議；
- 檢討公司內部控制體系及制度的有效性。

## 2、 戰略與投資委員會（「戰略委員會」）

該委員會的主要職責是審查和檢討公司的戰略發展方向，制訂公司戰略規劃，以及適時調整公司戰略和管治架構。

completeness and effectiveness of the Company's internal supervisory system and policies, reviewing the Company's annual, interim and quarterly financial statements, responsible for employing the Company's external auditor, coordinating their work and reviewing their work efficiency and work quality, and reviewing and supervising the standard and procedures of the Company's financial reporting.

The Audit Committee comprised 4 Independent Directors and 1 Non-executive Director. Ms. LI Yan serves as the Chairperson, other members include Non-executive Director Mr. Mark F. SCHUMM, and Independent Directors Mr. CHU Zhen Gang, Mr. FU Yang and Mr. POON Chiu Kwok, all appointed by the Board of Directors. Among them Ms. LI Yan possesses profession qualification as CCPA, with experience and ability in financial and accounting business.

In 2007, the Audit Committee held 5 meetings in total. To ensure the independence of reporting, the Committee Chairperson has arranged private meetings between the external auditors and members of the Audit Committee. After each of such meetings, the members of the Audit Committee made proposals to the Board of Directors in respect of important issues being discussed.

The Audit Committee is mainly responsible for the following works in the current year:

- reviewing the Company's annual, interim and quarterly reports, and financial reports;
- reviewing the accounting policies adopted by the Company and issues related to accounting practices;
- making proposals to the Board of Directors re-appointment of auditor;
- reviewing the effectiveness of the internal control system and policies

## 2. Strategy & Investment Committee ('Strategy Committee')

Its main duties are to check and review the Company's strategic development direction, lay down the Company's strategic plan, and adjust the Company's strategy and governance structure at appropriate times.

現任戰略委員會的成員包括：副董事長金志國先生(委員會主席)、伯樂思先生、執行董事孫明波先生、孫玉國先生及非執行董事馬爽先生和獨立董事楚振剛先生、李燕女士組成。

戰略委員會於2007年度舉行了6次會議，對青啤日照公司、第三有限公司搬遷新建項目，青啤三水公司、深圳青啤朝日公司及麥芽廠擴建項目，以及發行分離交易可轉債募集資金投向項目的可行性報告進行認真審議並向董事會提供專業意見。

### 3、 公司治理與薪酬委員會(「薪酬委員會」)

本公司成立了薪酬委員會，其主要職責包括：研究和審議公司董事與高管人員的薪酬政策和激勵機制，制訂考核標準；研究改善公司治理結構的方案。

薪酬委員會成員包括：獨立董事楚振剛先生(委員會主席)、付洋先生及潘昭國先生和執行董事孫玉國先生、非執行董事馬爽先生。

薪酬委員會於2007年度舉行了2次會議，就公司組織變革薪酬激勵方案和新聘高管人員等相關事項進行了審議並向董事會提供專業意見。

## 四、 監控機制

### 1、 監事會

本屆監事會乃本公司成立以來第五屆監事會，監事之任期自2005年6月23日起至公司2007年度股東年會召開日止。監事會現有6名成員，其中包括外部監事4名，職工監事2名。報告期內，職工監事于嘉平先生因工作變動，於2007年10月22日辭任，現任監事的個人簡介資料，載列於本年度報告「董事、監事和高級管理人員簡介」。

The current members of the Strategy Committee include: Vice Chairmen Mr. JIN Zhi Guo (Chairman of the Committee) and Mr. Stephen J. BURROWS, Executive Directors Mr. SUN Ming Bo and Mr. SUN Yu Guo, Non-executive Director Mr. Mark F. SCHUMM, and Independent Directors Mr. CHU Zhen Gang and Ms. LI Yan.

The Strategy Committee held 6 meetings in 2007. The Committee carefully reviewed and provided professional comments to the Board of Directors in respect of the projects of relocation by Tsingtao Brewery Rizhao Company and Tsingtao Brewery No. 3, and projects of expansion by Tsingtao Brewery Sanshui Company, Shenzhen Tsingtao-Asahi Company and Malt Factory, and the feasibility report of investments with proceeds from issuing bond with warrants.

### 3. Corporate Governance & Remuneration Committee (“Remuneration Committee”)

The Company has set up the Remuneration Committee and its main duties include studying and reviewing the remuneration policies and incentive system for the Directors and senior management of the Company, establishing the appraisal standards, and studying the proposals to improve the corporate governance.

Members of the Remuneration Committee include: Independent Directors Mr. CHU Zhen Gang (Chairman of the Committee), Mr. FU Yang and Mr. POON Chiu Kwok, Executive Director Mr. SUN Yu Guo, and Non-executive Director Mr. Mark F. SCHUMM.

The Remuneration Committee held 2 meetings in 2007, in which it reviewed and provided professional opinion to the Board of Directors in respect of issues involving the reform of the remuneration incentive system and newly appointed senior management of the Company.

## IV. Supervisory Mechanism

### 1. Supervisory Committee

The current Supervisory Committee is the 5th Supervisory Committee since the establishment of the Company. The Supervisors' service term is from 23 June 2005 till the date when the Company's 2007 AGM is held. It currently has 6 members including 4 External Supervisors and 2 Staff Representative Supervisors as . During the reporting period, Mr. YU Jia Ping resigned from the position of Staff Representative Supervisor on 22 October 2007 due to work adjustment. The profiles of current Supervisors are disclosed in the “Profiles of Directors, Supervisors and Senior Management” in the Annual Report.

監事會依法獨立行使公司監督權，保障股東、公司和員工的合法權益不受侵犯。2007年度，監事會共舉行9次會議（包括現場會議和書面決議），代表股東對公司財務以及董事和高管人員履行職責的合法合規性進行監督，並列席了所有的董事會會議和股東大會。有關監事會的工作情況載列於本年度報告的「監事會工作報告」中。

The Supervisory Committee exercises the Company's supervisory authority independently and in accordance with law, ensuring that the lawful rights and interests of the Company, its shareholders and its employees are not infringed. In 2007, the Supervisory Committee held 9 meetings in total (including physical meetings and written resolutions) to supervise the legality and regularity of the exercise of powers by the finance personnel, the Directors and the senior management, and have attended all general meetings and board meetings. The details of the work of the Supervisory Committee are disclosed in the "Report of the Supervisors" in this Annual Report.

## 2、 內部監控及風險管理

本公司按照上海證券交易所發佈的《上海證券交易所上市公司內部控制指引》，香港聯合交易所發佈的《企業管治常規守則》，財政部發佈的《內部會計控制規範——基本規範（試行）》，以及內部會計控制具體規範的要求，制定了一系列內部控制制度，並在公司生產經營活動中發揮了應有的作用，促進了本公司規範化運行。

## 2. Internal Control and Risk Management

The Company established a series of internal control systems in accordance with the *Guidelines on Internal Control for Companies Listed on the Shanghai Stock Exchange* issued by Shanghai Stock Exchange, *Code on Corporate Governance Practice* issued by The Stock Exchange of Hong Kong Limited, *Internal Accounting Control Criteria - Basic Criteria (Trial Implementation)* issued by Ministry of Finance and requirements of detailed internal accounting control criteria, which played corresponding roles in the production and operations of the Company and improved the compliant operations.

本公司一貫重視管理的制度化、程序化和規範化，為了保證控制目標的實現，本公司在貨幣資金、銷售及收款、採購及付款、成本費用、對外投資、擔保、籌資、工程項目、實物資產、投資、稅務、對附屬公司管理、關聯交易、人事管理等環節制定了較為完善的控制制度和程序，並嚴格執行。近年來公司相繼建立和完善了200餘項內部管理制度，190餘項操作流程，各個部門均建立了相應的控制制度和管理流程，內部管理制度基本上已經涵蓋了生產經營的各個方面。

The Company has always place importance on the institutionalization, routinization and standardization of management. To ensure the realization of its control target, the Company has established a relatively more comprehensive control system and procedures in areas of currency and funds, sales and incomes, purchasing and payments, cost and expenses, external investments, guarantees, fund raising, construction projects, real assets, investments, taxation, management over subsidiaries, related-party transactions and human resources, and has implemented them strictly. In recent years the Company gradually established and improved approximately 200 internal management systems and 190 operational procedures, and all departments have established corresponding control systems and management procedures, therefore, the internal management system has generally covered all areas in production and operations.

本公司董事會負責建立及維持內部控制系統，以檢討內部控制體系的有效性，保障股東權益和公司財產。公司董事會下設的審計委員會，定期聽取公司內部控制建設情況，並督導公司進一步完善內控體系，確保內部控制制度得到貫徹實施。

The Company's Board of Directors is responsible for establishing and maintaining the internal control system so as to review the effectiveness of the internal control system and protect the rights of the Company's shareholders and its assets. The Audit Committee under the Board of Directors regularly receives information regarding the establishment of the Company's internal control system, and supervises the further improvements of the internal control system to ensure the implementation of its internal control system.

2007年本公司聘請內部控制專業諮詢機構，並在其幫助下開展了系統和全面地風險辨識評估工作，形成了公司的風險事件庫，建立了風險分類體系，繪製了風險圖譜，明確了風險管理責任，進一步提升了公司的內部控制和風險管理水平。

為確保本公司經營管理及內部控制系統的有效性，公司成立了內控部，內控部向董事會負責，定期對公司生產經營及內部控制活動中可能存在的風險進行檢查、評價及推進整改，並定期向董事會審計委員會匯報獨立意見和建議。

### 3、公司內部控制的自我評估報告和審計機構的核實評價意見

2007年12月26日，公司境內審計師普華永道中天會計師事務所有限公司為公司發行分離交易可轉債向中國證監會報送審批材料之目的，出具《內部控制審核報告》，認為本公司及其控股子公司於2007年9月30日在所有重大方面保持了按照財政部頒發的《內部會計控制規範——基本規範（試行）》及內部會計具體規範標準建立的與財務報表相關的有效的內部控制。

### 4、外聘審計師及酬金

本年度報告所收錄之財務報表分別根據中國會計準則和香港財務準則編制，並分別經普華永道中天會計師事務所（「普華永道中天」）和羅兵咸永道會計師事務所（「羅兵咸永道」）審計。報告期內，在本公司準備公開發行分離交易可轉債的有關報送材料過程中，普華永道中天亦為本公司提供所需的相關財務資料之審計或審閱、審核服務，包括：i) 出具了關於本公司內部控制制度的鑒證報告；ii) 出具了關於《董事會關於前次募集資金使用情況的說明》的專項審核報告；iii) 出具了「合并淨資產收益率和每股收益、非經常性損益計算表」專項說明。

In 2007, the Company appointed professional internal control consulting organization, and developed systematic and comprehensive risk identification and assessment work, and formed the Company's risk database, and established the risk classifying system, drew up the risk chart and confirmed the risk management responsibilities, improving the Company's internal control and risk management.

To ensure the effectiveness of the Company's operational management and internal control system, the Company established a Internal Control Dept., which reports directly to the Board of Directors. It regularly inspects, assesses and adjust risks that may exist in the Company's production, operations and internal control activities, and gives independent opinion and suggestions regularly to the Audit Committee.

### 3. Self-Assessment Controlled Internally by the Company and Verification Comments by the Auditors

On 26 December 2007, PricewaterhouseCoopers Zhong Tian Certified Public Accountants Limited Company, the domestic auditor of the Company, for the purpose of submission of reports in relation to the proposed issuance of bonds with warrants to China Securities Regulatory Commission (CSRC) for approval, issued the *Reviewing Report on Internal Control*, and was of the view that, as at 30 September 2007, the Company and its subsidiaries had maintained, in all material aspects, the effective internal control in accordance with the *Internal Accounting Control Criteria - Basic Criteria (Trial Implementation)* issued by Ministry of Finance and requirements of detailed internal accounting control criteria.

### 4. External Auditor and remuneration

The financial statements included in the 2007 Annual Report are prepared in accordance with PRC GAAP and HKFRS respectively, and have been audited by PricewaterhouseCoopers Zhong Tian Certified Public Accountants Limited Company ('PwC Zhong Tian') and PricewaterhouseCoopers ('PwC') respectively. During the reporting period, while the Company was in the process of preparing documents for the public issuance of bond with warrants, PwC Zhong Tian also provided auditing or reviewing, and checking services in respect of the relevant financial information including: i) issuing the authentication report regarding the internal control system of the Company; ii) issuing the specific report on *Explanation by Board of Directors over Use of Proceeds from Previous Offering*; iii) issuing the specific interpretation of *Consolidated Statement of Net Assets Profitability and Per Share Returns, Non-current Earnings and Losses*.

普華永道中天及羅兵咸永道已為本公司連續提供審計服務6年。2007年度，本公司應向普華永道中天會計師事務所和羅兵咸永道會計師事務所支付其年度審計工作的酬金為人民幣693萬元，本公司不承擔其差旅費及其它費用。

審計委員會已對普華永道中天及羅兵咸永道的專業素質、2007年度審計工作的執行情況進行了討論和評估，並提出了相應的意見和改進建議。審計委員會向董事會提出了聘任普華永道中天為公司國內審計師、聘任羅兵咸永道為公司國際審計師的建議，並將提交2007年度股東年會供股東最終批准。

## 五、股東及其他利益相關者

### 1、股東大會

本公司一直致力於維護全體股東的合法權益，股東大會的召集召開嚴格按照《公司章程》、《股東大會議事規則》的規定。公司股東大會由董事會召集，由董事長主持召開。股東大會由公司執行董事作提案報告，對提案表決的監票和計票由股東代表、監事代表及見證律師、香港執業會計師（點票監察人）共同進行，由會議主席（董事長）宣佈表決結果，正式形成大會決議。公司聘請的顧問律師對大會作見證並發表法律意見書。

股東大會是公司的最高權力機構，依法行使職權，決定公司重大事項。每年的股東年會為董事會與公司股東提供直接溝通的渠道。因此，本公司高度重視股東大會，於會議召開45日前發出會

PwC Zhong Tian and PwC have provided auditing services for 6 consecutive years. For the year of 2007, the Company should pay RMB6.93 million to PricewaterhouseCoopers Zhong Tian Certified Public Accountants Limited Company and PricewaterhouseCoopers for their full-year auditing work, and no expenses for business trip and other expenses shall be borne by the Company.

The Audit Committee has conducted discussion and assessment on the professional qualities of PwC Zhong Tian and PwC, and the implementation of 2007 auditing work, and has raised relevant comments and suggestions for improvements. The Audit Committee proposed to the Board of Directors regarding the appointment of PwC Zhong Tian as the Company's domestic auditor, and PwC as its international auditor, and will submit such proposal to the 2007 AGM for the shareholders' final approval.

## V. Shareholders and Other Interest-related Parties

### 1. General Meeting

The Company is always devoted to protecting the legal rights of all shareholders. The convention and holding of general meeting are strictly in accordance with the terms in the *Articles of Association and Rules Governing Discussion in General Meeting*. The Company's general meeting is convened by the Board of Directors and chaired by the Chairperson of the Board of Directors. The executive Directors report the proposals in the general meeting, while the shareholders' representatives, Supervisors' representatives, witnessing lawyers, chartered accountant in Hong Kong (Supervisor of Votes Counting) jointly inspect and count the votes in respect of the proposals, and the chairperson of the meeting (Chairman of the Board of Directors) announces the voting results, formally forming the resolutions of the meeting. The lawyers appointed by the Company witness the meeting and present their legal comments.

The General Meeting is the highest authority of the Company, which undertakes its duties in accordance with law and determines significant issues for the Company. The annual general meeting held annually provides the channel of direct communication between the Board of Directors and the shareholders of the Company. Therefore, the Company places high importance on the general meeting by distributing the meeting notice 45 days prior to the

議通知，在股東年會上，公司董事長及其他與會執行董事就股東關注的事項進行了廣泛深入的溝通及說明。

## 2、投資者關係與溝通

本公司高度重視投資者關係管理工作，並努力通過各種渠道和形式加強與投資者的溝通與交流，對投資者關注的熱點問題給與及時的解答。同時，公司不斷致力於提升公司的透明度，幫助投資者加深對公司業務情況及發展前景的瞭解，並悉心聽取投資者的意見和建議，幫助公司提升公司治理和經營管理水平。

2007年，本公司接待境內外證券分析員、基金經理及其它投資機構/個人投資者現場調研及參觀共計120餘批300餘人次，單對單會議及小組會議共計150餘場，與證券分析員、基金經理電話會議200餘次，取得良好的效果。

## 3、其他利益相關者

本公司認為：企業要保持基業常青、永續經營，應堅持誠信經營，認真履行社會責任，建立與公司利益相關者和諧共贏的長期合作關係。多年來，公司在經營業績穩步增長的同時，堅持依法納稅、誠信經營、回饋社會，積極參與社會公益性活動和環境保護。

## 六、公司治理專項活動的情況

報告期內，本公司按照中國證監會的部署和要求，有效開展並順利完成了公司治理專項活動自查、公眾評議、現場檢查、整改提高及評估驗收幾個階段的工作。

meeting date, and the Chairman and other attending Executive Directors make extensive and intensive communications and interpretation over the issues in which the shareholders are concerned with at the AGM.

## 2. Investor Relationship and Communications

The Company places high importance on investor relations management work, and strives to improve communications with investors through different channels and manners, and to provide timely response to hot issues in which the investors are concerned with. Meanwhile, the Company is devoted to improving its transparency, in order to assist investors to understand the business and prospects of the Company more clearly, it also listens to the comments and proposals made by the investors carefully, allowing the Company to improve its corporate governance and operational management.

In 2007, the Company dealt with a total of more than 300 persons in about 120 groups including foreign securities analysts, funds managers and other investment institutions/individual investors during site research and visits, there were over 150 one-to-one meetings and small group discussions, and over 200 conference calls with securities analysts and fund managers, obtaining fruitful results.

## 3. Other Parties with Related Interests

The Company is of the view that it should have perpetual existence and maintain its operations with integrity and fulfill its social responsibilities, establishing a harmonic, win-win long-term cooperation with parties with related interests. For years, the Company has insisted on paying tax in accordance with law, operating with integrity, rewarding the society and actively participating in social welfare activities and environmental protection while its operational results is improving steadily.

## VI. Specific activities of corporate governance

During the reporting period, the Company, in accordance with the arrangements and requirements of CSRC, effectively carried out and smoothly completed several phases of work including self-inspection the Company's corporate governance activities, receiving public comments, site inspection, and improvements and appraisals.

自查過程中，為了更好地促進公司治理，根據適用法律法規的要求，公司重新制定了《信息披露事務管理制度》，並制定了《募集資金使用管理制度》和《董事、監事及高級管理人員所持本公司股份及其變動管理制度》。公司也聘請了外部諮詢機構協助對公司內部控制體系進行系統評估，完善公司的風險管理和內部控制制度，不斷提升風險管理水平。

本公司分別於2007年6月29日和10月31日在境內報章和上市地交易所網站公佈了《公司治理自查報告及整改計劃》和《公司治理專項活動整改報告》，對自查情況、整改計劃、公眾評議、青島證監局現場檢查等情況進行了詳細的披露。

通過此次公司治理專項活動的開展，進一步增加了公司董事、監事和高級管理人員的責任意識，同時對公司內部相關制度進行了全面梳理，並結合最新的法律、法規進行了修訂和完善，進一步促進了公司的規範運作。

## 七、總結

良好的企業管治有助於公司的健康發展及提高投資者的信心，而董事會的有效性是良好企業管治的核心。因此，公司董事會將結合今年的換屆工作，繼續致力於提升決策的效率和水平，促進公司的穩健發展及增加股東價值。

During the self-inspection process, in order to improve corporate governance, the Company established new *Regulations on Management of Information Disclosure*, and established the *Regulations on Management of Use of Raised Capital* and *Regulations on Holdings of Shares in the Company by Directors, Supervisors and Senior Management and Relevant Changes*. The Company also employed external consulting agencies to assist itself in assessing the Company's internal control system, improving the Company's risk management and internal control system, and its risk management level continuously.

The Company published the *Corporate Governance Self-Inspection Report and Adjustment Plan and the Report on Improving Specific Activities of Corporate Governance* in domestic newspapers and of website of the stock exchange in which its shares were listed on 29 June 2007 and 31 October 2007 respectively, providing detailed disclosure on self-inspection, improvement plans, public comments, and site inspections by Qingdao Branch of CSRC.

Through the carrying out of the specific activities of corporate governance, it further increased the sense of responsibility of Directors, Supervisors and senior management of the Company. Meanwhile, it tidied up the related internal regulations of the Company, and made revisions and improvements by referring to the latest laws and regulations, which further promoted the compliant operations of the Company.

## VI. Conclusion

Good corporate governance is helpful to the healthy development of the Company and increasing investors' confidence, while the effectiveness of the Board of Directors is the core of good corporate governance. Therefore, the current Board of Directors, in its future service term, will further commit to improve efficiency and level of decision-making, and promote the steady development of the Company and increase shareholders' value.

## 一、行業分析 Sector Analysis

### 1. 2007年中國啤酒市場簡況

#### Profile of Beer Market in China in 2006

- 2007年國內啤酒市場保持了持續增長態勢，全年啤酒產銷量達到3,931萬千升，同比增長13.8%，連續五年成為世界最大的啤酒生產和消費國及發展最快的市場之一；

In 2007, the domestic brewery sector maintained its continuous growth. Its annual sales volume reached 393.1 million hl with a year-on-year growth of 13.8%, which enabled it to become the country with largest beer production and consumption, and one of the fastest growing markets in the world for the fifth consecutive year;

- 國內啤酒市場目前仍處於整合階段，消費升級所帶來的廣闊市場前景令國內外啤酒巨頭紛紛加大了對中國市場的投入，通過購并、新建、擴建等方式擴充產能，加劇了市場競爭；

At present, China's beer market is still in the phase of integration, and the prospect brought about by the rise in consumption has caused the domestic and international brewery magnates to increase their investments in China. The production capacity was increased through mergers and acquisitions, new construction and expansion, which led to fiercer competition;

- 市場集中度進一步提高，07年國內前十大啤酒生產商的市場份額已達到64%；
- The centralization of the market reached a higher level. In 2007, the market share of the top 10 domestic beer producers reached 64%;

- 啤酒生產原材料價格連續上漲，對啤酒生產企業形成了較大的壓力，行業利潤仍偏低；
- The rising price of raw materials for beer production in recent years brings great pressure to the beer producers, and the profit of the industry remains low;

- 由於我國人均啤酒消費量與國外發達國家相比仍有較大的差距，隨著國民消費水平的提高，啤酒行業的龍頭企業仍然具有較大的發展空間。
- As there is still a relatively big disparity in per capita beer consumption volume between China and other developed countries, the leading enterprises in the beer industry still have great room for development with the increase in national consumption level.

### 2. 中國啤酒行業產量變動

#### Changes in Output Volume of Brewery Sector in China

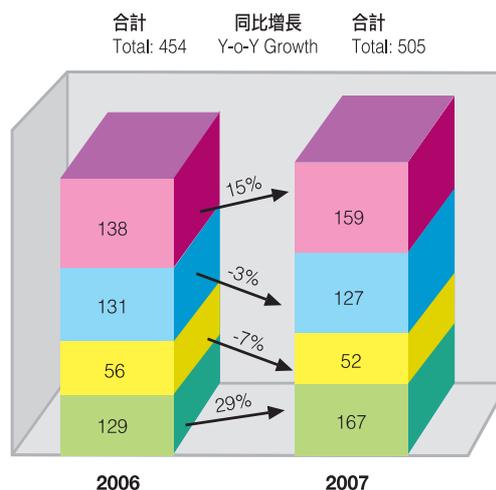


## 二、報告期內銷量及產品結構分析 Analysis to Sales Volume and Product Structure during the Reporting Period

### 1. 分地區啤酒銷量

#### Sales Volume by Geographical Areas

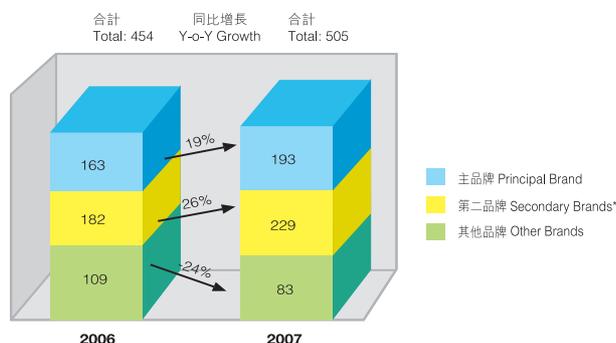
單位：萬千升



- 華南地區 South China
- 華北地區 North China
- 山東 (不含青島) Shandong (excluding Qingdao)
- 青島 Qingdao

## 2. 二零零七年產品結構情況 Product Structure in 2007

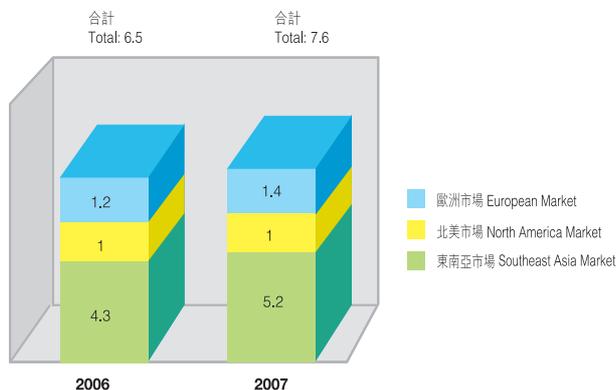
單位：萬千升



注：第二品牌中含“彭城·大白鯊”。

## 3. 出口情況 Exports

單位：萬千升



## 三、報告期內主要財務分析（按中國會計準則計算） Analysis to Main Finance during the Reporting Period (In accordance with PRC GAAP)

### (I) 公司主營業務及經營情況分析 Analysis to Principal Business and Operational Situations of the Company

二零零七年國內啤酒市場繼續保持了快速發展的態勢，本集團實現啤酒銷售量505萬千升，同比增長11%；實現銷售收入135.3億元人民幣，同比增長15.9%；實現淨利潤5.58億元人民幣，同比增長27.7%，繼續呈現利潤增幅高於銷售收入、銷售收入增幅高於銷量的良好發展態勢。

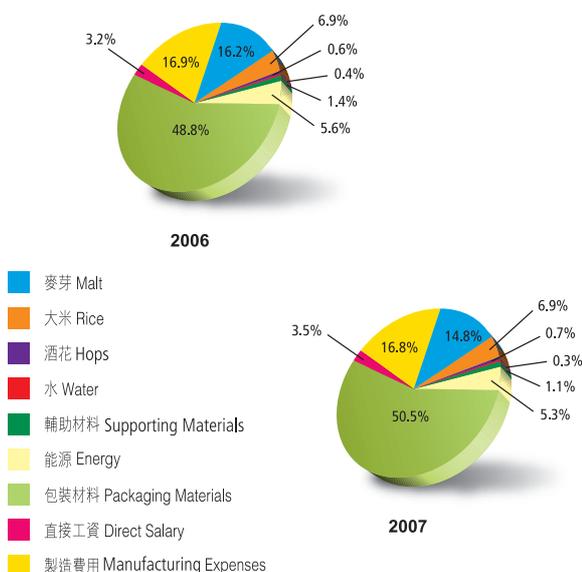
In 2007, the domestic brewery sector maintained its continuous growth. The Group realized a sales volume of 50.5 million hl, representing an increase of 11% compared to 2006; sales income of RMB13,530 million, representing an increase of 15.9% compared to the previous year; profit attributable to shareholders was RMB558 million, representing an increase of 27.7% compared to the previous year, which continues to show a good development trend in which the growth in profit is greater than the increase in sales income, which is in turn greater than the increase in sales volume.

### 1. 主營業務收入分地區情況 The Company's Revenues from Principal Business for Geographical Markets

詳情載於董事會報告之「公司經營情況」。  
For details, please refer to “Operations of the Company” in the Report of the Directors.

### 2. 主營業務成本 Cost of Principal Business

二零零七年本集團主營業務成本為78.7億元人民幣，同比增長13.9%。主要為銷售規模的擴大以及原材料的價格上漲所致。有關生產成本結構比例如下：  
In 2007, the cost of principal business of the Group was RMB7.87 billion, representing an increase of 13.9% compared to the previous year, which was mainly caused by expansion of sales scale and rise in price of raw materials. The structure of production cost is as follows:



### 3. 期間費用

#### Expenses during the period

- (1) 二零零七年本集團銷售費用為26.5億元人民幣，同比增長29.1%。主要為報告期內增加了奧運營銷及品牌推廣等廣告性支出和提高了市場投入。

In 2007, the sales expenses of the Group was RMB2,650 million, representing an increase of 29.1% compared to the previous year, which was mainly caused by the increase in advertising expenses relating to Olympic marketing and brand promotion, and increase in marketing fees.

- (2) 二零零七年本集團管理費用為6.67億元人民幣，同比下降5.2%。主要為報告期內根據於2007年1月1日起中國新會計準則的要求，沖回以前年度結餘福利費約0.58億元人民幣；扣除上述因素的影響後，本報告期發生的管理費用比上年同期略有上升。

In 2007, the management expenses of the Group was RMB667 million, representing a decrease of 5.2% compared to the previous year, which was mainly caused by set-offs against balance of previous years in the amount of about RMB58 million pursuant to requirements in the China's new accounting policies being effective since 1 January 2007. If disregard the above factor, the management expenses occurred during this reporting period were a little higher than that of the previous year.

- (3) 二零零七年本集團財務費用為-588萬元人民幣，同比下降152.9%。主要是由於受人民幣升值的影響，產生的匯兌收益所致。

In 2007 the financial expenses of the Group was -RMB5.88 million, representing a decrease of 152.9% compared to the previous year, which was mainly caused by the exchange returns due to the appreciation of Renminbi.

### 4. 資產減值損失

#### Losses from Devaluation of Assets

二零零七年本集團資產減值損失為1.67億元人民幣，同比下降52.1%。主要為二零零六年對三環、南寧子公司計提了1.18億商譽減值所致。

In 2007, the losses caused by the devaluation of assets of the Group was RMB167 million, representing a decrease of 52.1% compared to the previous year, which was mainly caused by the devaluation of goodwill of RMB118 million of Tri-circle Company and Naming Company in 2006.

### (II) 資產負債構成情況說明

#### Interpretation of Composition of Assets/Liabilities

#### 1. 貨幣資金

##### Currency Funds

二零零七年年末本集團貨幣資金為13.35億元人民幣，較期初增長8.3%。主要為公司產品銷售態勢良好，經營活動產生的現金流入增加所致。

By the end of 2007 the currency funds of the Group was RMB1,335 million, representing an increase of 8.3% compared to the beginning of 2007, which was mainly caused by the good trend of sales of the Company's products and the increase in cash-inflow brought about by business activities.

#### 2. 預付帳款

##### Pre-paid Accounts

二零零七年年末本集團預付帳款為8.62億元人民幣，較期初增長266.2%。主要為原材料價格漲幅較大，為保證貨源和穩定採購成本，本集團年底預付了大額材料採購款所致。

By the end of 2007 the pre-paid accounts of the Group was RMB862 million, representing an increase of 266.2% compared to the beginning of 2007, which was mainly caused by the great increase in prices of raw materials, and in order to guarantee supply and stabilize the purchasing costs, the Group has made a huge pre-payment at the end of 2007.

#### 3. 存貨

##### Inventory

二零零七年年末本集團存貨為21.87億元人民幣，較期初增長33.3%。主要為公司增加原材物料的儲備所致。

By the end of 2007 the inventory of the Group was RMB2,187 million, representing an increase of 33.3% compared to the beginning of 2007, which was mainly caused by the increase in stock of raw materials.

#### 4. 長期股權投資

##### Long-term Equity Investment

二零零七年年末本集團長期股權投資為3,355萬元人民幣，較期初增長30.2%。主要為公司增加對朝日飲品聯營公司的投資所致。

By the end of 2007 the long-term equity investment of the Group was RMB35.55 million, representing an increase of 30.2% compared to the beginning of 2007, which was mainly caused by the increase in investment by the Company in the associates of Asahi Company.

## 5. 遞延所得稅資產

### Deferred Income Tax Assets

二零零七年年末本集團遞延所得稅資產為1.75億元人民幣，較期初增長172.9%。主要為按新所得稅法本集團適用的所得稅率自2008年1月1日調整為25%，而年初本公司適用所得稅率為15%所致。

By the end of 2007 the deferred income tax assets of the Group was RMB175 million, representing an increase of 172.9% compared to the beginning of 2007, which was mainly caused by the adjustment of the applicable income tax rate of the Group to 25% on 1 January 2008, while the applicable tax rate at the beginning of the year was 15%.

## 6. 應交稅費

### Payable Tax

二零零七年年末本集團應交稅費為5.16億元人民幣，較期初增長122.3%。主要為2007年度本公司適用所得稅率由15%調整為33%增加繳納所得稅所致。

By the end of 2007 the payable tax by the Group was RMB516 million, representing an increase of 122.3% compared to the beginning of 2007, which was caused by the increase in payable tax brought about by the adjustment of the applicable income tax rate for the Company from 15% to 33% in 2007.

## 7. 長期借款

### Long-term Borrowings

二零零七年年末本集團長期借款為9,085萬元人民幣，較期初增長70.6%。主要為本集團一在建的子公司—青島啤酒榆林有限責任公司因建廠需要，向中國建設銀行西安市蓮湖路支行分三筆借入總額人民幣5,000萬元為期五年期的借款。

By the end of 2007 the long-term loans of the Group was RMB90.85 million, representing an increase of 70.6% compared to the beginning of 2007, which was mainly caused by a 5-year loan in the amount of RMB50 million in 3 parts provided by Lianhu Rd. Sub-branch of Xi'an of China Construction Bank to Tsingtao Brewery Yulin Company Limited, a Group's subsidiary under construction, for construction of factories.

## 8. 專項應付款

### Specific Amounts Payable

二零零七年年末本集團專項應付款為6,137萬元人民幣，較期初增長691.0%。主要為本集團子公司政策性搬遷收到政府撥給的搬遷補助款所致。

By the end of 2007 the specific amounts payable of the Group was RMB61.37 million, representing an increase of 691.0% compared to the previous year, which was mainly caused by the compensations provided by the local government for the relocation of subsidiaries of the Group.

## (III) 現金流量情況分析

### Analysis of Currency Flow

1. 二零零七年本集團經營活動產生現金流量淨額為10.94億元人民幣，比去年同期11.28億元減少0.34億元，同比降幅3.0%。其中，銷售收到的現金為人民幣155.62億元，比去年同期增加17.70億元，主要是報告期內銷售增長所致；購貨及接受勞務支付的現金為人民幣95.66億元，比去年同期增加12.84億元，主要是報告期內產銷規模增長、原材料漲價及預付帳款增加所致。

In 2007 the net currency flow arising from business activities of the Group was RMB1,094 million, which has decreased by RMB33 million from RMB1,128 million during the same period in last year, representing a decrease of 3.0%, among which cash from sales was RMB15,562 million, which has increased by RMB1,770 million compared to the same period in previous year and was mainly caused by the growth of sales during the reporting period; payment in cash for purchase of goods and labor was RMB9,566 million, which has increased by RMB1,284 million compared to the same period in the previous year and was mainly caused by the growth in scale of sales, rise in price of raw materials and increase in pre-paid accounts.

2. 二零零七年本集團投資活動產生現金流量淨額為-11.15億元人民幣，比去年同期-5.29億元減少5.86億元。主要是公司新成立成都、濟南、榆林等子公司購買長期資產所致。

The net amount of cash flow arising from investing activities of the Group in 2007 was RMB1,115 million, which has decreased by RMB586 million from RMB529 million during the same period in the previous year, which was mainly caused by the purchase of long-term assets by the newly established subsidiaries of the Company in Chengdu, Jinan and Yulin.

3. 二零零七年本集團籌資活動產生現金流量淨額為1.02億元人民幣，比去年同期-6.35億元增加7.37億元。主要是二零零六年償還到期借款所致。

The net amount of cash flow from fund raising activities of the Group in 2007 was RMB102 million, which has increased by RMB737 million from -RMB635 million during the same period in the previous year, which was mainly caused by the repayment of borrowings due in 2006.

## (IV) 其他經營情況說明

### Interpretation of Other Operational Situations

#### 1. 投資

##### Investments

二零零七年本公司投資額為34,176萬元，同比下降20.4%，主要包括：出資人民幣1.5億元全資成立了青

島啤酒(成都)有限公司;對全資子公司青島啤酒(濟南)有限公司增資人民幣1.2億元,使其註冊資本達到人民幣2億元;對持股比例為76.1%的子公司青島啤酒西安漢斯集團有限公司增資人民幣5,000萬元。上述項目預計2008年至2009年期間竣工投產。

In 2007 the Company's investment was RMB341.76 million, representing a decrease of 20.4% compared to the previous year, which mainly includes: investment of RMB150 million to establish the Tsingtao Brewery (Chengdu) Company Limited, and further increased its investment in the amount of RMB120 million in its wholly-owned subsidiary Tsingtao Brewery (Jinan) Company Limited, to enable its total registered capital to reach RMB200 million; increase of investment in its subsidiary, Tsingtao Brewery Xi'an Hans Group Company Limited, in which it holds 76.1% interest, in the amount of RMB 50 million, it is expected that the above projects will begin production between 2008 and 2009.

報告期內,本公司未發生有關附屬公司及聯營公司的重大收購及出售事項。

During the reporting period, no affairs of significant acquisitions and sales of the subsidiaries and associates of the Company ever occurred.

## 2. 債務資本率 Debt/Capital Ratio

本集團二零零七年十二月三十一日的債務資本率為1.62%(二零零六年十二月三十一日:1.01%)。債務資本率的計算方法為:長期借款總額/(長期借款總額+歸屬於母公司股東權益)。

As at 31 December 2007, the Group's debt/capital ratio was 1.62% (1.01% as at 31 December 2006). The calculation of debt/capital is: total amount of long-term borrowings/(total amount of long-term borrowings + Shareholders' equity belonging to the parent company).

## 3. 資產抵押 Mortgage of Assets

於二零零七年十二月三十一日,本集團銀行抵押借款人民幣2,000萬元系由淨值約為人民幣3,700萬元的機器設備以及人民幣1,040萬元的原材料作為抵押物(二零零六年十二月三十一日:銀行抵押借款人民幣1,600萬元系由淨值約為人民幣3,580萬元的機器設備作為抵押物)。

As at 31 December 2007, the machines and equipment with value of RMB37 million and the raw materials with value of RMB10.4 million stood as collateral for the bank facilities in the amount of RMB20 million (As at 31 December 2006, the machines and equipment with value of RMB 35.8 million stood as collateral for the bank facilities in the amount of RMB16 million).

## 4. 匯率波動風險 Exchange Rate Fluctuating Risk

由於本集團目前用於主品牌生產的原材料大麥主要依賴進口,因此匯率的變動將會間接影響本集團的原材料價格,從而對本集團的盈利能力產生一定影響。

As the Group's raw materials barley, which was used in production of the major brands, currently relies on importation, the fluctuation in exchange rate would indirectly affect the price of raw materials used by the Group, hence bringing certain impacts to the profitability of the Group.

由於人民幣匯率的不斷上漲,對本集團的出口業務也將產生一定的負面影響。

The continuous appreciates of Renminbi will also bring some negative impacts to the exports of the Group.

## 5. 2008年資本性開支 Capital Expenses in 2008

本集團將繼續保持持續資本投入以擴大集團內企業現有的產能規模。2008年擬用於現有工廠改造、新建及購并(如有)項目的資本性開支約為人民幣22.7億元。所需資金來源除包括2008年發行分離交易可轉債的募集資金人民幣15億元外,其餘資金由本集團自有資金或銀行貸款補充。

The Group shall continue to make capital investments to enlarge the existing production scale of the enterprises within the Group. The capital expenses to be used in the reconstruction of existing plants, new constructions, mergers and acquisitions (if any) in 2008 is about RMB2,270 million. The required sources of funds include proceeds from issuing bonds with warrants in 2008 in the amount of RMB1,500 million, and the remaining funds comes from the Group's own capital or bank loans.

## 6. 或有負債 Potential Liabilities

詳情載於隨附時務報表之附註。

For details, please refer to the attached Notes to the Financial Statements.

## 7. 員工情況

本公司薪酬制度是根據「以崗定薪」、「以績定獎」的原則制定,薪酬定位與市場接軌,參照市場水平設定合理的薪酬區間,實行寬幅管理,依據國家相關法規要求向員工提供相應的福利制度,關注員工學習成長。截至2007年12月31日止,本公司未有設立認股權計劃。詳情載予董事會報告之員工情況。

The remuneration policy of the Company was established on the principles of "remuneration shall be determined with reference to position" and "incentive shall be determined with reference to performance", and was in line with market practice. The Company set a reasonable range of the amount of emoluments with reference to market rate and adopted such range in a flexible manner, provided suitable welfare package to its staff in accordance with the relevant laws and regulations of the State. It also focused on staff's progress and development. As at 31 December 2007, the Company did not establish any share option scheme. For details, please refer to "Staff" in Report of the Directors.

## 董事簡介 Profiles of Directors



李桂榮先生  
Mr. LI Gui Rong

李桂榮先生，現年68歲。本公司董事長。李先生曾任青島市計劃委員會副主任、主任等職務，1996年6月加盟本公司並出任董事長。李先生多年從事企業管理和經濟管理工作，熟悉國家有關經濟政策、法規，在企業管理和經營決策方面有豐富的經驗。李先生具有總攬全局的戰略眼光和駕馭全局的能力，對推進公司法人治理結構和發展戰略的提升起了決定性的作用。李先生同時兼任青島啤酒集團有限公司董事長一職。

Mr. LI Gui Rong, aged 68, is the Chairman of the Board of Directors of the Company. Mr. LI ever served as Deputy Director, Director in Qingdao Planning Commission before he joined the Company as Chairman in June 1996. Mr. LI has worked with corporate and economic management for many years, which helps him be familiar with the relevant State economic policies, laws and regulations, and obtain rich experience in corporate management and operational decision-making. With his strategic insights and commanding capacity on an overall basis, Mr. LI plays an ultimate role in promoting the Company's corporate governance and improving the development strategies. Besides, Mr. LI is also the Chairman of Tsingtao Brewery Group Company Limited.



金志國先生  
Mr. JIN Zhi Guo

金志國先生，現年51歲，本公司副董事長、總裁，高級經濟師，中歐國際工商學院EMBA畢業，青島大學理學博士。金先生於1975年進入本公司前身青島啤酒廠工作，歷任職員、動力處處長，1994年任啤酒一廠廠長助理，1996年10月出任青啤西安有限責任公司總經理，2000年8月任本公司總經理助理，2001年8月任本公司總裁。金先生集二十多年啤酒企業經營管理及市場開拓經驗，探索了一整套包括戰略、營銷、品牌、文化、資本在內的商業運營模式，為本公司的穩健發展奠定了堅實的基礎。2008年1月，金先生成功榮膺「2007CCTV中國十大經濟年度人物」。金先生為第十、十一屆全國人大代表，同時兼任青島啤酒集團有限公司副董事長一職。

Mr. JIN Zhi Guo, aged 51, is the Vice Chairman, President of the Company, and Senior Economist with EMBA at China Europe International Business School (CEIBS) and Ph.D from Qingdao University. Mr. JIN joined Tsingtao Brewery Factory, the predecessor of the Company, as general staff in 1975, and later, Head of Power Dept. He took the position of Assistant to Factory Manager of Tsingtao Brewery No. 1 in 1994, General Manager of Tsingtao Brewery (Xi'an) Company Limited in October 1996, Assistant to the General Manager of the Company in August 2000, and General Manager of the Company in August 2001. With over 20 years' experience of operational management and market developing in brewery, Mr. JIN sets up a series of operational modes including strategy, marketing, brand, culture and capital, which established a consolidated basis for the steady development of Tsingtao Brewery. In January 2008, Mr. JIN was entitled '2007 CCTV Top 10 Economic Figures'. Mr. JIN is the Representative of the 10th and 11th National People's Congress (NPC). He is also the Vice Chairman of Tsingtao Brewery Group Company Limited.



Mr. Stephen J. BURROWS

伯樂思先生 (Mr. Stephen J. Burrows)，現年56歲，本公司副董事長、非執行董事，美國密蘇里州Lindenwood大學工商管理碩士。Mr. Burrows現任美國安海斯—布希國際公司亞太地區首席執行官和總裁、A-B公司戰略委員會成員。歷任A-B公司美國西南部地區銷售副總裁、消費者意識和教育副總裁、品牌管理副總裁等職務，負責「百威」品牌和A-B公司其他啤酒品牌在全美國和各地區的廣告、銷售、包裝、研究和其他的市場發展活動，有三十餘年的啤酒企業經營管理及市場運作經驗。

Mr. Stephen J. BURROWS, aged 56, is the Vice Chairman and Non-executive Director of the Company with MBA at Lindenwood University in Missouri, USA. He is currently the CEO and President of Asia-Pacific in Anheuser-Busch International, Inc. as well as member of Strategic Committee of A-B Company. Mr. BURROWS has over 30 years' experience in operational management and market operations in brewery after working for A-B Company as Vice President (Sales) in South-western Region in USA, Vice President (Consumer Consciousness and Education), Vice President (Brand Management), and being responsible for the advertising, sales, packaging, research and other activities for market development in different regions and throughout USA for 'Budweiser' and other beer brands in A-B Company.

## 董事簡介 Profiles of Directors



孫明波先生  
Mr. SUN Ming Bo

孫明波先生，現年51歲，本公司執行董事、常務副總裁，南開大學EMBA碩士，同濟大學管理學博士。孫先生曾任本公司啤酒一廠副廠長、總工程師，本公司總經理助理兼副總工程師，孫先生具有豐富的啤酒企業生產、技術管理及戰略發展經驗，負責組織了公司與A-B公司戰略聯盟的談判和實施，統籌策劃了公司的重大資產重組和購併項目，在戰略管理理論方面有很深造詣，擁有工程系列應用研究員職稱。

Mr. SUN Ming Bo, aged 51, is the Executive Director and Executive Vice President of the Company with EMBA at Nankai University and Doctorial Degree of Management from Tongji University. Mr. SUN ever took the position of Deputy Factory Manager and Chief Engineer of Tsingtao Brewery No. 1, Assistant to the General Manager & Vice Chief Engineer of the Company. Mr. SUN took in charge of organizing the negotiation and implementation over the strategic alignment between the Company and A-B Company, overall planning of the significant asset restructuring and projects of M&A for the Company with substantial experience in production, technical management and strategic development in brewery. Mr. SUN obtained title of Applicable Researcher of Engineering with profound accomplishments in the theory of strategic management.



劉英弟先生  
Mr. LIU Ying Di

劉英弟先生，現年51歲，本公司執行董事，高級工程師。劉先生曾任青島啤酒廠副廠長、本公司副總經理，在企業生產、技術和管理等方面，具有三十多年的豐富經驗，並負責組織推進了公司的管理現代化和信息化建設。劉先生於2006年榮獲國家信息化測評中心優秀CIO獎。劉先生同時兼任青島啤酒集團有限公司董事、執行總裁等職務。劉先生為青島市第十四屆人大代表及山東省第十屆政協委員。

Mr. LIU Ying Di, aged 51, is the Executive Director and Senior Engineer of the Company. Mr. LIU was ever the Deputy Factory Manager of Tsingtao Brewery No. 1, and Deputy General Manager of the Company. He has over 30 years' experience in corporate production, technology, management, and etc., and takes responsibility to organize and promote the modernization and information construction for the Company's management. In 2006, Mr. LIU was awarded prize of 'Best CIO' by the National Information Evaluation Center. Mr. LIU is also the Director and Executive President of Tsingtao Brewery Group Company Limited. He is the Representative of the 14th People's Congress in Qingdao and Member of the 10th Shandong Committee of CPPCC.



孫玉國先生  
Mr. SUN Yu Guo

孫玉國先生，現年53歲，本公司執行董事、副總裁、總會計師。孫先生曾任青島市財政局副處長、市國有資產管理局處長。孫先生在企業和政府部門從事財務工作三十多年，具有豐富的財務管理和資本運作經驗，擁有註冊會計師和註冊評估師資格。2005年2月，孫先生當選「首屆中國CFO十大年度人物」。

Mr. SUN Yu Guo, aged 53, is the Executive Director, Vice President and Chief Accountant of the Company. Mr. SUN ever worked as Deputy Department Head in Finance Bureau of Qingdao, and then Department Head in State-owned Assets Administration of Qingdao. Mr. SUN had been doing financial work in the governmental departments for over 30 years with qualification of CPA and CPV (Certified Public Valuator), which brought him rich experience in financial management and capital operations. In February 2005, Mr. SUN was awarded title of "Top 10 CFO in China" as the only successful candidate from Shandong Province.

## 董事簡介 Profiles of Directors



Mr. Mark F. SCHUMM

Mr. Mark F. Schumm, 現年52歲，本公司非執行董事，密執根大學工商管理碩士，主修財政金融。Mr. Schumm現任安海斯-布希國際公司亞洲業務運作和開發副總裁。Mr. Schumm在啤酒行業有二十多年的經驗，在A-B公司曾負責公司規劃及國際業務發展工作，並在財會、金融、出口、歐洲及加拿大地區的產品品牌管理，在日本實地經營管理以及亞洲業務的開拓發展方。

Mr. Mark F. SCHUMM, aged 52, is the Non-executive Director of the Company. He obtained MBA from principal Major of Finance at University of Michigan, USA. Mr. SCHUMM is currently the Vice President of Asia Operations and Development in Anheuser-Busch International, Inc. In the past 20 years, Mr. SCHUMM worked for A-B Company to be responsible for the corporate planning and development of international business, as well as the accounting, finance, export, brand management for their products in Europe and Canada, and obtained rich experience in site operational management in Japan as well as business development in Asia.



楚振剛先生  
Mr. CHU Zhen Gang

楚振剛先生，現年59歲，本公司獨立董事，高級經濟師，南開大學EMBA畢業。楚先生現任青島市企業發展投資有限公司總經理，曾任青島市燃料公司副經理，青島市經濟委員會處長，青島市經委副主任、青島市市南區副區長等職，具有三十餘年企業管理和經濟管理經驗。楚先生同時擔任青島朗訊科技通訊設備有限公司董事及青島黃海橡膠股份有限公司副董事長等職務。

Mr. CHU Zhen Gang, aged 59, is the Independent Director of the Company, and Senior Economist with EMBA at Nankai University. He is the General Manager of Qingdao Enterprise Developing & Investing Co., Ltd. Mr. CHU was ever the Deputy Manager of Qingdao Fuel Co., Ltd., Department Head and Deputy Director of Qingdao Economy Commission, Vice Head of Government of Shinan District of Qingdao, with over 30 years' experience in corporate and economic management. Mr. CHU is also the Director of Lucent Technologies Qingdao Communications Systems, Ltd., Vice Chairman of Qingdao Yellow Sea Rubber Co., Ltd., and etc.



付洋先生  
Mr. FU Yang

付洋先生，現年58歲，本公司獨立董事，付先生為北京市康達律師事務所合夥人、主任，中國國際經濟貿易仲裁委員會仲裁員。付先生曾任全國人大法制工作委員會經濟法室副主任，主要參加過經濟合同法、涉外經濟合同法、礦產資源法、藥品管理法、公司法、環保法等40餘部法律的制訂工作。付先生並曾任中華全國律師協會第三、四、五屆副會長。

Mr. FU Yang, aged 58, is the Independent Director of the Company. He is the Partner and Director of Kang Da Law Firm in Beijing, Arbitrator of China International Economic and Trade Arbitration Commission. Mr. FU ever served as Deputy Director of the Economic Law Office in the Commission of Legislative Affairs of NPC, participating in preparation of over 40 laws such as Economic Contract Law, Law on Economic Contracts Involving Foreign Interest, Mineral Resources Law, Law on the Administration of Drugs, Company Law, and Environmental Protection Law. Mr. FU was also Vice President of 3rd, 4th and 5th All China Lawyers Association.



李燕女士  
Ms. LI Yan

李燕女士，現年51歲，本公司獨立董事。李女士現任中央財經大學財政學院教授、副院長，中國財稅法學研究會理事、全國財政學教學研究會理事。李女士擁有註冊會計師專業資格，並為中國註冊會計師協會非執業會員。李女士具有多年財稅教學科研及實踐經驗，主編出版專著、教材20餘部，主持了包括國家社會科學基金項目在內的多項重大課題，參與了包括國務院國資委、財政部、教育部、中國法學會、北京市等多項國家級、省部級課題的研究，發表學術論文多篇，並多次獲獎。同時，李女士還作為全國人大財經委諮詢專家參與了我國《稅收徵收管理法》、《政府採購法》、《預算法》等法律的制定或修改討論，主持和參與了北京市多個區縣的財政「十一五」規劃的制定，並在多家公司任財稅顧問，為服務社會發揮了積極作用。

Ms. LI Yan, aged 51, is the Independent Director of the Company. She is the Professor in School of Public Finance and Administration and Vice President of Finance School at Central University of Finance and Economics, member of China Finance and Taxation Law Society and member of National Institute of Teaching Study of Finance. Ms. LI is the Non-professional Member with CPA certificate of the Chinese Institute of Certified Public Accountants. Ms. LI has years' of experience in teaching, researching and practicing of finance and taxation. She published over 20 books and textbooks as chief editor, and hosted dozens of significant subjects including the project of the National Social Science Fund, participated in the researches on the State's, ministry's and provincial subjects including those of the State-owned Assets Supervision and Administration Commission of the State Council, Ministry of Finance, Ministry of Education, China Law Society., and Beijing. Meanwhile, as Consulting Expert of NPC Finance and Economy Committee, Ms. LI participated in the working out and discussions for revision of laws including Law of Administration of Taxes Collection, Law of Governmental Purchase, Budget Law. hosted and participated in the working out of the '11th 5-year' Scheme of Finance for some districts and countries in Beijing, and took position of Financial Consultant in a couple of companies, which played active roles in serving the society.



潘昭國先生  
Mr. POON Chiu Kwok

潘昭國先生，現年45歲，本公司獨立董事。潘先生現任職華寶國際控股有限公司執行董事。潘先生擁有國際會計學碩士學位，法律深造證書，法律（榮譽）學士學位及商業學（榮譽）學士學位，並分別為香港證券專業學會會員、英國特許秘書及行政人員公會及香港特許秘書公會會員，及為香港證券專業學會專業教育委員會委員。潘先生在證券法規、商業及投資銀行方面擁有廣泛的經驗，在金融及證券界從業約二十二年，曾擔任監管、投資銀行及財務顧問等角色。潘先生現為於香港交易所主板上市之深圳中航集團股份有限公司的獨立董事。

Mr. POON Chiu Kwok, aged 45, is the Independent Director of the Company. He is currently an Executive Director of the Huabao International Holdings Limited. Mr. POON holds a master degree in arts, majoring in international accounting, a postgraduate certificate in laws, a bachelor degree with honors in laws, and a bachelor degree with honors in arts, majoring in business studies. He is a member of the Hong Kong Securities Institute ("HKSI"), the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Chartered Secretaries, and Professional Education Committee of HKSI. Mr. POON has extensive experience in securities regulations and commercial and investment banking. He has been working as a regulator, investment banker and financial adviser in the financial and securities sector for around 22 years. Mr. POON currently serves as an Independent Non-executive Director of CATIC Shenzhen Holdings Limited being a H-share company listed on the Main Board of HKEx.

## 監事簡介 Profiles of Supervisors



孫賈堯先生  
Mr. SUN Jia Yao

孫賈堯先生，現年58歲，本公司監事會主席，大學文化程度。孫先生兼任青島益青國有資產控股公司監事會主席，青島流亭國際機場有限公司監事會主席，青島啤酒集團有限公司監事會主席。孫先生曾任青島市黃島區委副書記、台東區政府副區長、青島市紡織總公司董事及副書記，熟悉企業管理及經濟管理。1999年起，先後被市政府委派擔任青島凱聯(集團)有限責任公司和青島(香港)華青發展有限公司專職監事會主席，積累了豐富的監事會運作經驗。

Mr. SUN Jia Yao, aged 58, is the Chairman of the Board of Supervisors of the Company, with university educational background. Mr. SUN is also the Chairman of the Board of Supervisors of Qingdao Yiqing State-owned Assets Holdings Company, Qingdao Liuting International Airport Company, and Tsingtao Brewery Group Company Limited. Mr. SUN ever served as Deputy Secretary to the Party of Huang Dao District of Qingdao, Deputy Head of Government of Taidong District of Qingdao, and Board Director and Deputy Secretary to the Party of Qingdao Textile Corporation, which helped him be familiar with corporate and economic management. Since 1999, Mr. SUN has accumulated considerable experience in operating Board of Supervisors through taking the position as full-time Chairman of Board of Supervisors of Qingdao Kailian (Group) Corporation Limited and Qingdao (Hong Kong) Huaqing Development Co., Ltd. under assignment by the People's Government of Qingdao.



黃祖江先生  
Mr. HUANG Zu Jiang

黃祖江先生，現年42歲，本公司職工監事，南開大學EMBA畢業。黃先生現任本公司生產運營總裁助理兼製造中心生產管理總部部長，曾任青島啤酒二廠釀造車間主任、生產計劃處處長、廠長助理、副廠長、廠長，深圳青島啤酒朝日有限公司董事、副總經理等職，從事企業內部管理工作多年，有豐富的企業管理經驗。

Mr. HUANG Zu Jiang, aged 42, is the Supervisor as Staff Representative of the Company with EMBA at Nankai University. He is currently Assistant to President of Production and Operation, and Head of Production Management Dept. of Manufacturing Center. Mr. HUANG ever worked as Director of Brewing Workshop, Head of Production Planning Dept., Assistant to the Factory Manager, Deputy Factory Manager and Factory Manager of Tsingtao Brewery No. 2, as well as Board Director, Vice General Manager of Shenzhen Tsingtao-Asahi Company Limited, and etc. Mr. HUANG accumulates substantial experience in corporate management after having worked for the internal corporate management for years.



任增貴先生  
Mr. REN Zeng Gui

任增貴先生，現年44歲，本公司職工監事，中國對外經濟貿易大學MBA課程班畢業，擁有會計師職稱。任先生現任本公司內控部部長，曾任本公司青島啤酒第五有限公司財務總監、監事會辦公室審計處處長、審計總部部長。任先生從事財務工作20餘年，有豐富的企業財務管理及審計工作經驗。

Mr. REN Zeng Gui, aged 44, is the Supervisor as Staff Representative of the Company with MBA Class at University of Foreign Business and Economics, and holds title of Accountant. He is the Head of Internal Control of the Company. Mr. REN was ever the Finance Director of Tsingtao Brewery No. 5 Company Limited, Head of Audit Dept. under Office to the Board of Supervisors and Head of Audit Dept. Mr. REN has been working with financial and auditing affairs for over 20 years, which brought him substantial experience in corporate finance management and auditing.

## 監事簡介 Profiles of Supervisors



鄭曉凡女士  
Ms. Frances ZHENG

鄭曉凡女士，現年45歲，本公司股東代表監事，美國賓西法尼亞州伊思坦大學工商管理碩士。現任安海斯-布希亞洲公司財務總監。鄭女士在中國、美國及香港等地的國際化專業性事務所及企業工作20多年，經驗豐富，工作範圍包括業務拓展、稅收籌劃、投資諮詢等專業服務，以及企業規劃、財務分析和企業管理等領域。

Ms. Frances ZHENG, aged 45, is the Supervisor as Shareholders Representative of the Company. She obtained MBA at Eastern University of Pennsylvania, USA. She is currently the Finance Director of Anheuser-Busch Asia, Inc. Ms ZHENG has worked for international and professional agencies and enterprises in China, USA and Hong Kong SAR for over 20 years with substantial experience. Her working scale includes the professional services of business development, taxation planning, and the areas of enterprise planning, financial analysis and business management.



劉清遠先生  
Mr. LIU Qing Yuan

劉清遠先生，現年59歲，本公司外部監事，畢業於青島科技大學，劉先生現任青島律師協會常務理事、副會長，山東天和律師事務所主任。曾任青島市市南區律師事務所律師，青島市市南區政府法律顧問，具有長期的法律工作經驗。

Mr. LIU Qing Yuan, aged 59, is the External Supervisor of the Company. Mr. LIU graduated from Qingdao Institute of Chemical Engineering. He is currently the Standing Director and Vice Chairman of Qingdao Lawyers Society, and Director of Shandong Tianheren Law Firm. He was ever the lawyer of Qingdao Shinan District Law Firm, Law Consultant of Government of Shinan District of Qingdao, with substantial experience in legal affairs.



鐘明山先生  
Mr. ZHONG Ming Shan

鐘明山先生，現年56歲，本公司外部監事，高級會計師，大專文化程度。鐘先生現任信永中和會計師事務所審計合夥人、青島分所主任會計師，歷任青島會計師事務所副所長、青島市財政駐廠員管理處副主任、山東德盛有限責任會計師事務所所長，長期從事財務工作，擁有中國註冊會計師執業資格。

Mr. ZHONG Ming Shan, aged 56, is the External Supervisor of the Company and Senior Accountant with college educational background. He is currently audit partner of Shinewing Certified Public Accountants and Chief Accountant of its Qingdao Branch. Mr. ZHONG has a long history in financial work with Profession Qualification of CCPA after having served as Vice Head of Qingdao CPA Services, Deputy Director of Plant Representative Dept. of Qingdao Finance Bureau and Head of Shandong Desheng CPA Ltd.

## 高級管理人員簡介 Profiles of Senior Management



樊偉先生  
Mr. FAN Wei

樊偉先生，現年48歲，本公司生產運營總裁，江南大學碩士研究生畢業。樊先生曾任本公司青島啤酒二廠副廠長、總工程師、總釀酒師等職，有豐富的啤酒企業生產、科研及技術管理經驗，擁有工程系列應用研究員職稱。

Mr. FAN Wei, aged 48, is the President of Production and Operation of the Company. Mr. FAN graduated with a Master's Degree at Southern Yangtze University. He ever took the position of Deputy Factory Manager, Chief Engineer of Tsingtao Brewery No. 2 and Chief Brewer. He has rich experience in production, scientific research and technical management in a brewery with title of Applicable Researcher of Engineering.



嚴旭女士  
Ms. YAN Xu

嚴旭女士，現年43歲，本公司營銷總裁，亞洲（澳門）國際公開大學EMBA畢業。嚴女士曾任珠江啤酒集團總經理助理、董事兼副總經理，一九九九年一月加盟本公司，歷任青島啤酒華南事業總部總經理、華南投資有限公司及華南營銷有限公司總經理和公司副總裁等職。嚴女士長期從事啤酒銷售及市場管理工作，具有豐富的市場營銷經驗。

Ms. YAN Xu, aged 43, is the President of Marketing of the Company, with EMBA at Asia International Open University (Macau). She was ever the Assistant to the General Manager, Director & Deputy General Manager of Zhujiang River Brewery Group Company. She joined the Company in January 1999, and ever took the positions as General Manager of South China Business Center, General Manager of South China Investment Company Limited and South China Sales Company Limited, and Vice President of the Company. Ms. YAN has rich experience in marketing as she has been focusing on beer sales and market management for many years.



張學舉先生  
Mr. ZHANG Xue Ju

張學舉先生，現年53歲，本公司副總裁，張先生歷任本公司財務部部長、董事會秘書、銷售公司總經理。張先生曾長期擔任本公司董事會秘書及財務負責人，負責本公司上市業務及財務管理工作，在上市公司運作、投資者關係管理及啤酒企業管理方面具有豐富的經驗。

Mr. ZHANG Xue Ju, aged 53, is the Vice President of the Company. Mr. ZHANG was ever Head of Finance Dept., Board Secretary and General Manager of sales company. He has being Secretary to the Board of Directors of the Company, and financial officer for a long time to be in charge of listing and financial affairs, and has substantial experience in operations of listing company, management of investor relations and management of brewery.



曹向東先生  
Mr. CAO Xiang Dong

曹向東先生，現年56歲，本公司副總裁，曹先生曾任青啤二廠處長、廠長及青啤一廠廠長、本公司總經理助理、青島啤酒華東控股公司總經理、華東營銷有限公司董事長等職，具有長期的啤酒企業經營管理經驗。

Mr. CAO Xiang Dong, aged 56, is the Vice President of the Company. Mr. CAO has substantial experience in operating and managing brewery after having served as Department Head, Factory Manager of Tsingtao Brewery No. 2, Factory Manager of Tsingtao Brewery No. 1, Assistant to the General Manager of the Company, General Manager of Tsingtao Brewery East China Holdings Company and Chairman of Shanghai Tsingtao Brewery East China Sales Company Limited.

## 高級管理人員簡介 Profiles of Senior Management



姜宏女士  
Mr. JIANG Hong

姜宏女士，現年51歲，本公司副總裁，高級經濟師，南開大學EMBA畢業。姜女士歷任本公司生產部部長、青島啤酒二廠廠長、本公司監事、企業管理部部長、總裁助理兼人力資源管理總部部長等職，具有豐富的啤酒企業生產和管理經驗。

Mr. JIANG Hong, aged 51, is the Vice President of the Company and Senior Economist with EMBA at Nankai University. She has rich experience in production and management in brewery after having served as Head of Production Dept. of the Company, Factory Manager of Tsingtao Brewery No. 2, Supervisor, Head of Corporate Management Dept., and Assistant to the President & Head of Human Resources Dept. of the Company.



張安文先生  
Mr. ZHANG An Wen

張安文先生，現年50歲，本公司副總裁，陝西工商管理學院EMBA畢業。張先生歷任青島啤酒西安有限責任公司總經辦主任、副總經理、總經理及青島啤酒西安漢斯集團有限公司董事長等職，具有豐富的啤酒企業生產和管理經驗。

Mr. ZHANG An Wen, aged 50, is the Vice President of the Company with EMBA at Shaanxi Institute of Business Management. He has rich experience in production and management of brewery after having served as Director of Office to General Manager, Deputy Manager and General Manager of Tsingtao Brewery (Xi'an) Company Limited and Chairman of Tsingtao Brewery Xi'an Hans Group Company Limited.



董建軍先生  
Mr. Dong Jian Jun

董建軍先生，現年47歲，本公司總釀酒師，天津科技大學發酵工程專業博士，擁有工程系列應用研究員職稱。董先生在技術創新及質量管理方面有豐富經驗，榮獲「山東省優秀質量管理工作者」、「山東省有突出貢獻的中青年專家」等稱號。

Mr. DONG Jian Jun, aged 47, is the Chief Brewer of the Company with Doctor's Degree of Ferment Engineering at Tianjin University of Science & Technology. He has the title of Applicable Researcher of Engineering. Mr. Dong has rich experience in technical innovation and quality management with titles including 'Excellent Worker of Quality Management in Shandong Province' and 'Young and Mid-aged Expert with Great Achievements in Shandong Province'.



于嘉平先生  
Mr. YU Jia Ping

于嘉平先生，現年45歲，本公司生產運營副總裁，中歐國際工商學院工商管理研究生，於先生具備較強的專業管理能力和協調能力，並在提高工廠運營效率、降低生產運營成本方面具有豐富經驗。於先生曾榮獲2003年山東省輕工行業拔尖人才稱號。

Mr. YU Jia Ping, aged 45, is the Vice President of Production and Operation of the Company with EMBA at China Europe International Business School (CEIBS). He is strong at professional management and coordination and has rich experience in improving plants' operational efficiency and reducing producing and operational costs. Mr. YU was entitled 2003 Expert in Light Industrial Sector in Shandong Province.

## 高級管理人員簡介 Profiles of Senior Management



陸文金先生  
Mr. Lu Wen Jin

陸文金先生，現年42歲，本公司營銷副總裁，武漢大學會計碩士研究生，擁有會計師職稱。陸先生富有創新精神，勇於變革營銷管理，創建了宏觀造勢、微觀運營的銷售管理模式和獨具特色的銷售系統文化。

Mr. LU Wen Jin, aged 42, is the Vice President of Marketing of the Company with Master's Degree of Accounting at Wuhan University. He has the title of Master of Accountant. Mr. LU is innovative and active in reform of marketing management. He creates the sales management mode of utilizing all external/internal opportunities and stabling detailed operations, and the sales culture with its unique characteristics.



楊華江先生  
Mr. Yang Hua Jiang

楊華江先生，現年45歲，本公司營銷副總裁，西安交通大學企業管理專業博士，擁有高級經濟師職稱。楊先生通過體育營銷、事件營銷積極推廣品牌主張，在品牌管理、市場推廣、奧運營銷等方面具有豐富經驗。

Mr. YANG Hua Jiang, aged 45, is the Vice President of Marketing of the Company with Doctor's Degree of Entrepreneurial Management at Xi'an Jiaotong University. He has the title of Senior Economist. Mr. YANG actively promotes the concept of brand through sports marketing and event marketing, and has rich experience in Olympic marketing.



袁璐女士  
Ms. YUAN Lu

袁璐女士，現年52歲，本公司董事會秘書、董事長助理，袁女士歷任本公司董事會秘書室主任、董事會秘書。長期從事公司董事會秘書及投資者關係管理工作，參與了公司多項資本運作項目的策劃、談判及實施，在公司法人治理結構建設和上市公司運作方面具有豐富的經驗。2005年袁女士榮獲「首屆中國上市公司金牌董秘」稱號，並於2006年成為國際特許秘書總會及香港特許秘書公會的資深會士。

Ms. YUAN Lu, aged 52, is the Secretary to the Board of Directors and Assistant to Chairman of the Company. She was ever the Director of Secretaries' Office to the Board of Directors and Secretary to the Board of Directors. Ms. YUAN has a long history involving secretarial work to the Board of Directors and management of investor relations of the Company. She participated in a couple of planning, negotiation and implementation of capital operation projects for the Company, and has rich experience in construction of corporate governance and operation of listed company. In 2005, Ms. YUAN was awarded 'The 1st Golden Board Secretary of Listed Companies in China'. She is also elected to Fellow of the Institute of Chartered Secretaries and Administrators (FCIS) and Fellowship of Hong Kong Institute of Chartered Secretaries (FCS) in 2006.

### 一. 報告期內公司重大訴訟、仲裁事項

2000年4月，本公司受讓徐州匯福集團（「匯福集團」）啤酒生產部分除流動資產以外的所有資產，設立青島啤酒（徐州）彭城有限公司（「彭城公司」）。2005年11月，由於匯福集團破產，三九企業集團作為匯福集團的連帶保證人，為匯福集團向中國建設銀行徐州市分行的人民幣635萬元貸款承擔了擔保責任，共計代匯福集團償還債務人民幣1,050萬元及其他費用人民幣153.4萬元。2007年10月8日，三九企業集團向徐州市中級人民法院提起訴訟，要求本公司、彭城公司、徐州市財政局及徐州市輕工業公司連帶清償三九企業集團的本金及利息共計1,213.52萬元人民幣。本案已經徐州市中級人民法院立案，已於2007年12月24日交換證據，正在進一步審理中。

### 二. 報告期內公司對外擔保及委托貸款事項

報告期內，經董事會批准，本公司控股子公司青島啤酒第五有限公司為其持股40%的青島青啤朝日飲品有限公司向境內商業銀行申請的總額為2,200萬元人民幣的授信業務提供展期擔保，擔保期限為12個月，自2007年7月16日至2008年7月15日。詳情請見本公司於2007年7月31日發出之公告。

報告期內，本公司沒有發生委托理財事項。為保障子公司的生產經營，經公司董事會批准，本公司為下屬控股子公司合計發放的委托貸款總金額約為人民幣279,255萬元。

### I. Material Litigations and Arbitrations during the Reporting Period

In April 2000, the Company acquired all assets (except liquid assets) of the beer production section of Huifu Group (“Huifu Group”) and established Tsingtao Brewery (Xuzhou) Pengcheng Company Limited (“Pengcheng Company”). In November 2005, Huifu Group was bankrupted, and 999 Group as a joint guarantor for the Huifu Group assumed liability to repay the loan of RMB 6.35 million from Xuzhou Branch of China Construction Bank to the Huifu Group, and it repaid debts in the amount of RMB 10.5 million and other expenses in the amount of RMB 1.534 million on behalf of the Huifu Group. On 8 October 2007, 999 Group brought an action in the Xuzhou Intermediate People’s Court, demanding the Company, Pengcheng Company, Xuzhou Bureau of Finance and Xuzhou Light Industry Company to jointly repay its principal payment and interests totaling RMB12.1352 million. The case has been registered in Xuzhou Intermediate People’s Court and exchange of evidence has taken place on 24 December 2007. Further inquiry is now taking place.

### II. Providing Guarantees and Trusted Loans by the Company during the Reporting Period

During the reporting period, with the approval of the Board of Directors, Tsingtao Brewery Company Limited No. 5, the Company’s controlling subsidiary, provided extension guarantee for Qingdao Tsingtao-Asahi Company Limited, in which it holds 40% stake, in respect of loans in the total amount of RMB22 million offered by the domestic commercial banks. The guarantee period is 12 months, from 16 July 2007 to 15 July 2008. For further details, please refer to the announcement made by the Company on 31 July 2007.

During the reporting period, no issues involving trust of wealth management occurred. The Company has, with the approval of the Board of Directors, provided trusted loans in the approximate sum of RMB2,792.55 million to its subsidiaries to secure their production and operation.

### 三. 關聯交易事項

#### 1. 與青島啤酒工程有限公司(「工程公司」)之間的設備安裝工程服務關聯交易

2007年12月21日，本公司與工程公司簽訂《有關青啤工程公司為本公司附屬子公司提供設備安裝工程服務的框架協議》，約定由工程公司為本公司的17家附屬子公司及生產廠的新建和技改擴建項目提供設備及安裝工程服務，工程總額約人民幣5,549萬元。根據公司於2007年12月24日發佈的關聯交易公告，2007年內，有關子公司向工程公司支付設備工程款約人民幣2,638萬元，預計2007年底支付金額不超過人民幣3,000萬元，其餘款項將在2008年按工期進度予以支付。2007年12月29日，本公司與青啤集團簽訂《股權轉讓合同》，以人民幣249萬元的現金對價受讓青啤集團通過青島市產權交易所公開掛牌轉讓的所持工程公司100%國有產權，並於2008年3月辦理完畢受讓股權的工商變更手續，工程公司成為本公司之全資附屬子公司，本公司與工程公司之間發生的交易不再屬於關聯交易。



2. 除以上所述關聯交易之外，公司關聯交易的關聯方主要為控股子公司少數股東及聯營企業，詳情載於財務報表附註。

### III. Related Party Transaction

#### 1. Related Party Transaction of Equipment and Installation Services with Tsingtao Brewery Engineering Company Limited (“Engineering Company”).

On 21 December 2007, the Company signed *Framework Agreement of Providing Equipment and Installation Services for Subsidiaries of the Company by Tsingtao Brewery Engineering Company Limited* in which it stipulated that the Engineering Company provided equipment and installation services for the projects of new constructions and technical reconstructions for the 17 subsidiaries of the Company, with the total amount of the projects was RMB55.49 million. Pursuant to the related party announcement published on 24 December 2007 by the Company, certain subsidiaries has paid about RMB26.38 million to the Engineering Company in 2007, and its was expected that the total amount paid by the end of 2007 would not exceed RMB30 million. The remaining amounts would be paid in 2008 according to the process of the projects. On 29 December 2007, the Company and Tsingtao Group signed *Agreement of Share Transfer*, to acquire 100% state-owned property ownership of the Engineering Company held by Tsingtao Group for RMB2.49 million in cash through Qingdao Property Ownership Trading Center, and completed the procedures of registration change in the Administration for Industry and Commerce for the transferred shareholdings in March 2008, the Engineering Company became a wholly-owned subsidiary of the Company, and the transactions between the Company and the Engineering Company are no longer related party transactions.

2. Except the aforesaid related transaction, the related parties of the related party transactions are mainly minority shareholders of controlling subsidiaries and associates of the Company. For details, please refer to the *Notes to the Financial Statement*.

### 四. 托管事項

根據本公司與青島啤酒集團有限公司(「集團公司」)簽訂的《委托經營管理協議》及其補充協議，報告期內本公司繼續對集團公司在青島啤酒(揚州)有限公司(「揚州公司」)中持有的80%股權進行受託管理，並將揚州公司納入財務報表合範圍。

### 五. 公司2007年度適用所得稅稅率調整事宜

根據2008年4月本公司接獲的青島市稅務機關的通知，報告期內本公司適用企業所得稅稅率按33%執行(之前本公司適用的所得稅稅率為15%)。本公司因上述稅率調整而需增加所得稅費用約人民幣1.75億元，對本公司2007年度業績產生較大影響。

截止本報告披露之日，對於2007之前年度的所得稅如何處理，稅務機關尚未有定論。若有進一步信息，本公司將及時做出公告。按照2008年1月1日起施行的新的《企業所得稅法》，2008年度本公司適用所得稅稅率為25%。

### 六. 報告期後重大事項

1. 本公司通過西安產權交易中心公開交易的方式受讓西安工業資產經營有限公司(「工業公司」)所持有的青島啤酒西安漢斯集團有限公司(「青啤漢斯」)23.9%股權。根據公開掛牌結果，本公司以人民幣17,100萬元的價格受讓該等股權，並於2007年12月28日與工業公司簽訂股權轉讓協議。公司董事會(包括獨立董事)認為，本次交易符合公司的發展戰略，有利於公司加強對青啤漢斯的集中管理，繼續推進西北市場的組織架構和品牌整合力度。收購價格以評估機構評估的青啤漢斯淨資產值為依據，並考慮了青啤漢斯的經營狀況和盈利能力，本次交易定價屬公平合理，並符合

### IV. Custody

Under the *Entrusted Operation and Management Agreement* and its supplementary agreement signed between the Company and Tsingtao Brewery Group Company Limited (“Group Company”), the Company went on to manage the Group Company’s 80% stake in Tsingtao Brewery (Yangzhou) Company Limited (“Yangzhou Company”) as its custodian and included it into the consolidating scope of financial statements during the reporting period.

### V. Adjustment to the Income Tax Rate Applicable for 2007

According to the notice from the tax authority in Qingdao in April 2008, the applicable income tax rate for the Company during the reporting period was 33% (the previous income tax rate applicable to the Company was 15%). As a result of the adjustment, the Company needs to pay additional income tax in the sum of approximately RMB175 million, which will have relatively substantial impacts on the Company’s 2007 annual results.

As at the date of disclosure of this Report, the tax authority has not made any decision on how to settle the income tax before the year 2007. The Company will issue further announcement as and when appropriate upon receipt of any further information. Pursuant to the new *Enterprise Income Tax Law of the People’s Republic of China* which came into effect on 1 January 2008, the income tax rate applicable to the Company for 2008 is 25%.

### VI. Significant Events after the Reporting Period

1. The Company acquired 23.9% shareholdings in Tsingtao Brewery Xi’an Company (“Xi’an Company”) held by Xi’an Industrial Assets Operations Co., Ltd. (“Industrial Co.”) through open transaction in the Xi’an Property Ownership Trading Center. According to the result of public bidding, the Company acquired such shares by paying RMB 171 million, and signed the share transfer agreement with Industrial Co. on 28 December 2007. The Board of Directors of the Company (including Independent Directors) believes that, the transaction is in line with the Company’s development strategies, and is beneficial to the Company for strengthening its centralized management over Xi’an Company and further improving the organizational structure and brands integration in the west-north market. The acquisition price is based on the net asset value of Xi’an Company as assessed by valuation agency, and the

## 重要事項 Significant Events

公司及其股東的整體利益。有關交易的詳情請見公司於2008年1月4日刊載於境內報章及上市地交易所網站的關連交易公告。2008年1月25日，上述股權轉讓事項在西安市工商局辦理完畢變更登記手續，青啤漢斯成為本公司全資附屬公司。

2. 經中國證監會核准，本公司於2008年4月2日在上海證券交易所向符合條件的A股投資者發行了價值15億元人民幣、期限為6年的分離交易可轉債，該等發行於4月9日完成，並由山東滙德會計師事務所有限公司出具募集資金驗資報告。本次發行的公司債券及認股權證已於4月18日在上海證券交易所掛牌上市。

operational situations and earning ability of Xi'an Company was also taken into account. The transaction price is fair and reasonable, and is in line with the interests of the Company and its shareholders as a whole. For details of the transaction, please refer to the related party transaction announcement dated 4 January 2008 published in the domestic newspaper and the website of stock exchange where it is listed. On 25 January 2008, the registration process for transfer of above shares was completed in Xi'an Administration for Industry and Commerce, and Xi'an Company became a wholly-owned subsidiary of the Company.

2. With the approval of the China Securities Regulatory Commission, the Company issued bonds with warrants with a 6-year term in the total value of RMB1.5 billion to qualified investors of A-shares in the Shanghai Stock Exchange on 2 April 2008. Such issuance was completed on 9 April 2008, and Shandong Huide CPAs issued capital verification report on the proceeds from the subject offering. The bonds and warrants in this offering have been listed on the Shanghai Stock Exchange on 18 April 2008.



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## TO THE SHAREHOLDERS OF TSINGTAO BREWERY COMPANY LIMITED

*(A Sino-foreign joint stock company established in the People's Republic of China with limited liability)*

We have audited the consolidated financial statements of Tsingtao Brewery Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 67 to 143, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independent Auditor's Report

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 21 April 2008

## Balance Sheets

	Note	Group		Company	
		As at 31 December		As at 31 December	
		2007	2006	2007	2006
		RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	7	5,608,946	5,098,594	946,698	957,531
Investment property	7	—	—	20,853	—
Leasehold land and land use rights	6	717,172	676,759	65,878	68,892
Prepayment for land use rights		17,442	17,442	17,442	17,442
Intangible assets	8	237,269	232,493	95,494	78,741
Investments in subsidiaries	9	—	—	1,857,838	1,628,989
Loans to subsidiaries	9	—	—	2,704,878	2,759,788
Interests in associates	10	27,882	18,576	7,200	6,004
Deferred income tax assets	20	174,783	70,813	120,425	41,563
Available-for-sale financial assets	12	20,223	—	12,195	16,504
Other long-term assets		11,120	27,258	3,167	22,664
		<b>6,814,837</b>	<b>6,141,935</b>	<b>5,852,068</b>	<b>5,598,118</b>
<b>Current assets</b>					
Inventories	13	2,187,254	1,641,319	411,062	316,998
Amounts due from subsidiaries		—	—	237,434	146,509
Trade receivables	14	94,199	101,180	44,117	33,535
Bills receivable		37,294	44,979	—	—
Deposits, prepayments and other receivables	15	1,076,742	415,803	293,260	88,736
Pledged bank deposits	23	20,266	19,524	—	—
Cash and cash equivalents	11	1,314,643	1,213,243	689,459	594,700
		<b>4,730,398</b>	<b>3,436,048</b>	<b>1,675,332</b>	<b>1,180,478</b>
<b>Total assets</b>		<b>11,545,235</b>	<b>9,577,983</b>	<b>7,527,400</b>	<b>6,778,596</b>
<b>EQUITY</b>					
<b>Capital and reserves attributable to the Company's shareholders</b>					
Share capital	16	1,308,219	1,308,219	1,308,219	1,308,219
Other reserves	17	3,632,861	3,560,423	3,609,216	3,541,588
Retained earnings					
— Proposed final dividend		287,808	287,808	287,808	287,808
— Others		280,297	90,979	325,429	528,623
		<b>5,509,185</b>	<b>5,247,429</b>	<b>5,530,672</b>	<b>5,666,238</b>
<b>Minority interests</b>		<b>479,150</b>	<b>452,294</b>	<b>—</b>	<b>—</b>
<b>Total equity</b>		<b>5,988,335</b>	<b>5,699,723</b>	<b>5,530,672</b>	<b>5,666,238</b>

## Balance Sheets (continued)

	Note	Group		Company	
		As at 31 December		As at 31 December	
		2007	2006	2007	2006
		RMB'000	RMB'000	RMB'000	RMB'000
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	18	90,854	53,259	—	—
Derivative financial instruments	19	22,801	3,749	22,801	3,749
Deferred income tax liabilities	20	17,035	16,448	1,828	—
Long-term loan due to a shareholder	37(b)	—	117,131	—	—
Finance lease liabilities	18	5,726	—	—	—
Deferred government grants	21	76,275	—	11,308	—
Other financial liabilities		28,286	31,800	—	—
		<u>240,977</u>	<u>222,387</u>	<u>35,937</u>	<u>3,749</u>
<b>Current liabilities</b>					
Trade payables	22	1,080,803	794,675	188,918	133,615
Bills payable	23	207,268	250,117	81,180	70,900
Accruals and other payables	24	2,172,297	1,766,404	572,702	450,760
Deposits and advance from customers	25	482,882	191,662	374,158	62,899
Taxes payable	35(b)	279,227	51,106	198,603	—
Loan due to a shareholder	37(b)	109,569	—	—	—
Borrowings	18	971,096	599,745	545,230	390,435
Current portion of long-term borrowings	18	10,216	2,164	—	—
Current portion of finance lease liabilities	18	2,565	—	—	—
		<u>5,315,923</u>	<u>3,655,873</u>	<u>1,960,791</u>	<u>1,108,609</u>
<b>Total liabilities</b>		<u>5,556,900</u>	<u>3,878,260</u>	<u>1,996,728</u>	<u>1,112,358</u>
<b>Total equity and liabilities</b>		<u>11,545,235</u>	<u>9,577,983</u>	<u>7,527,400</u>	<u>6,778,596</u>
<b>Net current (liabilities)/assets</b>		<u>(585,525)</u>	<u>(219,825)</u>	<u>(285,459)</u>	<u>71,869</u>
<b>Total assets less current liabilities</b>		<u>6,229,312</u>	<u>5,922,110</u>	<u>5,566,609</u>	<u>5,669,987</u>

LI Guirong  
Director

SUN Yuguo  
Director

The notes on pages 73 to 143 are an integral part of these consolidated financial statements.

## Consolidated Income Statements

	Note	Year ended 31 December	
		2007 RMB'000	2006 RMB'000
Sales	5	13,529,892	11,677,160
Cost of goods sold	28	(9,215,999)	(8,003,086)
<b>Gross profit</b>		<b>4,313,893</b>	3,674,074
Selling and marketing expenses	28	(2,651,635)	(2,020,660)
Administrative expenses	28	(689,326)	(837,020)
Other gains — net	26	97,469	92,674
Other operating losses — net	27	(63,095)	(255,390)
<b>Operating profit</b>		<b>1,007,306</b>	653,678
Finance expenses — net	30	(15,009)	(26,899)
Share of profit of associates — net		283	1,041
<b>Profit before income tax</b>		<b>992,580</b>	627,820
Income tax expense	31(a)	(413,812)	(179,063)
<b>Profit for the year</b>		<b>578,768</b>	448,757
<b>Attributable to:</b>			
Shareholders of the Company		538,911	447,867
Minority interests		39,857	890
		<b>578,768</b>	448,757
<b>Earnings per share for profit attributable to the Shareholders of the Company during the year (expressed in RMB per share)</b>			
— Basic and diluted	32	0.41	0.34
<b>Dividends</b>	33	<b>287,808</b>	287,808

The notes on pages 73 to 143 are an integral part of these consolidated financial statements.

## Consolidated Statements of Changes in Equity

	Note	Attributable to shareholders of the Company				Minority	Total
		Share capital	Other reserves (Note 17)	Proposed final dividends	Accumulated (losses)/ profits	interests	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2006, as previously reported</b>		1,308,219	3,673,572	209,315	(234,716)	576,686	5,533,076
Opening adjustments for the accounting policy change	2	—	(209,576)	—	209,576	—	—
<b>Balance at 1 January 2006, as restated</b>		1,308,219	3,463,996	209,315	(25,140)	576,686	5,533,076
Translation difference		—	3,986	—	—	—	3,986
Profit for the year		—	—	—	447,867	890	448,757
<b>Total recognised income and expense for 2006</b>		—	3,986	—	447,867	890	452,743
Dividends declared		—	—	(209,315)	—	(55,772)	(265,087)
Proposed dividends	33	—	—	287,808	(287,808)	—	—
Profit appropriation to surplus reserve	17	—	43,940	—	(43,940)	—	—
Acquisition/disposal interests from/to minority shareholders		—	48,501	—	—	(42,197)	6,304
Reclassified to financial liabilities		—	—	—	—	(31,800)	(31,800)
Others		—	—	—	—	4,487	4,487
<b>Balance at 31 December 2006</b>		1,308,219	3,560,423	287,808	90,979	452,294	5,699,723

## Consolidated Statements of Changes in Equity (continued)

	Note	Attributable to shareholders of the Company				Minority	Total
		Share capital	Other reserves (Note 17)	Proposed	Accumulated	interests	RMB'000
				final dividends	(losses)/ profits		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2007, as previously reported</b>		1,308,219	3,796,626	287,808	(145,224)	452,294	5,699,723
Opening adjustments for the accounting policy change	2	—	(236,203)	—	236,203	—	—
<b>Balance at 1 January 2007, as restated</b>		1,308,219	3,560,423	287,808	90,979	452,294	5,699,723
Translation difference		—	898	—	—	—	898
Gross gain on fair value of available-for-sale financial assets		—	13,007	—	—	615	13,622
Deferred income tax liabilities for available-for-sale financial assets		—	(3,252)	—	—	(154)	(3,406)
Profit for the year		—	—	—	538,911	39,857	578,768
<b>Total recognised income and expense for 2007</b>		—	10,653	—	538,911	40,318	589,882
Dividends declared		—	—	(287,808)	—	(29,902)	(317,710)
Proposed dividends	33	—	—	—	—	—	—
Profit appropriation to surplus reserve	17	—	61,785	—	(61,785)	—	—
Contribution from minority shareholders		—	—	—	—	15,703	15,703
Others		—	—	—	—	737	737
<b>Balance at 31 December 2007</b>		1,308,219	3,632,861	287,808	280,297	479,150	5,988,335

The notes on pages 73 to 143 are an integral part of these consolidated financial statements.

## Consolidated Cash Flow Statements

	Note	Year ended 31 December	
		2007	2006
		RMB'000	RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	34	1,394,061	1,332,490
Interest received		24,224	22,499
Income tax paid		(295,433)	(244,613)
Net cash generated from operating activities		1,122,852	1,110,376
<b>Cash flows from investing activities</b>			
Acquisition of a subsidiary, net of cash acquired		17,184	—
Purchase of property, plant and equipment, construction-in-progress and intangible assets		(1,054,091)	(600,751)
Proceeds from sales of property, plant and equipment	34	34,064	58,330
Prepayment for purchase of minority interests in a subsidiary	38(a)	(88,123)	—
Acquisition of subsidiary from a related party		(5,290)	—
Additional equity investments in associated companies		(8,000)	—
Proceeds from liquidation of subsidiaries		14,961	—
Decrease in short-term bank deposits and pledged bank deposits		(24,327)	6,306
Cash received from derivative financial instruments		(3,905)	3,313
Dividend received		3,660	11,135
Net cash used in investing activities		(1,113,867)	(521,667)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,090,688	568,470
Repayment of borrowings		(646,388)	(876,781)
Contributions from minority shareholders		—	15,703
Interest paid		(28,859)	(53,147)
Dividends paid to the Company's shareholders		(287,808)	(212,165)
Dividends paid to minority interests		(29,902)	(65,519)
Net cash from/(used in) financing activities		97,731	(623,439)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>106,716</b>	<b>(34,730)</b>
Cash and cash equivalents at beginning of the year		1,213,243	1,248,291
Exchange losses on cash and cash equivalents		(5,316)	(318)
<b>Cash and cash equivalents at end of the year</b>		<b>1,314,643</b>	<b>1,213,243</b>

The notes on pages 73 to 143 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION

Tsingtao Brewery Company Limited (the “Company”) was established in the People’s Republic of China (the “PRC”) on 16 June 1993. It obtained a business license as a Sino-foreign joint stock company on 27 December 1995. Its H shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 15 July 1993 and its A shares have been listed on the Shanghai Stock Exchange since 27 August 1993.

The Company and its subsidiaries (together “the Group”) are principally engaged in the production and distribution of beer products. The Company’s registered address is No.56, Dengzhou Road, Qingdao, PRC.

These consolidated financial statements have been approved for issue by the Board of Directors on 21 April 2008.

The English language names of some of the companies referred to in the financial statements represent unofficial translation of their registered Chinese names by management and these English language names have not been legally adopted by these entities.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both 2006 and 2007 presented, except the accounting policy for the determination of the surplus reserve in consolidated balance sheet and statement of changes in equity as disclosed below.

During the year ended 31 December 2007, the Group changed its policy for reserve appropriations that share of profits from subsidiaries after their respective reserve appropriations would not be subject to additional reserve appropriations at the statutory financial statements of the Company in the PRC. As a result of such change, the Group restated its reserve balances of prior years retroactively.

The effect of such change in current period is shown below:

	<b>As at 31 December 2007 RMB’000</b>
Increase in accumulated profits brought forward	<b>236,203</b>
Decrease in surplus reserve	<b>(236,203)</b>

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

#### *(a) Standards, amendment and interpretations effective in 2007*

- HKFRS 7, “Financial instruments: Disclosures”, and the complementary amendment to IAS/HKAS 1, “Presentation of financial statements — Capital disclosures”, introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group’s financial instruments, or the disclosures relating to taxation and trade and other payables; and
- HK(IFRIC) — Int 10, “Interim financial reporting and impairment”, prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group has strictly followed the requirements under this standard in its preparation of the Group’s financial statements; and
- HK(IFRIC) — Int 8, “Scope of HKFRS 2”, requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group’s financial statements.

#### *(b) Standards, amendments and interpretations effective in 2007 but not relevant*

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group’s operations:

- HK(IFRIC)-Int 11 — HKFRS2, Group and Treasury Share Transaction (effective for annual periods beginning on or after 1 March 2007). HK(IFRIC)-Int 11 provides guidance on the how to apply requirements of IFRS 2 when involving the equity instruments of the parent or subsidiaries and when involving the purchase of the entity’s own equity instrument from third parties.

As the Company’s Article of Association does not provide any provision for treasury share and redemption of the Company’s own shares, IFRIC-Int 11 is not relevant to the Group’s operation;

- HK(IFRIC) — Int 7, “Applying the restatement approach under IAS/HKAS 29, Financial reporting in hyper-inflationary economies”; and
- HK(IFRIC) — Int 9, “Re-assessment of embedded derivatives”.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

(c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). IHKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 January 2009;
- HKAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Amended) from 1 January 2009. Currently the directors are of the view that the revised HKAS 23 will not have material impact to the Group as the Group have already adopted the alternative approach under existing HKAS 23 which is similar to the revised HKAS 23;
- HKFRS 8, "Operating segments" (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in details by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Nevertheless, management does not anticipate that this will result in any material impairment to the goodwill balance; and
- HK(IFRIC) — Int 13, "Customer loyalty programmes" (effective from 1 July 2008). IFRIC/HK(IFRIC) — Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The Group will apply HK(IFRIC) — Int 13 from 1 January 2009. The expected impact is still being assessed in detail by management, in respect of whether any incentives offered by the Group to the customers would fall into the scope of this interpretation. Management does not anticipate that this will result in any material changes to the Group's operating results.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.1 Basis of preparation *(Continued)*

#### *(d) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations*

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

- HK(IFRIC) — Int 12, “Service concession arrangements” (effective from 1 January 2008). HK(IFRIC) — Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC) — Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services;
- HK(IFRIC) — Int 14, “HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction” (effective from 1 January 2008). HK(IFRIC) — Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. HK(IFRIC) — Int 14 is not relevant to the Group's operation as the Group has no defined benefit plans;
- HKAS 32 and HKAS 1 Amendments “Puttable Financial Instruments and Obligations Arising on Liquidation” (effective from 1 January 2009). The amendment requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The Group will apply HKAS 32 and HKAS 1 Amendments from 1 January 2009, but it is not expected to have any impact on the Group's financial statements;
- HKAS 27 (Revised) “Consolidated and Separate Financial Statements” (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group has already chosen the similar accounting policy as HKAS 23 (Revised) in prior years (Note 2.2);

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

#### (d) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations (Continued)

- HKFRS 3 (Revised) “Business Combination” (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are “capable of being conducted” rather than “are conducted and managed”. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 January 2010.
- IFRS Amendment “Share-based Payment Vesting Conditions and Cancellations” (effective from 1 January 2009). This amendment is not relevant to the Group's operation as the Group has currently no such schemes.

### 2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

#### (a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 2.6). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.2 Consolidation *(Continued)*

#### *(a) Subsidiaries (Continued)*

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.7). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

#### *(b) Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

#### *(c) Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified upon acquisition (Note 2.6).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the interests in associated companies are stated at cost less provision for impairment losses (Note 2.7). The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

### 2.4 Foreign currency translation

#### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

#### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

#### (c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.4 Foreign currency translation *(Continued)*

#### *(c) Group companies (Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

### 2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Plants and buildings	20 — 50 years
Machinery	5 — 14 years
Motor vehicles	5 — 12 years
Other equipment	5 — 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

### 2.6 Intangible assets

#### *(a) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associated company at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.6 Intangible assets (Continued)

#### (a) Goodwill (Continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose (Note 2.7).

#### (b) Trademarks and licences

Acquired trademarks and licences are shown at historical cost. Trademarks and licences which have a finite useful life are carried at cost less accumulated amortization. Amortisation is calculated using the straight-line method to allocate their costs over their estimated useful lives.

Trademark which is not subject to amortisation will be subject to annual impairment assessment.

#### (c) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives.

#### (d) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

#### (e) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.7 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.8 Financial assets

The Group classifies its financial assets in the following categories at fair value through profit and loss: loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition.

#### (a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables and other long-term receivables in the balance sheet (Note 2.11).

#### (b) *Held-to-maturity financial assets*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date; these are classified as current assets. During the year, the Group did not hold any investments in this category.

#### (c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

No financial assets at fair value through profit and loss were acquired during the year.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.8 Financial assets (Continued)

#### (c) Available-for-sale financial assets (Continued)

Regular purchases and sales of investments are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of monetary or non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement — is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2.11.

### 2.9 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument or not. During the year, no derivatives had been designated as hedging instruments and they were all accounted for at fair value through profit or loss accordingly. Such changes in the fair value are presented in the income statement as other gains/(losses) — net.

### 2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.11 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited in the income statement.

### 2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call or with maturities of three months or less, with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### 2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

### 2.14 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.15 Employee benefit

#### (i) Retirement benefit obligations

The employees of the Group stationed in the PRC are covered by various government-sponsored pension plans. These government agencies are responsible for the pension liability to these employees. The Group contributes on a monthly basis to these pension plans based on certain percentages of the salaries of the employees, subject to a certain ceiling. Under these plans, the Group has no legal or constructive obligation for retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

A subsidiary operating in Hong Kong has established a defined contribution mandatory provident fund scheme in accordance with the Mandatory Provident Fund legislation of the government of Hong Kong. It makes monthly contributions to the scheme based on 5% of the employees' basic salaries with the maximum amount of contribution made by the subsidiary and the employees being limited to HK\$12,000 (equivalent to RMB11,237) per annum per each employee. The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

#### (ii) Employees leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave, maternity leave and paternity leave are not recognised until the time of leave.

#### (iii) Bonus plans

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

### 2.16 Provision

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### (a) Sales of goods

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured. The recorded revenue is the gross amount of sales, including the amounts of consumption and business taxes paid and payable, such two tax items are included in cost of sales.

#### (b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

#### (c) Dividend income

Dividend income is recognised when the right to receive payment is established.

#### (d) Operating lease rental income

Operating lease rental income is recognised on a straight-line basis.

### 2.18 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight line basis over the expected lives of the related assets.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.19 Leases

The Group leases certain properties, plant and equipment. Leases where the Group has substantially accepted all the risks and rewards of ownership are classified as finance leases, and were capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Other leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### 2.20 Dividends distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

### 2.21 Investment property

Investment property, principally comprising buildings, is held for long term rental yields and is not occupied by the owner. Investment property is carried at cost, less accumulated depreciation. The depreciation is calculated using the straight line method to allocate the cost to the residual value (3% of the cost) over the estimated useful live of 40 years.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk) and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### (a) Market risk

##### (i) Foreign exchange risk

The foreign exchange risks of the Group occur due to the fact that the Group has financing activities and highly probable cash outflow which are denominated in foreign currencies, primarily in US dollars. The Group has entered into foreign exchange forward contracts to manage the risk arising from certain recognised liabilities. The directors are of the opinion that the Group's exposure to foreign exchange risk would not be very significant.

At 31 December 2007, if US dollar had appreciated by 7% against the RMB with all other variables held constant, post-tax profit for the year would have been approximately RMB2,982,000 (2006: RMB4,904,000) lower, mainly as a result of foreign exchange losses on translation of US dollar-denominated borrowings.

##### (ii) Cash flow and fair value interest rate risk

The Group's interest-bearing assets are mainly bank deposits which bear effective interests at approximately 3.7% p.a. (2006: 1.8% p.a.). They expose the Group to fair value interest-rate risk. The directors are of the opinion that future interest rate changes would not lead to significant adverse impact on the Group's operating results.

The Company and the Group's long-term borrowings and loans to subsidiaries were issued at fixed rates, and they expose the Company and the Group to fair value interest-rate risk.

At 31 December 2007, if interest rates on US dollar-denominated borrowings had increased/decreased 0.5% with all other variables held constant, post-tax profit for the year would have been approximately RMB1,224,000 (2006: RMB1,308,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2007, if interest rates on RMB-denominated borrowings had increased/decreased 0.5% with all other variables held constant, post-tax profit for the year would have been approximately RMB3,592,000 (2006: RMB887,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (b) Liquidity risk

Most of the bank financing of the Group is in the form of short-term bank loans. As a result, the Group had net current liabilities of approximately RMB585,525,000 as at 31 December 2007 (2006: RMB219,825,000). The directors are confident that the Group will be able to renew its short-term bank loan facilities upon maturity or to identify new sources of financing to replace the current ones. In addition, the Group had unutilised banking facilities granted by certain banks in an aggregate amount of approximately RMB1,400,000,000 as at 31 December 2007 (Note 18) which the Group could utilise in order to meet its short-term cash needs. The Company also successfully completed a bond offering with maturity in 2014 with net proceeds received by the Group amounting to approximately RMB1,472 million in April 2008(see Note 38(b) for details) in order to finance its ongoing capital commitments. As a result, the Directors do not consider there is significant liquidity risk which may affect the adoption of going concern basis in preparing the Company's financial statements as at 31 December 2007.

In addition, management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents (Note 11)) based on expected cash flow.

The Group's and the Company's financial liabilities includes bank borrowing and trade and other payables. Most of trade and other payables are due within 12 months and the balances of them equal their carrying balances as the impact of discounting is not significant. The analysis of the maturity groupings of bank borrowings is set out in Note 18.

### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to keep the desired financial flexibilities to execute the strategic projects.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or other capital market instruments.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt. The net debts as at 31 December 2007 and 2006 are as follows:

	2007	2006
Total borrowings (Note 18)	1,072,166	655,168
Less: Cash and cash equivalents (Note 11)	(1,314,643)	(1,213,243)
Net debts	(242,477)	(558,075)

In both years, cash and cash equivalents were in excess of total borrowings, indicating a successful implementation of the Group's capital risk management policy.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables, bills receivable and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### (a) *Estimated impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of each identified cash-generating units have been determined based on value-in-use calculations.

For the year ended 31 December 2007, the Group had not reported impairment losses (2006: RMB151,061,000) for impairment loss on goodwill based on such calculations. There are two critical estimates adopted in the calculations, the expected gross margin of product sales and the pre-tax discount rate.

The Group would not be able to reverse any impairment losses on goodwill recognized if the actual gross margin had been higher or the pre-tax discounted rate lower than management's estimates.

Additional impairment loss of goodwill would not need to be recognised even if the actual gross margin had been 10% lower or the pre-tax discounted rate had been 10% higher than management's estimates with all other variables had constant.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

### 4.1 Critical accounting estimates and assumptions *(Continued)*

#### *(b) Estimated impairment of property, plant and equipment*

The Group also tests whether property, plant and equipment have suffered any impairment, whenever events or changes in circumstances, indicate that the carrying amount may not be recoverable in accordance with the accounting policy as stated in Note 2.7. Similar to impairment of goodwill, the recoverable amounts of the property, plant and equipments have been determined based on value-in-use calculations. These calculations require the use of estimates which are similar to (a) stated above.

For the year ended 31 December 2007, the Group reported impairment losses amounting to RMB141,008,000 (2006: RMB163,688,000) for property, plant and equipment based on such calculations (Note 7).

If the estimated gross margin at 31 December 2007 had been 10% lower than management's estimates at 31 December 2007, the Group would have to recognised a further impairment against property, plant and equipment by RMB116,436,000 (unaudited).

If the estimated pre-tax discount rate applied to the discounted cash flows adopted in the value-in-use calculations had been 10% higher than management's estimates, the Group would have recognised a further impairment against property, plant and equipment by RMB16,715,000 (unaudited) .

If the actual gross margin had been 10% higher or the pre-tax discounted rate had been 10% lower than management's estimates, in 2007 the Group would be able to reduce impairment losses by RMB80,766,000 (unaudited) and RMB18,547,000 (unaudited) that had been recognised on these assets in current year.

# Notes to the Consolidated Financial Statements

## 5 SEGMENT INFORMATION

### (a) Primary reporting format — geographical segment

The Group's operating activities are mainly conducted in the PRC. An analysis by geographical segment is as follows:

	For the year ended 31 December 2007						Consolidated RMB'000
	Qingdao Region RMB'000	Other Shandong Regions RMB'000	Huabei Region RMB'000	Huanan Region RMB'000	Overseas RMB'000	Eliminations RMB'000	
<b>Turnover</b>							
External sales	5,546,386	947,763	2,410,880	4,278,920	345,943	—	13,529,892
Inter-segment sales	177,819	1,163,419	169,649	36,178	—	(1,547,065)	—
	<u>5,724,205</u>	<u>2,111,182</u>	<u>2,580,529</u>	<u>4,315,098</u>	<u>345,943</u>	<u>(1,547,065)</u>	<u>13,529,892</u>
<b>Results</b>							
Segment results	<u>673,383</u>	<u>23,493</u>	<u>(47,026)</u>	<u>412,792</u>	<u>80,390</u>	<u>—</u>	<u>1,143,032</u>
Unallocated expenses, net							<u>(135,726)</u>
<b>Operating profit</b>							<b>1,007,306</b>
Finance costs							(15,009)
Share of profit of associates	283	—	—	—	—	—	<u>283</u>
<b>Profit before income tax</b>							<b>992,580</b>
Income tax expense							<u>(413,812)</u>
<b>Profit for the year</b>							<b>578,768</b>
<b>Other information</b>							
Depreciation	117,784	53,343	129,680	203,672	708	—	505,187
Amortisation	5,542	1,921	8,737	6,820	—	—	23,020
Impairment of property, plant and equipment	<u>37,001</u>	<u>20,357</u>	<u>81,132</u>	<u>2,518</u>	<u>—</u>	<u>—</u>	<u>141,008</u>

# Notes to the Consolidated Financial Statements

## 5 SEGMENT INFORMATION (Continued)

### (a) Primary reporting format — geographical segment (Continued)

	For the year ended 31 December 2006						
	Qingdao Region RMB'000	Other Shandong Regions RMB'000	Huabei Region RMB'000	Huanan Region RMB'000	Overseas RMB'000	Eliminations RMB'000	Consolidated RMB'000
							(Note a)
<b>Turnover</b>							
External sales	4,229,615	1,027,676	2,566,863	3,526,259	326,747	—	11,677,160
Inter-segment sales	143,139	773,931	112,723	61,593	—	(1,091,386)	—
	<u>4,372,754</u>	<u>1,801,607</u>	<u>2,679,586</u>	<u>3,587,852</u>	<u>326,747</u>	<u>(1,091,386)</u>	<u>11,677,160</u>
<b>Results</b>							
Segment results	<u>913,544</u>	<u>(154,413)</u>	<u>(97,999)</u>	<u>(81,084)</u>	<u>113,478</u>	<u>—</u>	<u>693,526</u>
Unallocated expenses, net							(39,848)
<b>Operating profit</b>							653,678
Finance costs							(26,899)
Share of loss of associates	1,041	—	—	—	—	—	1,041
<b>Profit before income tax</b>							627,820
Income tax expense							(179,063)
<b>Profit for the year</b>							<u>448,757</u>
<b>Other information</b>							
Depreciation	93,477	72,657	119,367	227,395	684	—	513,580
Amortisation	7,322	1,434	17,278	3,788	—	—	29,822
Impairment of property, plant and equipment	5,952	42,618	47,558	67,560	—	—	163,688
Impairment of goodwill	—	—	20,166	130,895	—	—	151,061

Segment assets consist primarily of property, plant and equipment, intangible assets, investments in associates, inventories, trade and other receivables, and cash and cash equivalents. Unallocated assets comprise deferred tax assets.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxation, borrowings, and derivative financial instruments.

Capital expenditure comprises additions to property, plant and equipment (Note 7), leasehold land and land use rights (Note 6), and intangible assets (Note 8).

## Notes to the Consolidated Financial Statements

### 5 SEGMENT INFORMATION (Continued)

#### (a) Primary reporting format — geographical segment (Continued)

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

	As at 31 December 2007						Consolidated RMB'000
	Qingdao Region RMB'000	Other Shandong Regions RMB'000	Huabei Region RMB'000	Huanan Region RMB'000	Overseas RMB'000	Eliminations RMB'000	
<i>(Note a)</i>							
<b>Assets</b>							
Segment assets	2,404,599	2,038,935	2,398,711	4,835,985	—	(1,045,266)	10,632,964
Interests in associates	27,882	—	—	—	—	—	27,882
Unallocated assets							884,389
							<u>11,545,235</u>
<b>Liabilities</b>							
Segment liabilities	1,138,448	604,075	872,838	2,121,114	—	(1,097,462)	3,639,013
Unallocated liabilities							1,917,887
							<u>5,556,900</u>
Capital expenditure	173,328	703,138	107,769	283,171	1,087	—	<u>1,268,493</u>

# Notes to the Consolidated Financial Statements

## 5 SEGMENT INFORMATION (Continued)

### (a) Primary reporting format — geographical segment (Continued)

The segment assets and liabilities at 31 December 2006 and capital expenditure for the year then ended are as follows:

	As at 31 December 2006						
	Qingdao Region RMB'000	Other Shandong Regions RMB'000	Huabei Region RMB'000	Huanan Region RMB'000	Overseas RMB'000	Eliminations RMB'000	Consolidated RMB'000
							<i>(Note a)</i>
<b>Assets</b>							
Segment assets	5,812,330	1,696,896	2,226,120	5,116,957	—	(6,224,860)	8,627,443
Interests in associates	18,576	—	—	—	—	—	18,576
Unallocated assets							931,964
							9,577,983
<b>Liabilities</b>							
Segment liabilities	703,127	712,130	793,028	2,579,692	—	(1,964,206)	2,823,771
Unallocated liabilities							1,054,489
							3,878,260
<b>Capital expenditure</b>	148,646	30,929	343,802	104,673	1,323	—	629,373

*Note a:* The segment represents sales of goods to regions (including Hong Kong) out of the PRC through the Group's overseas subsidiaries or the Group's PRC branches and subsidiaries established for overseas sales. Separable segment assets and liabilities are insignificant to the Group as a whole.

### (b) Secondary reporting format — business segment

The Group is mainly engaged in the production and distribution of beer products, accordingly, no analysis of business segment information is provided.

## Notes to the Consolidated Financial Statements

### 6 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments. Their net book value are analysed as follows:

	Group		Company	
	2007	2006	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening	<b>676,759</b>	660,197	<b>68,892</b>	65,525
Additions	<b>59,640</b>	40,876	—	7,080
Amortisation	<b>(17,372)</b>	(22,438)	<b>(1,863)</b>	(1,837)
Disposals	<b>(1,855)</b>	(1,876)	<b>(1,151)</b>	(1,876)
	<b>717,172</b>	676,759	<b>65,878</b>	68,892

In addition, as at 31 December 2007, the operating facilities of certain subsidiaries of the Group were located on parcels of allocated land (“Allocated Lands”) owned by certain local municipal governments. The carrying values of the associated buildings and facilities constructed thereon were approximately RMB94,776,000 (2006: RMB97,945,000). The Company's directors consider that there is no significant adverse impact on the operations of the Group and accordingly, no provision for impairment loss is considered necessary.

# Notes to the Consolidated Financial Statements

## 7 PROPERTY, PLANT AND EQUIPMENT

### (a) Group

The movements in property, plant and equipment are as follows:

	Plant and buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Construction -in-progress RMB'000	Total RMB'000
<b>At 1 January 2006</b>						
Cost	2,841,258	5,454,156	396,518	283,916	107,016	9,082,864
Accumulated depreciation and impairment	(706,968)	(2,703,301)	(224,926)	(183,705)	—	(3,818,900)
Net book amount	2,134,290	2,750,855	171,592	100,211	107,016	5,263,964
<b>Year ended 31 December 2006</b>						
Opening net book amount	2,134,290	2,750,855	171,592	100,211	107,016	5,263,964
Additions ( <i>note a</i> )	46,734	100,314	20,265	23,734	350,445	541,492
Transfers	31,117	195,098	883	1,942	(229,040)	—
Disposals	(10,158)	(13,247)	(4,991)	(1,198)	—	(29,594)
Depreciation	(76,087)	(366,719)	(32,738)	(38,036)	—	(513,580)
Impairment charges	(33,494)	(125,508)	(4,686)	—	—	(163,688)
Closing net book amount	2,092,402	2,540,793	150,325	86,653	228,421	5,098,594
<b>At 31 December 2006</b>						
Cost	2,907,372	5,675,937	395,100	298,462	228,421	9,505,292
Accumulated depreciation and impairment	(814,970)	(3,135,144)	(244,775)	(211,809)	—	(4,406,698)
Net book amount	2,092,402	2,540,793	150,325	86,653	228,421	5,098,594
<b>Year ended 31 December 2007</b>						
Opening net book amount	2,092,402	2,540,793	150,325	86,653	228,421	5,098,594
Acquisition of subsidiaries	14,400	356	1,610	865	—	17,231
Additions	16,403	44,969	28,265	38,259	1,044,347	1,172,243
Transfers	294,374	728,381	4,296	20,336	(1,047,387)	—
Disposals	(4,109)	(17,934)	(9,583)	(1,301)	—	(32,927)
Depreciation	(80,483)	(360,878)	(27,698)	(36,128)	—	(505,187)
Impairment charges ( <i>note b</i> )	(1,058)	(138,101)	(1,839)	(10)	—	(141,008)
Closing net book amount	2,331,929	2,797,586	145,376	108,674	225,381	5,608,946
<b>At 31 December 2007</b>						
Cost	3,215,238	6,316,520	394,397	344,989	225,381	10,496,525
Accumulated depreciation and impairment	(883,309)	(3,518,934)	(249,021)	(236,315)	—	(4,887,579)
Net book amount	2,331,929	2,797,586	145,376	108,674	225,381	5,608,946

## Notes to the Consolidated Financial Statements

### 7 PROPERTY, PLANT AND EQUIPMENT (Continued)

#### (b) Company

The movements in property, plant and equipment are as follows:

	Plant and buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Construction -in-progress RMB'000	Total RMB'000
<b>At 1 January 2006</b>						
Cost	542,330	1,236,738	107,703	137,356	55,587	2,079,714
Accumulated depreciation and impairment	(159,749)	(796,968)	(100,841)	(72,118)	—	(1,129,676)
Net book amount	382,581	439,770	6,862	65,238	55,587	950,038
<b>Year ended 31 December 2006</b>						
Opening net book amount	382,581	439,770	6,862	65,238	55,587	950,038
Additions	3,117	5,522	7,964	10,169	92,046	118,818
Transfers	11,963	67,619	650	565	(80,797)	—
Disposals	(7,081)	(2,955)	(39)	(528)	—	(10,603)
Depreciation	(13,555)	(55,361)	(9,485)	(20,321)	—	(98,722)
Impairment charges	—	—	(2,000)	—	—	(2,000)
Closing net book amount	377,025	454,595	3,952	55,123	66,836	957,531
<b>At 31 December 2006</b>						
Cost	549,475	1,285,750	115,016	144,821	66,836	2,161,898
Accumulated depreciation and impairment	(172,450)	(831,155)	(111,064)	(89,698)	—	(1,204,367)
Net book amount	377,025	454,595	3,952	55,123	66,836	957,531
<b>Year ended 31 December 2007</b>						
Opening net book amount	377,025	454,595	3,952	55,123	66,836	957,531
Additions	1,381	1,137	2,200	14,467	93,117	112,302
Transfer to investment property (note c)	(21,436)	—	—	—	—	(21,436)
Transfers	10,825	110,771	2,330	16,173	(140,099)	—
Disposals	—	(5,104)	(95)	(623)	—	(5,822)
Depreciation	(13,101)	(55,676)	(6,027)	(21,073)	—	(95,877)
Closing net book amount	354,694	505,723	2,360	64,067	19,854	946,698
<b>At 31 December 2007</b>						
Cost	534,064	1,367,576	118,110	166,791	19,854	2,206,395
Accumulated depreciation and impairment	(179,370)	(861,853)	(115,750)	(102,724)	—	(1,259,697)
Net book amount	354,694	505,723	2,360	64,067	19,854	946,698

## Notes to the Consolidated Financial Statements

### 7 PROPERTY, PLANT AND EQUIPMENT (Continued)

#### (b) Company (Continued)

Depreciation expense of approximately RMB458,822,000 (2006: RMB426,020,000 ) has been charged in cost of goods sold, RMB19,852,000 (2006: RMB24,481,000) in selling and marketing costs and approximately RMB26,513,000 (2006: RMB63,079,000) in administrative expenses.

As at 31 December 2007, approximately RMB37,002,000 (2006: RMB35,800,000) of machinery had been pledged as security for RMB20,000,000 bank loans of the Group (2006: RMB16,000,000) (Note 18).

As at 31 December 2007, ownership certificates of certain buildings (“Building Ownership Certificates”) for certain buildings of the Group with respective carrying values of approximately RMB434,336,000 (2006: RMB296,443,000) had not yet been obtained by the Group. The Group are in the process of applying for certain buildings with carrying value of approximately RMB339,530,000. After consultation made with the Company’s legal adviser, the Company’s directors are of the view that there is no legal restriction for the Group to apply for and obtain the Buildings Ownership Certificates and Land Certificates. Other buildings with carrying value of approximately RMB94,806,000 are currently not in the application process as the Group cannot locate certain necessary documents. The Company’s directors are of the view, after making reference to a legal opinion, that this situation will not prevent the Group from possession of such facilities, and there will not be any significant adverse impact on the operations of the Group. Accordingly, no provision for fixed assets impairment is considered necessary.

Machinery includes the following amounts where the Group is a lessee under a finance lease:

	As at	
	31 December 2007 <i>RMB'000</i>	31 December 2006 <i>RMB'000</i>
Cost — capitalised finance leases	10,214	—
Accumulated depreciation	(580)	—
Net book amount	<u>9,634</u>	<u>—</u>

# Notes to the Consolidated Financial Statements

## 7 PROPERTY, PLANT AND EQUIPMENT (Continued)

### (b) Company (Continued)

Notes:

- a. Included in prior year additions were certain assets purchased by a subsidiary of the Group from a local third party brewery company (the "Vendor") at a purchase price of approximately RMB123 million. After the purchase, that subsidiary was advised by the Vendor that one of its major creditors ("the Creditor") had a claim against it for the transaction and the subsidiary might be involved in the future settlement of the dispute. As at the date of approval of the financial statements, no formal claim had been lodged against the subsidiary nor the Group. The directors of the Company consider that it would not lead to any significant contingent liabilities nor adverse financial impact to the Group.
- b. The directors of the Company performed an impairment assessment on the carrying value of certain fixed assets of the Group as at 31 December 2007 based on the accounting policy set out in Note 2.7. As a result of performing such an assessment, an impairment loss of approximately RMB141,008,000 (2006: RMB163,688,000) relating to fixed assets of certain subsidiaries of the Company was recognised, with the details set out as follows:

	<i>RMB'000</i>
Tsingtao Brewery (Gansu) Nongken Company Limited	50,113
Tsingtao Brewery (Xuecheng) Company Limited	20,357
Tsingtao Brewery (Langfang) Company Limited	30,017
Tsingtao Brewery No. 5 Company Limited	37,001
Others	3,520
	<u>141,008</u>

These subsidiaries operate in the areas with immature economic environment. The market share of the Group in these areas had been declining in recent years. During the year, the Group has revisited the business plans of these subsidiaries and the impairment assessments were made based on these revised plans.

- c. During the year, the Company has leased out certain buildings under operating leases and the directors intend to do so in the foreseeable future. Accordingly these buildings were reclassified to "investment property" in the Company's financial statements. As the lessees are subsidiaries of the Group, it continued to be accounted for as "property, plant and equipment" in the Group's consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 8 INTANGIBLE ASSETS

### (a) Group

	Goodwill (iii) RMB'000	Trademarks (i) RMB'000	Technology know-how(ii) RMB'000	Software and others RMB'000	Total RMB'000
<b>At 1 January 2006</b>					
Cost	320,228	107,778	18,629	37,886	484,521
Accumulated amortisation	(46,350)	(36,763)	(12,442)	(9,478)	(105,033)
Net book amount	273,878	71,015	6,187	28,408	379,488
<b>Year ended 31 December 2006</b>					
Opening net book amount	273,878	71,015	6,187	28,408	379,488
Additions	—	7,314	—	4,136	11,450
Amortisation	—	(2,914)	(1,863)	(2,607)	(7,384)
Impairment charge	(151,061)	—	—	—	(151,061)
Closing net book amount	122,817	75,415	4,324	29,937	232,493
<b>At 31 December 2006</b>					
Cost	320,228	115,092	18,629	42,022	495,971
Accumulated amortisation and impairment loss	(197,411)	(39,677)	(14,305)	(12,085)	(263,478)
Net book amount	122,817	75,415	4,324	29,937	232,493
<b>Year ended 31 December 2007</b>					
Opening net book amount	122,817	75,415	4,324	29,937	232,493
Additions	—	—	—	19,379	19,379
Amortisation	—	(413)	(1,863)	(3,372)	(5,648)
Disposal	—	(8,955)	—	—	(8,955)
Closing net book amount	122,817	66,047	2,461	45,944	237,269
<b>At 31 December 2007</b>					
Cost	320,228	106,135	18,629	61,401	506,393
Accumulated amortisation and impairment loss	(197,411)	(40,088)	(16,168)	(15,457)	(269,124)
Net book amount	122,817	66,047	2,461	45,944	237,269

## Notes to the Consolidated Financial Statements

### 8 INTANGIBLE ASSETS (Continued)

#### (b) Company

	Trademarks (i) RMB'000	Software and others RMB'000	Total RMB'000
<b>At 1 January 2006</b>			
Cost	100,000	13,702	113,702
Accumulated amortisation	(31,124)	(3,389)	(34,513)
Net book amount	68,876	10,313	79,189
<b>Year ended 31 December 2006</b>			
Opening net book amount	68,876	10,313	79,189
Addition	—	3,498	3,498
Amortisation charge	(2,500)	(1,446)	(3,946)
Closing net book amount	66,376	12,365	78,741
<b>At 31 December 2006</b>			
Cost	100,000	17,200	117,200
Accumulated amortisation	(33,624)	(4,835)	(38,459)
Net book amount	66,376	12,365	78,741
<b>Year ended 31 December 2007</b>			
Opening net book amount	66,376	12,365	78,741
Addition	—	18,984	18,984
Amortisation charge	—	(2,231)	(2,231)
Closing net book amount	66,376	29,118	95,494
<b>At 31 December 2007</b>			
Cost	100,000	36,184	136,184
Accumulated amortisation	(33,624)	(7,066)	(40,690)
Net book amount	66,376	29,118	95,494

Amortisation of approximately RMB5,648,000 (2006: RMB7,384,000) was included in administrative expenses.

## 8 INTANGIBLE ASSETS *(Continued)*

### *(i) Trademarks*

Trademarks mainly include the “TSINGTAO BEER” trademark which was injected by the founding shareholders into the Company on 16 June 1993 as their capital contributions. The recorded value of the trademark was assessed based on the results of a valuation approved by the State-Owned Assets Administration Bureau of the PRC.

Before 31 December 2006, the trademark was amortised over a period of 40 years which equal to its registration period with the State Administration for Industry & Commerce (“SAIC”).

During the year, the directors undertook a review of the estimated useful life of the trademark and after taking into consideration various factors including the Group’s long-term business strategy, the economic benefits that the trademark can bring to the Group, and the lack of any foreseeable legal limitation imposed on the period over which the asset can generate cash inflows to the Group (the renewal of the registration with SAIC upon expiry is certain and only subject to payment of insignificant costs), the directors conclude that the trademark has an indefinite useful life. Accordingly, it is not subject to amortisation from the beginning of 2007, but it will be subject to annual impairment assessment. This change in accounting estimate has increased the profit before the tax of the Group for the year ended 31 December 2007 by approximately RMB2,500,000.

Other trademarks were acquired as a result of acquisitions of certain subsidiaries. They are amortised over their estimated useful lives ranging from 5 to 10 years. The costs of these intangible assets were recognised according to their fair respective values at the dates of acquisition.

### *(ii) Technology known-how*

Technology know-how was injected by a minority shareholder of a subsidiary into that subsidiary during its re-organisation. It was recorded at a value agreed among all the shareholders of that subsidiary and is amortised over an expected period of inflow of economic benefits of 10 years.

### *(iii) Goodwill*

#### *Impairment tests for goodwill:*

Goodwill is allocated to the Group’s cash-generating unites (CGUs) identified according to the geographical market and operation.

# Notes to the Consolidated Financial Statements

## 8 INTANGIBLE ASSETS (Continued)

### (iii) Goodwill (Continued)

#### Impairment tests for goodwill (Continued)

A summary of the goodwill allocation is presented below:

	2007 RMB'000	2006 RMB'000
Fuzhou Company*/Xiamen Company*/Zhangzhou Company*/ Dongnan Sales Company* — all within one defined cash generating unit, Dongnan Region (South-eastern district of the PRC)	114,031	114,031
Others	8,786	8,786
	<u>122,817</u>	<u>122,817</u>

\* defined in Note 9.

The recoverable amount of a CGU is determined based on value-in-use calculations with the support of valuation performed by independent third party valuer and/or management in November 2007. These calculations/assessment employ cash flow projections based on financial budgets approved by management of the Group covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate of the brewery industry in the PRC.

Key assumptions used for value-in-use calculations are as follows:

	Dongnan Region
Budgeted gross margin of product sales	38.2%
Weighted average growth rate (a)	—
Discount rate (b)	15.6%

(a) Rate used to extrapolate cash flows beyond the budget period.

(b) Pre-tax discount rate applied to the cash flow projections.

These assumptions have been used for the analysis of each CGU.

Management determined budgeted gross margin based on past performance and its expectation of market developments. The weighted average growth rates used are consistent with the PRC brewery industry forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

As a result of such assessment, no goodwill had been assessed to have been impaired. The pre-tax discount rates and gross margin used in the prior year for the CGU were 12.16% and 22.3%, respectively. The increase in gross margin adopted in current year was mainly due to the improved product portfolio of the South-eastern region of the PRC.

# Notes to the Consolidated Financial Statements

## 9 INVESTMENT IN AND LOANS TO SUBSIDIARIES — COMPANY

### (a) Investments in subsidiaries

	Company	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted equity investments — cost less impairment provisions	<b>1,857,838</b>	1,628,989
Loans to subsidiaries	<b>2,704,878</b>	2,759,788

The loans to subsidiaries are quasi capital in nature.

The following is a list of the principal subsidiaries at 31 December 2007:

Name	Place of Incorporation	Registered capital	Interest held		Principal activities
			Directly	Indirectly	
Shenzhen Tsingtao Brewery Huanan Holding Company Limited (“Huanan Holding Company”)	Shenzhen, the PRC	RMB200,000,000	95%	—	Investment holding
Tsingtao Brewery (Zhuhai) Company Limited (“Zhuhai Company”)	Zhuhai, the PRC	RMB60,000,000	—	74.72%	Manufacture and domestic trading of beer
Tsingtao Brewery (Sanshui) Company Limited (“Sanshui Company”)	Sanshui, the PRC	RMB41,335,505	—	71.25%	Manufacture and domestic trading of beer
Tsingtao Brewery (Chenzhou) Company Limited	Chenzhou, the PRC	RMB70,000,000	88.80%	—	Manufacture and domestic trading of beer
Tsingtao Brewery (Huangshi) Company Limited	Huangshi, the PRC	RMB5,000,000	—	90.25%	Manufacture and domestic trading of beer
Tsingtao Brewery (Yingcheng) Company Limited	Yingcheng, the PRC	RMB5,000,000	—	90.25%	Manufacture and domestic trading of beer
Shenzhen Tsingtao Beer Asahi Company Limited (“Shenzhen Asahi”)	Shenzhen, the PRC	US\$30,000,000	51%	—	Manufacture and trading of beer
Shenzhen Huanan Tsingtao Brewery Sales Company Limited (“Huanan Sales Company”)	Shenzhen, the PRC	RMB20,000,000	95%	—	Domestic trading of beer

## Notes to the Consolidated Financial Statements

### 9 INVESTMENT IN AND LOANS TO SUBSIDIARIES — COMPANY (Continued)

#### (a) Investments in subsidiaries (Continued)

Name	Place of Incorporation	Registered capital	Interest held		Principal activities
			Directly	Indirectly	
Tsingtao Brewery (Nanning) Company Limited (“Nanning Company”)	Nanning, the PRC	RMB730,000,000	—	71.25%	Manufacture and domestic trading of beer
Tsingtao Brewery (Changsha) Company Limited (“Changsha Company”)	Changsha, the PRC	RMB68,000,000	70%	28.50%	Manufacture and domestic trading of beer
Tsingtao Brewery Huadong Holding Company Limited	Shanghai, the PRC	RMB100,000,000	95%	—	Investment holding
Tsingtao Brewery Huadong Shanghai Sales Company Limited	Shanghai, the PRC	RMB3,000,000	—	94.05%	Domestic trading of beer
Tsingtao Brewery Huadong Nanjing Sales Company Limited	Nanjing, the PRC	RMB1,000,000	—	93.88%	Domestic trading of beer
Tsingtao Brewery (Shanghai) Company Limited	Shanghai, the PRC	RMB50,000,000	—	90.25%	Manufacture and domestic trading of beer
Tsingtao Brewery (Wuhu) Company Limited	Wuhu, the PRC	RMB20,000,000	—	85.50%	Manufacture and domestic trading of beer
Tsingtao Brewery (Maanshan) Company Limited	Maanshan, the PRC	RMB5,000,000	—	90.25%	Manufacture and domestic trading of beer
Tsingtao Brewery Shanghai Songjiang Company Limited (“Songjiang Company”)	Shanghai, the PRC	US\$36,640,000	75%	—	Manufacture and domestic trading of beer
Tsingtao Brewery (Suzhou) Company Limited (“Suzhou Company”) (e)	Taicang, the PRC	RMB5,000,000	10%	85.50%	Manufacture and domestic trading of beer
Tsingtao Brewery Huadong Hangzhou Sales Company Limited	Hangzhou, the PRC	RMB1,000,000	—	94.05%	Domestic trading of beer
Tsingtao Brewery Huadong Suzhou Sales Company Limited	Suzhou, the PRC	RMB3,000,000	—	76.00%	Domestic trading of beer

# Notes to the Consolidated Financial Statements

## 9 INVESTMENT IN AND LOANS TO SUBSIDIARIES — COMPANY (Continued)

### (a) Investments in subsidiaries (Continued)

Name	Place of Incorporation	Registered capital	Interest held		Principal activities
			Directly	Indirectly	
Tsingtao Brewery (Shouguang) Company Limited	Shouguang, the PRC	RMB60,606,060	99%	—	Manufacture and domestic trading of beer
Tsingtao Brewery (Weifang) Company Limited	Weifang, the PRC	RMB5,000,000	—	69.83%	Manufacture and domestic trading of beer
Tsingtao Brewery No. 3 Company Limited (“No. 3 Company”)	Pingdu, the PRC	RMB10,000,000	95%	—	Manufacture and domestic trading of beer
Tsingtao Brewery (Xuzhou) Huaihai Sales Company Limited	Xuzhou, the PRC	RMB55,000,000	100%	—	Domestic trading of beer
Tsingtao Brewery (Xuzhou) Company Limited	Peixian, the PRC	RMB39,336,899	—	66%	Manufacture and domestic trading of beer
Tsingtao Brewery (Xuzhou) Pengcheng Company Limited	Pengcheng, the PRC	RMB5,000,000	—	90%	Manufacture and domestic trading of beer
Tsingtao Brewery (Xuecheng) Company Limited	Xuecheng, the PRC	RMB45,000,000	—	85%	Manufacture and domestic trading of beer
Tsingtao Brewery (Tengzhou) Company Limited	Tengzhou, the PRC	RMB15,000,000	—	95%	Manufacture and domestic trading of beer
Tsingtao Brewery (Heze) Company Limited (“Heze Company”)	Heze, the PRC	RMB10,000,000	—	90%	Manufacture and domestic trading of beer
Tsingtao Brewery (Suqian) Company Limited	Suqian, the PRC	RMB10,000,000	—	95%	Manufacture and domestic trading of beer
Tsingtao Brewery (Taierzhuang) Malt Company Limited	Taierzhuang, the PRC	RMB5,000,000	—	86.20%	Manufacture and domestic trading of malt
Beijing Tsingtao Brewery Three Ring Company Limited (“Three Ring Company”)	Beijing, the PRC	US\$28,900,000	29%	25%	Manufacture and domestic trading of beer

## Notes to the Consolidated Financial Statements

### 9 INVESTMENT IN AND LOANS TO SUBSIDIARIES — COMPANY (Continued)

#### (a) Investments in subsidiaries (Continued)

Name	Place of Incorporation	Registered capital	Interest held		Principal activities
			Directly	Indirectly	
Beijing Five Star Tsingtao Brewery Company Limited (“Five Star Company”)	Beijing, the PRC	RMB862,000,000	37.64%	25%	Manufacture and domestic trading of beer
Tsingtao Brewery (Langfang) Company Limited	Langfang, the PRC	RMB20,000,000	—	72.30%	Manufacture and domestic trading of beer
Tsingtao Brewery Xi’an Han’s Group Company Limited (“Xi’an Company”) (c(i))	Xi’an, the PRC	RMB287,900,000	76.10%	—	Manufacture and domestic trading of beer
Tsingtao Brewery Weinan Company Limited	Weinan, the PRC	RMB50,000,000	28%	54.79%	Manufacture and domestic trading of beer
Tsingtao Brewery (Gansu) Nongken Company Limited	Lanzhou, the PRC	RMB174,420,800	—	42.24%	Manufacture and domestic trading of beer
Tsingtao Brewery Wuwei Company Limited	Lanzhou, the PRC	RMB36,100,000	—	42.12%	Manufacture and domestic trading of beer
Tsingtao Brewery Hansi Baoji Company Limited	Baoji, the PRC	RMB30,000,000	—	78.78%	Manufacture and domestic trading of beer
Tsingtao Brewery (Anshan) Company Limited (“Anshan Company”)	Anshan, the PRC	RMB50,000,000	60%	—	Manufacture and domestic trading of beer
Tsingtao Brewery (Xingkaihu) Company Limited	Jixi, the PRC	RMB20,000,000	95%	—	Manufacture and domestic trading of beer
Tsingtao Brewery (Mishan) Company Limited	Mishan, the PRC	RMB20,000,000	95%	—	Manufacture and domestic trading of beer
Tsingtao Brewery (Haerbin) Company Limited	Haerbin, the PRC	RMB22,000,000	95%	—	Manufacture and domestic trading of beer
Tsingtao Brewery (Penglai) Company Limited	Penglai, the PRC	RMB37,500,000	80%	—	Manufacture and domestic trading of beer

# Notes to the Consolidated Financial Statements

## 9 INVESTMENT IN AND LOANS TO SUBSIDIARIES — COMPANY (Continued)

### (a) Investments in subsidiaries (Continued)

Name	Place of Incorporation	Registered capital	Interest held		Principal activities
			Directly	Indirectly	
Tsingtao Brewery (Rongcheng) Company Limited	Rongcheng, the PRC	RMB20,000,000	70%	—	Manufacture and domestic trading of beer
Tsingtao Brewery Import/Export Company Limited	Qingdao, the PRC	RMB11,000,000	97.73%	—	Import/Export trading of beer
Tsingtao Brewery (No. 5) Company Limited	Qingdao, the PRC	RMB34,610,000	93.79%	—	Manufacture and domestic trading of beer
Tsingtao Brewery Kai Fa Company Limited	Qingdao, the PRC	RMB1,320,000	100%	—	Domestic trading of beer
Tsingtao Brewery Luzhong (Rizhao) Sales Company Limited	Rizhao, the PRC	RMB55,000,000	95%	4.75%	Domestic trading of beer
Tsingtao Brewery (Pingyuan) Company Limited	Pingyuan, the PRC	RMB5,000,000	—	89.78%	Manufacture and domestic trading of beer
Tsingtao Brewery (Rizhao) Company Limited	Rizhao, the PRC	RMB10,000,000	—	94.76%	Manufacture and domestic trading of beer
Chengdu Tsingtao Brewery Xinan Sales Company Limited	Chengdu, the PRC	RMB100,000,000	95%	4.75%	Domestic trading of beer
Tsingtao Brewery (Chongqing) Company Limited	Chongqing, the PRC	RMB7,000,000	—	94.76%	Manufacture and domestic trading of beer
Tsingtao Brewery (Luzhou) Company limited	Luzhou, the PRC	RMB111,110,000	—	94.76%	Manufacture and domestic trading of beer
Tsingtao Brewery (Taizhou) Company Limited	Taizhou, the PRC	RMB10,000,000	—	90.25%	Manufacture and domestic trading of beer
Tsingtao Brewery (Hong Kong) Trading Company Limited (“Hong Kong Company”)	Hong Kong, the PRC	HK\$40,500,000	100%	—	Trading of beer in Hong Kong

## Notes to the Consolidated Financial Statements

### 9 INVESTMENT IN AND LOANS TO SUBSIDIARIES — COMPANY (Continued)

#### (a) Investments in subsidiaries (Continued)

Name	Place of Incorporation	Registered capital	Interest held		Principal activities
			Directly	Indirectly	
Tsingtao Brewery (Hanzhong) Company Limited	Hanzhong, the PRC	RMB29,410,000	—	50.23%	Manufacture and domestic trading of beer
Tsingtao Brewery (Nanjing) Company Limited (“Nanjing Company”) (e)	Nanjing, the PRC	US\$5,000,000	75%	—	Manufacture and domestic trading of beer
Tsingtao Brewery Beifang Sales Company Limited	Beijing, the PRC	RMB29,980,000	80%	10.84%	Domestic trading of beer
Haerbin Northeast Tsingtao Brewery Sales Company Limited	Haerbin, the PRC	RMB10,000,000	85%	14.25%	Domestic trading of beer
Tsingtao Brewery (Laoshan) Company Limited	Qingdao, the PRC	RMB16,635,592	50%	46.90%	Manufacture and domestic trading of beer
Tsingtao Brewery (Tengzhou) Huaihai Sales Company Limited (e)	Tengzhou, the PRC	RMB500,000	—	90%	Domestic trading of beer
Tsingtao Brewery (Suizhou) Company Limited	Suizhou, the PRC	RMB24,000,000	—	85.50%	Manufacture and domestic trading of beer
Tsingtao Xianghong Shangwu Company Limited	Qingdao, the PRC	RMB6,000,000	95%	—	Car rental services
Tsingtao Brewery Chenzhou Sales Company Limited	Chenzhou, the PRC	RMB1,000,000	—	94.69%	Domestic trading of beer
Tsingtao Brewery (Xiamen) Company Limited (“Xiamen Company”)	Xiamen, the PRC	RMB90,000,000	—	99.81%	Manufacture and Domestic trading of beer
Xiamen Tsingtao Brewery (Dongnan) Sales Company Limited (“Dongnan Sales Company”)	Xiamen, the PRC	RMB110,000,000	95%	4.75%	Domestic trading of beer
Tsingtao Brewery (Fuzhou) Company Limited (“Fuzhou Company”)	Fuzhou, the PRC	US\$26,828,100	—	99.81%	Manufacture and domestic trading of beer

## Notes to the Consolidated Financial Statements

### 9 INVESTMENT IN AND LOANS TO SUBSIDIARIES — COMPANY (Continued)

#### (a) Investments in subsidiaries (Continued)

Name	Place of Incorporation	Registered capital	Interest held		Principal activities
			Directly	Indirectly	
Tsingtao Brewery (Zhangzhou) Company Limited (“Zhangzhou Company”)	Zhangzhou, the PRC	RMB38,880,000	—	89.78%	Manufacture and domestic trading of beer
Tsingtao Brewery (Jinan) Company Limited (“Jinan Company”) (c(ii))	Jinan, the PRC	RMB200,000,000	100%	—	Manufacture and domestic trading of beer
Tsingtao Brewery (Chengdu) Company Limited (b(i))	Chengdu, the PRC	RMB150,000,000	100%	—	Manufacture and domestic trading of beer
Qingdao Guangrunlong Logistics Company Limited (b(ii))	Qingdao, the PRC	RMB6,620,000	100%	—	Logistics services and management
Tsingtao Brewery Yulin Company Limited (“Yulin Company”)	Yulin, the PRC	RMB55,000,000	—	82.08%	Manufacture and domestic trading of beer
Tsingtao Brewery Haifeng Warehouse Company Limited	Qingdao, The PRC	RMB10,000,000	—	53.75%	Warehousing, packaging and logistics
Xuzhou Pengcheng Sales Company Limited (e)	Xuzhou, the PRC	RMB5,000,000	—	83.80%	Trading of beer
Tsingtao Brewery (Yangzhou) Company Limited (“Yangzhou Company”) (d)	Yangzhou, The PRC	RMB5,000,000	20%	—	Manufacture and Domestic trading of beer
Tsingtao Brewery Cultural Communication Company Limited (“Cultural Communication Company”) (b(iii))	Qingdao, the PRC	RMB5,200,000	100%	—	Pre-packaged food, accomodation and design

# Notes to the Consolidated Financial Statements

## 9 INVESTMENT IN AND LOANS TO SUBSIDIARIES — COMPANY (Continued)

### (b) New subsidiaries established during the year

- i. In June 2007, a wholly-owned subsidiary, Tsingtao Brewery (Chengdu) Company Limited was established with a registered capital of RMB150,000,000, which was fully contributed by the Company in cash. The relevant legal procedures for the registration were completed in June 2007.
- ii. As brought forward from prior years, the Company had entered into a repayment agreement with a customer, Shijixinke Company Limited (“Shijixinke”), for a long-term receivable balance due to the Company. The outstanding balance was RMB 35,893,000 as at 31 December 2006. In March 2007, Shijixinke decided to cease its operations and it reached a settlement agreement with the Company to settle the outstanding debt by a transfer of its equity interests held by its owner, Fuliyun Investment Company Limited (“Fuliyun”), to the Company; and a waiver of a debt which the Company owed to Fuliyun amounting to approximately RMB8,220,000 as at 31 December 2006. The relevant legal procedures of equity interest transfer were completed in April 2007 and Shijixinke then changed its name to Qingdao Guangrunlong Logistic Company Limited thereafter. The respective fair values of assets acquired and debt waived; as compared to the carrying amount of such receivable balance is set out as below:

	<i>RMB'000</i>
The carrying amount of the outstanding balance due from Shijixinke	35,893
The fair value of net assets of Shijixinke acquired by the Group	(15,481)
Amount due to Fuliyun waived	(8,220)
The remaining exposure of the debtor fully provided for in 2006	<u>12,192</u>

- iii. In July 2007, the Company acquired 100% equity interests of Tsingtao Brewery Cultural Communication Company Limited (“Cultural Communication Company”) from TB Group Company at a consideration of RMB5,290,000, paid by cash. The Group started to consolidate Cultural Communication Company from 28 November 2007, when the Group gains control in it.

### (c) Increase in registered capital of subsidiaries

- i. Pursuant to an agreement entered into between the two equity owners in June 2006, the registered capital of Xi'an Company was increased by RMB65,703,022, which was fulfilled by injection of cash by both the Company and Xi'an Industry Assets Management Company, another equity owner, of RMB50,000,000 and RMB15,703,022, respectively. The relevant legal procedures were completed in February 2007. The equity interest held by the Company in Xi'an Company remained at 76.9% after the capital contribution.
- ii. During the year, the Company contributed additional capital of RMB120,000,000 in cash to Jinan Company, a wholly owned subsidiary of the Company. The relevant legal procedures were completed in May 2007.

## Notes to the Consolidated Financial Statements

### 9 INVESTMENT IN AND LOANS TO SUBSIDIARIES — COMPANY (Continued)

(d) Pursuant to the provisions of agreements entered into between the Group and TB Group Company in January 2003 and December 2004 respectively, TB Group Company, being the majority equity owner of Yangzhou Company, entrusted the Company to control the operations and management of Yangzhou Company. In addition, a majority of the members of the board of directors of Yangzhou Company are also appointed by the Company. Accordingly, Yangzhou Company has been consolidated as a subsidiary of the Group because the Group has control over its financial and operating decisions.

#### (e) Subsidiaries liquidated/put under liquidation

During the year, the legal procedures were completed for deregistration of Nanjing Company, Tsingtao Brewery (Tengzhou) Huaihai Sales Company Limited and Xuzhou Pengcheng Sales Company Limited. No material gain or loss resulted from the liquidation of these subsidiaries.

During the year, Suzhou Company was put into voluntary liquidation, and as at 31 December 2007, the procedures had not yet been completed. The relevant losses had been recognised in the income statement in 2007.

(f) In prior year, the Company reached certain arrangements with the minority equity owners of two subsidiaries. Under these arrangements, parts of the minority interests were not qualified as equity according to HKAS32, Financial Instruments: Disclosure and Presentation anymore. Accordingly these amounts at RMB28,286,000 were reclassified as other financial liabilities.

The Directors of the Company performed impairment tests on the carrying amounts of its investments in and loans lent to subsidiaries in accordance with the accounting policy as stated in Note 2.7 during the year. Approximately RMB78,900,000 and RMB5,096,000 of impairment provisions for the investment in subsidiaries were recognised for Hairbin Company and Xingkaihu Company respectively. The impairment losses arose because of the revised business strategy of the Group implemented in the geographical region which has led to less optimistic estimated future expected operating results.

As at 31 December 2007, all the subsidiaries owned by the Company are limited liability companies.

### 10 INTERESTS IN ASSOCIATES

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	52,650	24,665	7,200	6,004
Share of results of associates	(21,768)	(3,328)	—	—
Dividends received	(3,000)	(2,761)	—	—
	<u>27,882</u>	<u>18,576</u>	<u>7,200</u>	<u>6,004</u>

In the opinion of the directors, as at 31 December 2007, the underlying values of the associates were not less than the carrying amounts of these investments.

# Notes to the Consolidated Financial Statements

## 10 INVESTMENT IN ASSOCIATES (Continued)

As at 31 December 2007, particulars of the principal associates of the Group are as follows:

Name of associated companies	Country of incorporation	Registered Capital	Equity Interests held by the Group (%)		Principal Activities
			directly	indirectly	
Liaoning Shengqing Tsingtao Brewery Company Limited ("Liaoning Shengqing")	PRC	RMB2,000,000	30%	—	Domestic trading of beer
Tsingtao Beer and Asahi Beverages Company Limited ("Asahi Beverage")	PRC	RMB110,000,000	—	37.52%	Manufacture and domestic trading of tea beverages
Tsingtao Brewery Import Export S.A.R.L	France	Euro100,000	40%	—	Import and export sales of beers
Qingdao Zhaoshang Logistics Company Limited ("Zhaoshang Logistics")	PRC	RMB20,000,000	30%	—	Logistics services and management

The gross assets and liabilities and the Group's share of results of the principal associates, are as follows:

Name of associated companies	As at 31 December	Total assets RMB'000	Total liabilities RMB'000	Revenue RMB'000	Share of
					Profit/(loss) RMB'000
Liaoning Shengqing	2007	13,218	8,299	205,342	492
	2006	11,840	8,562	187,584	219
Asahi Beverage	2007	89,215	53,254	36,906	(3,751)
	2006	90,391	64,442	31,790	(4,386)
Tsingtao Brewery Import Export S.A.R.L	2007	35,337	32,107	93,404	339
	2006	37,954	33,334	98,847	302
Zhaoshang Logistics	2007	47,084	14,777	77,981	3,513
	2006	32,094	11,496	69,512	1,886

## 11 CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

### (a) Trade receivables

The Group has a policy in place that sales are on cash on delivery terms for most of the domestic customers and letters of credit have to be received for overseas sales. Only certain long time overseas distributors with good credit history and certain domestic distributors which are also the associated companies of the Group are granted credit terms ranging from three months to six months.

## Notes to the Consolidated Financial Statements

### 11 CREDIT QUALITY OF FINANCIAL ASSETS (Continued)

#### (b) Cash and bank and short-term bank deposits

	Group		Company	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	1,023	846	236	157
State-owned banks in the PRC	890,079	619,339	598,228	224,027
Listed commercial banks in the PRC	301,286	359,932	68,226	182,429
Foreign invested banks	2,181	2,051	—	—
Others domestic banks in the PRC	120,074	231,075	22,769	188,087
	<u>1,314,643</u>	<u>1,213,243</u>	<u>689,459</u>	<u>594,700</u>

### 12 AVAILABLE-FOR-SALE FINANCIAL ASSETS — GROUP

	2007	2006
	RMB'000	RMB'000
Balances as at year beginning	—	—
Additions	5,669	—
Fair value gains recognised in equity	14,554	—
Balances as at year end	<u>20,223</u>	<u>—</u>

There were no disposals of nor impairment provisions made against the available-for-sale financial assets in 2007 or 2006.

Available-for-sale financial assets including the following:

	2007	2006
	RMB'000	RMB'000
Listed securities		
— Equity securities — PRC	<u>14,554</u>	<u>—</u>

The available-for-sale financial assets are denominated in RMB.

## Notes to the Consolidated Financial Statements

### 13 INVENTORIES

	Group		Company	
	As at 31 December		As at 31 December	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials, packaging materials and auxiliary materials	1,796,609	1,305,714	299,956	215,455
Work-in-progress	233,496	198,506	44,004	34,985
Finished goods	157,149	137,099	67,102	66,558
Inventories, net	2,187,254	1,641,319	411,062	316,998

The cost of inventories recognised as expense and included in cost of goods sold amounted to approximately RMB6,244,784,000 (2006: RMB5,219,330,000).

Approximately RMB64,562,000 of the carrying amount of raw materials, packaging materials and auxiliary materials, and approximately RMB259,000 of the carrying amount of finished goods of the Group were stated at their net realisable amounts.

### 14 TRADE RECEIVABLES

#### (a) Group

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Associates (Notes 37(b))	45,518	47,177
Long-term accounts receivables due from distributors	14,996	14,999
Others trade debtors	268,538	277,346
	329,052	339,522
Less: provision for impairment of receivables	(234,853)	(238,342)
	94,199	101,180

## Notes to the Consolidated Financial Statements

### 14 TRADE RECEIVABLES (Continued)

#### (a) Group (Continued)

At 31 December 2007 and 2006, the aging analysis of trade receivables was as follows:

	31 December 2007			31 December 2006		
	Amount RMB'000	Provision for bad debts	Balance after provision	Amount RMB'000	Provision for bad debts	Balance after provision
		RMB'000	RMB'000		RMB'000	RMB'000
Less than 1 year	91,382	(443)	90,939	87,157	(2,743)	84,414
1 to less than 2 years	3,835	(987)	2,848	3,338	(2,021)	1,317
2 to less than 3 years	3,302	(3,156)	146	10,578	(10,346)	232
Over 3 years	230,533	(230,267)	266	238,449	(223,232)	15,217
Total	329,052	(234,853)	94,199	339,522	(238,342)	101,180

#### (b) Company

	As at 31 December	
	2007 RMB'000	2006 RMB'000
Trade receivables — third parties	64,442	44,732
Receivables from related parties (Note 37(b))	41,659	48,059
	106,101	92,791
Less: provision for impairment	(61,984)	(59,256)
	44,117	33,535

## Notes to the Consolidated Financial Statements

### 14 TRADE RECEIVABLES (Continued)

#### (b) Company (Continued)

At 31 December 2007 and 2006, the aging analysis of trade receivables was as follows:

	31 December 2007			31 December 2006		
	Amount RMB'000	Provision for bad debts	Balance after provision	Amount RMB'000	Provision for bad debts	Balance after provision
		RMB'000	RMB'000		RMB'000	RMB'000
Less than 1 year	43,631	(14)	43,617	30,768	—	30,768
1 to less than 2 years	—	—	—	4,052	(2,026)	2,026
2 to less than 3 years	—	—	—	26,730	(26,730)	—
Over 3 years (note 37(b)(ii))	62,470	(61,970)	500	31,241	(30,500)	741
Total	106,101	(61,984)	44,117	92,791	(59,256)	33,535

The majority of the Group's domestic sales are transacted at cash on delivery terms. For export sales transacted out of the PRC, they are mainly covered by letters of credit. Credit is only granted to customers with good credit history. There is no concentration of credit risk with respect to the trade receivable balances since the Group has a large number of customers which are nationally dispersed.

The net book value of accounts receivable approximated to its fair value as at 31 December 2007.

The Group makes specific bad debt provision against its doubtful trade receivable balances based on the credit status of the customers and the existence of any evidence which indicates that a portion or the full amount of the outstanding balance is uncollectible.

Trade receivables that are less than six months past due are not considered impaired. As of 31 December 2007, trade receivables of RMB87,810,000 (2006: RMB86,914,000) were past due within a period of 6 months but not impaired (2006: same). These relate to a number of independent customers for whom there is no recent history of default.

## Notes to the Consolidated Financial Statements

### 14 TRADE RECEIVABLES (Continued)

#### (b) Company (Continued)

As of 31 December 2007, trade receivables of RMB241,242,000 (2006: RMB252,608,000) were impaired. The amount of the provision was RMB234,853,000 as of 31 December 2007 (2006: RMB238,342,000). The individually impaired receivables mainly relate to distributors, which are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The aging of these impaired receivables is as follows:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Up to 6 months	298	—
6 months to less than 1 year	3,274	243
1 year to less than 2 year	3,835	3,338
2 years to less than 3 year	3,302	10,578
Over 3 years	<u>230,533</u>	<u>238,449</u>
Total	<u>241,242</u>	<u>252,608</u>

Movements on the provision for impairment of trade receivables are as follows:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
<b>At 1 January</b>	<b>238,342</b>	247,831
Provision for receivable impairment	4,869	14,603
Receivables written off during the year as uncollectible	<u>(8,358)</u>	<u>(24,092)</u>
<b>At 31 December</b>	<b><u>234,853</u></b>	<b><u>238,342</u></b>

The creation and release of provision for impaired receivables have been included in “selling expenses” in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

# Notes to the Consolidated Financial Statements

## 15 DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES — GROUP

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Other receivables — third parties	862,482	235,535
Receivables from related parties	11,275	17,001
	<b>873,757</b>	252,536
Deposits, prepayment — third parties	278,026	234,731
	<b>1,151,783</b>	487,267
Less: provision for impairment	(75,041)	(71,464)
	<b>1,076,742</b>	415,803

At 31 December 2007 and 2006, the aging analysis of deposits, prepayment and other receivables was as follows:

	31 December 2007			31 December 2006		
	Amount	Provision	Balance	Amount	Provision	Balance
		for	after		for	after
RMB'000	bad debts	provision	RMB'000	bad debts	provision	
Less than 1 year	1,054,388	(418)	1,053,970	384,002	(194)	383,808
1 to less than 2 years	13,772	(2,328)	11,444	21,460	(3,293)	18,167
2 to less than 3 years	13,099	(7,341)	5,758	15,625	(3,028)	12,597
Over 3 years	70,524	(64,954)	5,570	66,180	(64,949)	1,231
Total	<b>1,151,783</b>	<b>(75,041)</b>	<b>1,076,742</b>	487,267	(71,464)	415,803

At 31 December 2007 and 2006, the nature analysis of deposits, prepayment and other receivables was as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Prepayment for purchase of raw materials	774,359	235,535
Prepayment for purchase of equity interests held by a minority owner in a subsidiary (Note 38)	88,123	—
Prepayment of land use rights recoverable from local government	46,129	15,023
Guarantee deposits	41,420	21,276
Others individual insignificant items	201,752	215,433
	<b>1,151,783</b>	487,267
Less: provision for impairment	(75,041)	(71,464)
	<b>1,076,742</b>	415,803

# Notes to the Consolidated Financial Statements

## 16 SHARE CAPITAL

As at 31 December 2007, the authorised registered share capital of the Company was RMB1,308,219,178 (as at 31 Dec 2006: RMB1,308,219,178) of RMB1 each.

	31 December 2007		31 December 2006	
	<i>RMB'000</i>	Number of shares ('000)	<i>RMB'000</i>	Number of shares ('000)
PRC public shares subject to restriction (a)	417,395	417,395	417,395	417,395
PRC public shares ("A Shares")	235,755	235,755	235,755	235,755
Overseas public shares ("H Shares")	655,069	655,069	655,069	655,069
	<b>1,308,219</b>	<b>1,308,219</b>	1,308,219	1,308,219

As at 31 December 2007, all issued share capital had been fully paid up.

- (a) According to the shareholding restructuring scheme approved in an A shares shareholders meeting in October 2006, the shareholders of the State shares and PRC legal person shares (collectively defined as the "Non Public Shares") offered to the A share shareholders 35,755,495 shares of their shares and a cash consideration of RMB48,000,000 in return for the conversion of the Non Public Shares into A shares, subject to certain disposal restrictions imposed that the shareholders of the Non Public Shares shareholders will not sell the shares which gain liquidity within a period of five years. In addition, the Non Public Shares shareholders, being the substantial shareholders of the Company, also undertake to appropriate 70% of the available profit of the Company as dividends for a period of 3 years.

Following the completion of the above transactions, Qingdao State Assets Supervision and Administration Committee transferred its equity interests held in the Company to its wholly owned subsidiary, TB Group Company on 4 April 2007 and TB Group Company became the substantial shareholder of the Company since then.

## Notes to the Consolidated Financial Statements

### 17 OTHER RESERVES

#### (a) Group

	Share premium RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000 (note a)	Public welfare fund RMB'000 (note a)	Cumulative translation adjustments RMB'000	Total RMB'000
<b>Balance at 1 January 2006, as previously reported</b>	<b>3,058,231</b>	<b>17,252</b>	<b>329,147</b>	<b>269,923</b>	<b>(981)</b>	<b>3,673,572</b>
Opening adjustments for the accounting policy change on reserve appropriations (note 2)	—	—	(209,576)	—	—	(209,576)
<b>Balance at 1 January 2006, as restated</b>	<b>3,058,231</b>	<b>17,252</b>	<b>119,571</b>	<b>269,923</b>	<b>(981)</b>	<b>3,463,996</b>
Transfers (a)	—	—	269,923	(269,923)	—	—
Profit appropriations to surplus reserve	—	—	43,940	—	—	43,940
Translation difference	—	—	—	—	3,986	3,986
Acquisition/disposal of interests from/to minority shareholders	—	48,501	—	—	—	48,501
<b>Balance at 31 December 2006</b>	<b>3,058,231</b>	<b>65,753</b>	<b>433,434</b>	<b>—</b>	<b>3,005</b>	<b>3,560,423</b>
<b>Balance at 1 January 2007, as previously reported</b>	<b>3,058,231</b>	<b>65,753</b>	<b>669,637</b>	<b>—</b>	<b>3,005</b>	<b>3,796,626</b>
Opening adjustments for the accounting policy change on reserve appropriations (note 2)	—	—	(236,203)	—	—	(236,203)
<b>Balance at 1 January 2007, as restated</b>	<b>3,058,231</b>	<b>65,753</b>	<b>433,434</b>	<b>—</b>	<b>3,005</b>	<b>3,560,423</b>
Profit appropriation to surplus reserve (a)	—	—	61,785	—	—	61,785
Translation difference	—	—	—	—	898	898
Gross gain on fair value of available-for-sale financial assets	—	13,007	—	—	—	13,007
Deferred income tax liabilities for available-for-sale financial assets	—	(3,252)	—	—	—	(3,252)
<b>Balance at 31 December 2007</b>	<b>3,058,231</b>	<b>75,508</b>	<b>495,219</b>	<b>—</b>	<b>3,903</b>	<b>3,632,861</b>

# Notes to the Consolidated Financial Statements

## 17 OTHER RESERVES (Continued)

### (b) Company

	Share premium RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000 (note a)	Public welfare fund RMB'000 (note a)	Unappropriated profits RMB'000 (note b)	Reserves total RMB'000	Proposed dividends RMB'000
Balance at 1 January 2006	3,058,231	1,782	209,383	180,112	358,462	3,807,970	209,315
Transfer (a)	—	—	180,112	(180,112)	—	—	—
Proposed dividends (note 33)	—	—	—	—	(287,808)	(287,808)	287,808
Profit for the year	—	—	—	—	501,548	501,548	—
Dividends declared	—	—	—	—	—	—	(209,315)
Profit appropriation to surplus reserve	—	—	43,579	—	(43,579)	—	—
Acquisition/disposal of interests from/to minority shareholders	—	48,501	—	—	—	48,501	—
Balance at 31 December 2006	3,058,231	50,283	433,074	—	528,623	4,070,211	287,808
Balance at 1 January 2007	3,058,231	50,283	433,074	—	528,623	4,070,211	287,808
Proposed dividends (note 33)	—	—	—	—	(287,808)	(287,808)	287,808
Profit for the year	—	—	—	—	146,759	146,759	—
Dividends declared	—	—	—	—	—	—	(287,808)
Profit appropriation to surplus reserve	—	—	18,498	—	(18,498)	—	—
First time adoption of new CAS	—	—	43,287	—	(43,287)	—	—
Gross gain on fair value of available-for-sale financial assets	—	7,310	—	—	—	7,310	—
Deferred income tax liabilities for available-for-sale financial assets	—	(1,827)	—	—	—	(1,827)	—
Transfer	—	—	360	—	(360)	—	—
Balance at 31 December 2007	3,058,231	55,766	495,219	—	325,429	3,934,645	287,808

# Notes to the Consolidated Financial Statements

## 17 OTHER RESERVES (Continued)

Note:

### (a) Statutory reserves

According to the Articles of Association of the Company and the Company Law of the PRC, the Company has to set aside 10% of its net profit after taxation under the PRC accounting standards for the statutory surplus reserve (except where the reserve balance has reached 50% of the paid-up share capital of the Company). It is also obliged under the Article of Associations to appropriate funds to the public welfare fund at a percentage of the net profit after taxation as determined by the directors before the year ended 31 December 2007. These reserves are not distributable as cash dividends.

Pursuant to the provisions under the Company law of PRC and the Articles of Association of the Company, as amended in the annual general meeting held on 29 June 2006, the Company ceased to appropriate funds to the public welfare fund of the Company from 1 January 2006 onwards. The balance of the public welfare fund of the Group and the Company as at 1 January 2006 of approximately RMB 269,923,000 and RMB 180,112,000, respectively, were transferred to the surplus reserve in accordance with regulations promulgated by the Ministry of Finance of the PRC.

On 1 January 2007, the Company adopted the “Accounting Standards for Business Enterprise (2006)” of PRC (“CAS”), with retrospective application in its statutory financial statements. Accordingly, the retained earnings brought forward from 2006 were restated and the Directors made an additional transfer from retained earnings to surplus reserve of approximately RMB 43,287,000 as a result.

### (b) Basis of profit distribution and appropriation

In accordance with the Company’s Articles of Association and Document Cai Kuai Zi [1995] No. 31 issued by the State Ministry of Finance, appropriations to surplus reserves and discretionary surplus reserves should be made based on the amount of profits as determined in accordance with the PRC accounting standards and regulations. The Company declares dividends based on the lower of distributable profits of the Company reported under the PRC accounting standards and HKFRS.

## 18 BORROWINGS

### (a) Group

#### Bank loans

	31 December 2007			31 December 2006		
	Short-term bank loans RMB'000	Long-term bank loans RMB'000	Total RMB'000	Short-term bank loans RMB'000	Long-term bank loans RMB'000	Total RMB'000
Repayable:						
— Within 1 year	971,096	10,216	981,312	599,745	2,164	601,909
— Between 2 and 5 years	—	80,076	80,076	—	40,725	40,725
— Over 5 years	—	10,778	10,778	—	12,534	12,534
	<b>971,096</b>	<b>101,070</b>	<b>1,072,166</b>	599,745	55,423	655,168
Less: Portion due within 1 year	(971,096)	(10,216)	(981,312)	(599,745)	(2,164)	(601,909)
Long-term portion	—	<b>90,854</b>	<b>90,854</b>	—	53,259	53,259

## Notes to the Consolidated Financial Statements

### 18 BORROWINGS (Continued)

#### (a) Group (Continued)

As at 31 December 2007, loans of the Group amounting to approximately RMB14,284,000 and RMB7,787,000 were guaranteed by the Beijing Development and Reform Committee and the Beijing Branch of Bank of China, respectively.

Approximately RMB20,000,000 (2006: RMB16,000,000) of the loans of the Group as at 31 December 2007 were secured by machinery with an aggregate carrying value of approximately RMB37,002,000 (2006: machinery of approximately RMB35,800,000) and inventory with an aggregate carrying value of RMB10,400,000.

#### Finance lease liabilities

	As at 31 December	
	2007 RMB'000	2006 RMB'000
Less than 1 year	2,565	—
1 to less than 2 years	2,565	—
2 to less than 3 years	2,565	—
Over 3 years	3,205	—
	<u>10,900</u>	<u>—</u>
<i>Less:</i> Portion due within 1 year	<u>(2,565)</u>	<u>—</u>
Finance lease liabilities	8,335	—
<i>Less:</i> Unearned finance income	<u>(2,609)</u>	<u>—</u>
	<u>5,726</u>	<u>—</u>

#### (b) Company

	31 December 2007			31 December 2006		
	Short-term bank loans RMB'000	Long-term bank loans RMB'000	Total RMB'000	Short-term bank loans RMB'000	Long-term bank loans RMB'000	Total RMB'000
Bank loans, repayable within 1 year	<u>545,230</u>	<u>—</u>	<u>545,230</u>	<u>390,435</u>	<u>—</u>	<u>390,435</u>

## Notes to the Consolidated Financial Statements

### 18 BORROWINGS (Continued)

The carrying amounts of the borrowings are denominated in the following currencies.

	Group		Company	
	2007 '000	2006 '000	2007 '000	2006 '000
RMB	623,977	200,108	—	—
Hong Kong dollars	60,888	41,202	—	—
US dollars	365,230	390,435	365,230	390,435
Euros	14,284	15,411	—	—
Danish Krone	7,787	8,012	—	—
	<u>1,072,166</u>	<u>655,168</u>	<u>365,230</u>	<u>390,435</u>

All the loans of the Group are subject to the market interest rate changes except the loans dominated in Danish Krone and Euro which are interest free (“Interest Free Loans”).

The effective interest rates at the balance sheet date for the loans denominated in RMB, HK\$ and US\$ were 3.35%, 5.02% and 6.10% per annum, respectively. The directors consider that the carrying amount of these borrowings approximates their respective fair value as at 31 December 2007. The fair value of the Interest Free Loans was RMB14,529,000.

As at 31 December 2007, the Group had aggregate unutilised short term loan facilities of approximately RMB1,400,000,000 (2006: RMB2,100,000,000). All are expiring within a year with floating interest rates to be charged on the amount to be drawn down.

### 19 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2007	
	Assets	Liabilities
	RMB'000	RMB'000
Forward foreign exchange contracts	—	<u>22,801</u>

According to the accounting policy of the described in Note 2.9, these derivative instruments were remeasured at their fair value as at 31 December 2007. The revaluation loss of these contracts held at year end which remained at open position was approximately RMB19,052,000 and it had been charged to the income statement.

## Notes to the Consolidated Financial Statements

### 20 DEFERRED INCOME TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable principal taxation rates of entities within the Group from 18% to 25% (2006: 15% to 33%).

The movements in deferred tax assets/liabilities are as follows:

#### (i) Deferred tax assets

	(Credited)/		(Credited)/			
	As at	charged to	As at	As at	charged to	As at
	1 January	the income	31 December	1 January	the income	31 December
	2007	statement	2007	2006	statement	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fair value adjustment on						
depreciation of fixed assets	3,789	(1,608)	2,181	4,206	(417)	3,789
Impairment provision	9,395	3,057	12,452	—	9,395	9,395
Advertising expenses not tax						
deductible in current year	3,687	35,171	38,858	3,232	455	3,687
Accruals not tax deductible						
in current year	53,380	58,712	112,092	14,368	39,012	53,380
Loss on derivative						
financial instruments	562	5,138	5,700	—	562	562
Others	—	3,500	3,500	—	—	—
Total	70,813	103,970	174,783	21,806	49,007	70,813

#### (ii) Deferred tax liabilities

	Fair value adjustment on		Gain on AFS		Total	
	depreciation		financial assets			
	2007	2006	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	16,448	17,374	—	—	16,448	17,374
Credited to the						
income statement	(2,819)	(926)	—	—	(2,819)	(926)
Charged to equity	—	—	3,406	—	3,406	—
At 31 December	13,629	16,448	3,406	—	17,035	16,448

As at 31 December 2007, deferred tax assets were mainly recognised for temporary differences arising from fair value adjustments made on depreciation of fixed assets acquired in business combinations; impairment loss provision against fixed assets and financial assets, and certain promotion expenses and accrual of expenses not allowed for current year tax deduction claims, to the extent that realisation of such tax benefits through future taxable profits is probable.

## Notes to the Consolidated Financial Statements

### 20 DEFERRED INCOME TAXATION (Continued)

#### (ii) Deferred tax liabilities (Continued)

The Group adjusted the deferred tax assets/liabilities brought forward according to the future revised tax rate described in Note 31(a)(ii). The impact of the adjustment was a reduction in income tax expense of the year of approximately RMB7,382,000.

In addition, the Group also had aggregate unrecognised deferred tax assets amounting to approximately RMB253,496,000 (2006: RMB276,453,000) as at 31 December 2007 mainly attributable to tax losses of subsidiaries of approximately RMB1,013,983,000 (2006: RMB837,737,000) carried forward, which will expire in the period from 2008 to 2012; fair value adjustments made on depreciation of fixed assets of approximately RMB29,038,000 (2006: RMB39,000,000); provision for realisation losses and impairment losses of receivable balances; and inventories and fixed assets of approximately RMB224,935,000 (2006: RMB258,607,000). Deferred tax assets had not been recognised due to the fact that there is no certainty of their respective realisation of these tax benefits through available future taxable profits of the subsidiaries concerned.

### 21 DEFERRED GOVERNMENT GRANTS

Deferred government grants mainly represented subsidy received/receivable from local governments for capital expenditures incurred by certain subsidiaries of the Group for their new production facilities.

### 22 TRADE PAYABLES — GROUP

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Trade payables	<u>1,080,803</u>	<u>794,675</u>

The aging analysis of trade payables (including amounts due to related parties) is as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Less than 1 year	1,057,195	725,458
1 to less than 2 years	7,379	49,666
2 to less than 3 years	8,891	9,917
Over 3 years	7,338	9,634
	<u>1,080,803</u>	<u>794,675</u>

## Notes to the Consolidated Financial Statements

### 23 BILLS PAYABLE

All the bills payable balances of the Group as at 31 December 2007 are of maturity within six months. Approximately RMB16,116,000 (2006: RMB16,391,000) of bank deposits of the Group denominated in Renminbi had been pledged for the issuance of these bills, and approximately RMB19,396,000 of the bills issued by the subsidiaries as at 31 December 2007 (2006: RMB 110,850,000) were guaranteed by the Company. The Directors are of view that the carrying amount of the bill payable as at year end approximated to their fair value.

### 24 ACCRUALS AND OTHER PAYABLES

The analysis of accruals and other payables (including amounts due to related parties) by nature is as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Guarantee deposits for recycled bottles	525,144	443,494
Accruals for marketing and advertising expenses	532,727	445,845
Payable to vendors of construction in progress and fixed assets	241,453	70,977
VAT and other duties and taxes	236,991	181,138
Accrued payroll and other staff costs	165,743	158,700
Capital contribution from a minority shareholder of a subsidiary	—	15,703
Others	470,239	450,547
	<u>2,172,297</u>	<u>1,766,404</u>

### 25 DEPOSITS AND ADVANCE FROM CUSTOMERS

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Deposits and advance from customers	<u>482,882</u>	<u>191,662</u>

The aging analysis of deposits and advance from customers (including amounts due to related parties) is as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Less than 1 year	476,910	182,881
1 to less than 2 years	682	1,815
2 to less than 3 years	643	382
Over 3 years	4,647	6,584
	<u>482,882</u>	<u>191,662</u>

## Notes to the Consolidated Financial Statements

### 26 OTHER GAINS — NET

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Derivative instruments:		
— foreign exchange forward contracts not qualified for hedge accounting	(19,052)	(3,659)
— realised gain on foreign exchange forward contracts	(3,905)	7,791
Interest income	24,224	22,499
Government grants (i)	<u>96,202</u>	<u>66,043</u>
	<u>97,469</u>	<u>92,674</u>

- (i) In connection with the acquisitions of certain subsidiaries of the Group in prior years, the Group entered into various agreements with the relevant municipal governments that these subsidiaries could enjoy certain financial incentives granted by the governments, mainly including financial subsidies determined with reference to the amounts of taxes paid by these subsidiaries.

### 27 OTHER OPERATING LOSS — NET

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Goodwill impairment loss	—	151,061
Impairment provision against property, plant and equipment (“PP&E”) (note 7(b))	141,008	163,688
Gain on disposal of PP&E	(1,137)	(37,586)
Disposal of sundry materials and others	<u>(76,776)</u>	<u>(21,773)</u>
	<u>63,095</u>	<u>255,390</u>

## Notes to the Consolidated Financial Statements

### 28 EXPENSES BY NATURE

Expenses included in cost of goods sold, selling and marketing costs and administrative expenses are analysed as follows:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Changes in inventories of finished goods and work in progress	(55,040)	37,419
Raw materials and consumables used	6,299,824	5,181,911
Employee benefit expenses ( <i>Note 29</i> )	1,316,392	703,384
Depreciation, amortisation and impairment charges ( <i>Notes 6, 7 and 8</i> )	669,215	858,151
Transportation expenses	464,261	506,076
Advertising costs	525,327	198,819
Auditors' remuneration	6,930	6,300
Utilities	383,890	385,814
Other expenses	2,946,161	2,982,892
Total cost of sales, distribution costs and administrative expenses	<u>12,556,960</u>	<u>10,860,766</u>

### 29 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Wages and salaries	964,857	575,507
Social security costs	94,242	36,757
Pension costs — defined contribution plans	110,646	89,946
Staff employment medical benefits	11,074	1,174
Others	88,573	64,897
	<u>1,269,392</u>	<u>768,281</u>

## Notes to the Consolidated Financial Statements

### 29 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

#### (a) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31 December 2007 is set out below:

Name of directors	Fees RMB'000	Other emoluments RMB'000	Salary RMB'000	Social security contributions RMB'000	Total RMB'000
Mr. Li Guirong	—	—	542	16	558
Mr. Jin Zhiguo	—	—	542	28	570
Mr. Sun Mingbo	—	—	415	28	443
Mr. Sun Yuguo	—	—	371	28	399
Mr. Liu Yingdi	—	—	361	28	389
Mr. Mark F Schumm	30	—	—	—	30
Mr. Stephen J Burrows	30	—	—	—	30
Mr. Chu Zhengang	80	—	—	—	80
Mr. Fu Yang	80	—	—	—	80
Ms. Li Yan	80	—	—	—	80
Mr. Poon Chiu Kwok	80	—	—	—	80
	<b>380</b>	<b>—</b>	<b>2,231</b>	<b>128</b>	<b>2,739</b>

The remuneration of every director for the year ended 31 December 2006 is set out below:

Name of directors	Fees RMB'000	Other emoluments RMB'000	Salary RMB'000	Social security contributions RMB'000	Total RMB'000
Mr. Li Guirong	—	—	312	8	320
Mr. Jin Zhiguo	—	—	312	17	329
Mr. Liu Yingdi	—	—	245	17	262
Mr. Sun Mingbo	—	—	269	17	286
Mr. Sun Yuguo	—	—	245	17	262
Mr. Stephen J Burrows	30	—	—	—	30
Mr. Mark F Schumm	30	—	—	—	30
Mr. Chu Zhengang	50	—	—	—	50
Mr. Fu Yang	50	—	—	—	50
Mr. Li Yan	50	—	—	—	50
Mr. Poon Chiu Kwok	50	—	—	—	50
	<b>260</b>	<b>—</b>	<b>1,383</b>	<b>76</b>	<b>1,719</b>

## Notes to the Consolidated Financial Statements

### 29 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2006: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2006: two) individuals during the year are as follows:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Basic salaries and allowances	878	489
Social security contributions	45	34
	<u>923</u>	<u>523</u>

#### (c) Supervisory committee members' emoluments

The emoluments of the five existing and former committee members are as follows:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Basic salaries and allowances	383	311
Social security contributions	56	52
	<u>439</u>	<u>363</u>

### 30 FINANCE EXPENSES

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Interest on bank loans	39,426	39,473
Net foreign exchange translation gains	(24,417)	(12,574)
	<u>15,009</u>	<u>26,899</u>

# Notes to the Consolidated Financial Statements

## 31 TAXATION

### (a) Income tax expense

	2007 RMB'000	2006 RMB'000
Current income tax		
— Hong Kong profits tax (i)	5,456	3,161
— PRC enterprise income tax (ii)	515,145	225,835
Deferred income tax (note 20)	(106,789)	(49,933)
	<u>413,812</u>	<u>179,063</u>

#### (i) Hong Kong profits tax

Hong Kong profit tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year.

#### (ii) PRC enterprise income tax (“EIT”)

EIT is provided on the estimated assessable income of the year calculated in accordance with the relevant regulations of the PRC after considering all the available tax benefits from refunds and allowances.

Tax concessions and holidays entitled by the Group:

In accordance with an approval document dated 18th April 1994 issued by the State Administration for Taxation (“SAT”) of the PRC, net profit earned by the Company is subject to EIT at 15%, which is effective from the date of establishment of the Company and 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 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 are 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.

On 15 April 2008, the Company was informed by the governing local tax bureau that the applicable EIT rate for the year ended 31 December 2007 was adjusted from 15% to 33%. The PRC EIT for current year of the Company was hence provided at 33% (2006: 15%) in the financial statements of the Company and the Group. 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 EIT exposure in prior years had been made in the financial statements.

# Notes to the Consolidated Financial Statements

## 31 TAXATION (Continued)

### (a) Income tax expense (Continued)

#### (ii) PRC enterprise income tax (“EIT”) (Continued)

Xiamen Company, Songjiang Company, Changsha Company, Yulin Company, Five Star Company, Three Ring Company, Fuzhou Company and Nanning Company were approved as enterprises with foreign investment and therefore, they are exempt from EIT for two years starting from the first year of profit-marking after offsetting prior year tax losses, followed by a 50% reduction for the next three consecutive years thereafter. 2007 is the fourth profitable year of Xiamen Company, the second profitable year of Songjiang Company and the first profitable year of Changsha Company and Fuzhou Company. Accordingly, EIT expense for Xiamen Company was provided at reduced rates of 7.5%; while Songjiang Company, Changsha Company and Fuzhou Company were exempt from the income tax for the current year. Other subsidiaries described above had not yet reached their first year of profit-marking after offsetting prior year tax losses brought forward.

Huanan Sales Company, Huanan Holding Company, Shenzhen Asahi, Zhuhai Company and Dongnan Sales Company were established in Shenzhen, Zhuhai and Xiamen Special Economic Zones for the PRC where they conduct their operations. Accordingly, they are subject to EIT at a reduced rate of 15%.

Sanshui Company was approved as enterprises with foreign investment in Sanshui County, one of the Coastal open economic regions. Accordingly, enterprise and local income tax rates for Sanshui Company were 24% and 3%.

Other subsidiaries of the Group which are established and operating in the PRC are subject to EIT at a standard rate of 33% based on their respective assessable income for the year.

#### Changes in Enterprise Income Tax Law in the PRC:

On 16 March 2007, the 10th National Peoples Congress of PRC approved the PRC Enterprise Income Tax Law (“EIT Law”), being effective on 1 January 2008. Applicable income tax rate of entities within the Group currently apply 33% tax rate will be subject to 25% from 1 January 2008. According to Guo Fa [2007] No.39, “Circular of the State Council on the Implementation of Transitional Preferential Enterprise Income Tax Policies”, from 1 January 2008, the lower preferential tax rates enjoyed by certain enterprises shall gradually be increased to the statutory tax rate of 25% within 5 years from 1 January 2008, while entities currently applying 24% EIT rate of 24% shall be adjusted to 25% in 2008. The effect of this change has been reflected in the determination of deferred tax assets/liabilities as at 31 December 2007.

For entities which are still entitled to unutilized tax holidays (including two-year exemption and three-year half rate) under the then existing preferential tax treatments, the unutilized tax holiday is allowed to be carried forward to 2008 and future years until their expiry. However, if an entity has not yet commenced its tax holiday due to its loss position, the tax holiday is deemed to commence from 2008 onwards.

## Notes to the Consolidated Financial Statements

### 31 TAXATION (Continued)

#### (a) Income tax expense (Continued)

Reconciliation of weighted average applicable tax rate to effective tax rate:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Weighted average applicable tax rate	19%	10%
Effect from change of EIT rate	(1%)	—
Originating temporary differences not recognised as deferred tax assets in current year	24%	20%
Utilisation of temporary differences not recognised as deferred tax assets of prior years	(2%)	(4%)
Tax refund or relief granted	(3%)	(2%)
Costs, expenses and losses which could not be deducted from ascertaining the assessable tax profit for tax purposes	5%	5%
Effective tax rate	<u>42%</u>	<u>29%</u>

The increase in weighted average applicable tax rate is mainly due to tax rate change (from 15% to 33%) of the Company in 2007.

#### (b) Value-added tax (“VAT”)

According to “the People’s Republic of China Value-added Tax Temporary Regulations” (“VAT Regulations”), the Group is subject to output VAT calculated at 17% of the domestic sales value of tangible goods. In addition, it is subject to a refund of 13% on its export sales of products based on an “exempt, credit, refund” policy enacted. The Group also pays input VAT on its purchases of raw materials and auxiliary materials which is deductible against output VAT on its sales in order to arrive at the net VAT amount payable to the PRC government.

#### (c) Consumption tax

Beers production, manufacturing consignment and beer product importation activities undertaken by the Group are subject to consumption tax in the PRC. For beer with an ex-factory price (including packaging materials and related deposits) of RMB3,000 or above per ton, the consumption tax is RMB250 per ton. For all other beer sold below that price, the consumption tax is levied at RMB220 per ton.

## Notes to the Consolidated Financial Statements

### 32 EARNINGS PER SHARE — BASIC AND DILUTED

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the number of ordinary shares in issue during the year.

	Year ended 31 December	
	2007	2006
Profit attributable to share holders of the Company ( <i>RMB'000</i> )	538,911	447,867
Number of ordinary shares in issue ( <i>thousands</i> )	1,308,219	1,308,219
Basic earnings per share ( <i>RMB per share</i> )	<u>0.41</u>	<u>0.34</u>

The diluted earnings per share information was the same as basic for 2007 and 2006 as there were no dilutive potential ordinary shares as of 31 December 2007 and 2006.

### 33 DIVIDENDS

	Year ended 31 December	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend of RMB0.22 (2006: RMB0.22) per share	<u>287,808</u>	<u>287,808</u>

The dividends paid during the year ended 31 December 2007 were final dividends of 2006 at RMB287,808,000 (RMB0.22 per share) (2006: final dividend for 2005 at RMB209,315,000) (RMB0.16 per share). At the board of directors meeting held on 21 April 2008, the directors proposed a final dividend in respect of 2007 of RMB0.22 per share, amounting to an aggregate amount of RMB287,808,000. This proposed dividend will be approved at the Annual General Meeting and shown as appropriations in the year ending 31 December 2008. These financial statements do not reflect this dividend payable.

## Notes to the Consolidated Financial Statements

### 34 CASH GENERATED FROM OPERATIONS

Reconciliation of profit for the year to net cash inflow from operation

	2007 RMB'000	2006 RMB'000
Profit for the year	578,768	448,757
Taxation	413,812	179,063
Share of loss from associates	(283)	(1,041)
Income from waiver of payable balances	—	(10,526)
Interest income (Note 26)	(24,224)	(22,499)
Net exchange gains (Note 30)	(24,417)	(12,574)
Depreciation (Note 7)	505,187	513,580
Gain on disposal of PP&E	(11,494)	(37,586)
Impairment loss on PP&E (Note 7)	141,008	163,688
Amortisation of intangible assets and leasehold land (Note 6, 8)	23,020	29,822
Goodwill impairment loss and disposal (Note 8)	—	151,061
Fair value losses on derivative financial instruments (Note 26)	22,957	3,659
Interest expenses (Note 30)	39,426	39,473
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)		
Deferred income tax assets	(103,970)	(49,007)
Deferred income tax liabilities	(2,819)	(926)
Inventories	(569,206)	(243,822)
Trade receivables	6,981	3,888
Bills receivable	7,685	30,234
Deposits, prepayments and other receivables	(660,939)	(88,531)
Trade payables	286,128	83,678
Accruals and other payables	462,960	266,044
Bills payable	(42,849)	(75,727)
Deposits and advance from customers	291,220	(27,343)
Taxes payable	55,852	(10,875)
Pledged bank deposits	(742)	—
Cash generated from operations	<u>1,394,061</u>	<u>1,332,490</u>

In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2007 RMB'000	2006 RMB'000
Net book value (Note 7)	32,927	29,594
Profit on disposal of PP&E	1,137	28,736
Proceeds from disposal of PP&E	<u>34,064</u>	<u>58,330</u>

# Notes to the Consolidated Financial Statements

## 35 CONTINGENCIES

- (a) Pursuant to certain policies for housing reform issued by the State Council of the PRC and Qingdao Municipal Government in 1998, the policy of allocating staff quarters by the Company as welfare benefits of its employees was terminated. In replacement, qualified employees are to be compensated in the form of monetary housing subsidies. As at 31 December 2007, no formal plan had yet been developed by the Group and no plans had been announced by the Group to their employees in respect of the arrangements. After obtaining the relevant legal advice, the Company's board of directors is of the opinion that the Group had no obligation to make any payment or provision for such monetary housing subsidies as at 31 December 2007 and there is no reasonable basis to accrue for any potential liabilities.
- (b) As described in Note 31, the directors are of the view that the potential income tax liabilities prior to 2007 arising from the cancellation of the previous preferential tax concessions could not be reliably estimated and therefore, no provision was made in the financial statements of 2007.
- (c) As at 31 December 2007, the Group had provided guarantee of RMB22,000,000 in favor of an associate of the Group for its bank loans.
- (d) During the year, a third party (the "Claimant") filed a lawsuit against the Company, a subsidiary of the Company, and the local government which was the owner of the predecessor of a subsidiary of the Group ("the Predecessor", from which the Company acquired certain assets in order to set up that subsidiary) (collectively defined as the "Plaintiff"), seeking compensation of RMB 12,135,000 on the grounds that the Claimant had settled a loan liability of the Predecessor in the capacity as a loan guarantor, and it made a petition to court to enforce the Plaintiff to compensate it. Up to the date of approval of these financial statements, the lawsuit was still at hearing stage by a court. The directors of the Company, after obtaining a legal opinion for its legal counsel, are of view that it is unlikely the Group would suffer any material loss from this incident. Accordingly no litigation loss provision had been made in the financial statements of 2007.

## 36 COMMITMENTS

### (a) Capital and other commitments

The Group had no material capital commitments which were authorised but not contracted and provided for as at 31 December 2007.

The Group's and the Company's commitments is primarily related to construction of fixed assets, acquisition of subsidiaries and other activities which were contracted but not provided for in the financial statements. Details are as follows:

Group		Company	
2007	2006	2007	2006
RMB'000	RMB'000	RMB'000	RMB'000
<b>1,853,617</b>	981,819	<b>393,146</b>	141,136

*Note: These commitments mainly relate to construction of new breweries and increase in production capacity as well as for raw materials purchase.*

## Notes to the Consolidated Financial Statements

### 36 COMMITMENTS (Continued)

#### (b) Operating lease and other commitments

As at 31 December 2007, the Group had future aggregate minimum lease payments under non-cancelable operating leases of land and buildings as well as other commitments associated with its operating activities as follows:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Not later than one year	<u>23</u>	<u>343</u>

### 37 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one company has the ability, directly or indirectly, to control the other company or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

#### (a) The following major transactions were carried out with related parties:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Purchases from related companies		
— Associates	<u>1,296</u>	<u>94,943</u>
Sales to related companies		
— Associates	<u>268,510</u>	250,274
— Cultural Communication Company	<u>2,873</u>	—
	<u>271,383</u>	<u>250,274</u>
Construction services provided to the Group		
— Tsingtao Brewery Construction Company Limited	<u>43,336</u>	<u>3,788</u>
Logistics services provided to the Group (including paid on behalf)		
— Associates	<u>280,509</u>	<u>219,273</u>
Guarantee provided in favour of the Group's receivables		
— TB Group Company (withdrawn during 2007, see Note 9(b)(ii))	<u>—</u>	<u>35,890</u>
Guarantee provided in favour of the an associate of the Group		
— Asahi Beverage	<u>22,000</u>	<u>16,000</u>
Interest paid to		
— TB Group Company	<u>3,520</u>	<u>3,249</u>
Purchase of subsidiary from its substantial shareholder		
— TB Group Company	<u>5,290</u>	<u>—</u>

All the above transactions with related parties were carried out based on terms agreed between the Group and the related companies.

## Notes to the Consolidated Financial Statements

### 37 RELATED PARTY TRANSACTIONS (Continued)

(b) As at 31 December 2007, the Group had the following significant balances maintained with related parties:

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Included in				
Amount due from subsidiaries	—	—	237,434	146,509
Trade receivable and other long-term assets accounts				
— Wholly owned subsidiaries of the Group	—	—	3,931	2,572
— Non-wholly owned subsidiaries of the Group	—	—	65,377	19,041
— Associates (9b(ii))	41,659	91,349	30,413	89,738
— Other related parties	—	882	—	882
Loans to subsidiaries (i)				
— Wholly owned subsidiaries of the Group	—	—	336,120	—
— Non-wholly owned subsidiaries of the Group	—	—	2,368,758	2,759,788
Deposits, prepayment and other receivables				
— Wholly owned subsidiaries of the Group	—	—	29,177	1,026
— Non-wholly owned subsidiaries of the Group	—	—	138,951	123,217
— Associates	11,275	5,052	969	5,052
— Other related parties	—	11,949	—	787
Trade payables				
— Non-wholly owned subsidiaries of the Group	—	—	50,676	22,639
Other payables and long-term payables				
— Non-wholly owned subsidiaries of the Group	—	—	80,953	79,963
— A-B Company (ii)	109,569	117,131	—	—
— Associates	18,088	378	515	378
— Other related parties	31,657	21,243	14,180	578
Sales deposits				
— Non-wholly owned subsidiaries of the Group	—	—	—	326
— Associates	6,156	307	6,156	307
Short-term loans from				
— TB Group Company	70,000	65,000	—	—

Except for those mentioned in notes (i) and (ii) below and except for the short-term loans, the Group's current balances maintained with related parties are all unsecured, non-interest bearing and with no fixed repayment terms.

## Notes to the Consolidated Financial Statements

### 37 RELATED PARTY TRANSACTIONS (Continued)

#### (b) (Continued)

- (i) As at 31 December 2007, the Company had extended certain advances and loans, amounting to approximately RMB2,704,878,000 (2006: RMB2,759,788,000), to subsidiaries through entrusted loan arrangement made with banks in the PRC (See Note 9).
- (ii) In October 2003, a subsidiary of the Company, Hong Kong Company entered into a loan agreement with Anheuser-Busch Companies, Inc (“A-B Company”) that Hong Kong Company borrowed a loan of USD\$15,000,000 (equivalent to approximately RMB109,569,000 (the “Loan”) from A-B Company. The Loan is interest-bearing at 1% per annum, unsecured and repayable within 5 years. The Company has undertaken to guarantee the repayment of the Loan.

#### (c) Key management compensation

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Basic salaries, allowances and benefits-in-kind	5,302	3,210
Retirement fund contributions	485	242
	<u>5,787</u>	<u>3,452</u>

Key management personnel are those persons, in total 15 persons, having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and other senior management personnel.

## 38 SUBSEQUENT EVENTS

Saved as disclosed in other notes to the financial statements, the Company and the Group had the following significant subsequent events after 31 December 2007:

### (a) Acquisition of minority interests of a subsidiary

On 28 December 2007, the Company signed a conditional agreement with Xian Industry Asset Management Company in order to acquire the 23.9% equity interests held by it in Xi'an Company, a 76.1% owned subsidiary of the Company, at a consideration of RMB171 million. The transaction is subject to completion of the registration of the share transfer made with relevant authorities. The procedures were completed on 25 January 2008 and Xi'an Company became a wholly owned subsidiary of the Company thereafter.

### (b) Issue of bonds with detachable warrants rights

On 2 April 2008, the Company issued bonds at nominal value of RMB1,500 million, divided into 15 million units with RMB100 at par, each unit is attached with seven warrant rights which entitled the holder to convert the rights into A shares of the Company at a conversion ratio of each two warrants to one A share, exercisable in the period from 13 October 2009 to 19 October 2009. The maturity of the whole bonds is on 2 April 2014, and they bear fixed interest rate at 0.8% per annum.

The net proceeds received from this issuance of bonds with warrant rights were approximately RMB1,472 million. Both the bonds and the attached warrant rights have been listed on the Shanghai Stock Exchange since 18 April 2008. The proceeds are intended to finance the ongoing capital commitments of the Group.

## Supplementary Information

### RECONCILIATION OF DIFFERENCES BETWEEN PRC GAAP AND HKFRS

The Group has prepared a separate set of financial information for the year ended 31 December 2007 in accordance with “Accounting Standards for Business Enterprises (2006)” and relevant regulations (“PRC GAAP”) for shareholders of A shares of the Company.

Differences between PRC GAAP and HKFRS give rise to differences in the reported balances of assets, liabilities and net profit of the Group. The financial effects of the material differences between PRC GAAP and HKFRS are summarised and explained in the following table:

#### Impact on the consolidated net assets:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Net assets as per accounts prepared under PRC GAAP	<u>5,509,185</u>	5,228,197
HKFRS adjustments:		
Miscellaneous insignificant adjustments	<u>—</u>	<u>19,232</u>
Net assets attributable to the Company's shareholders as per financial statements prepared under HKFRS	<u>5,509,185</u>	<u>5,247,429</u>

#### Impact on the consolidated net profit:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Net profit under PRC GAAP	558,142	436,958
HKFRS adjustments:		
Additional depreciation charges arising from differences in the accounting of assets valuation under PRC GAAP and HKFRS	(18,434)	(366)
Miscellaneous insignificant adjustments	<u>(797)</u>	<u>11,275</u>
Profit attributable to shareholders of the Company under HKFRS	<u>538,911</u>	<u>447,867</u>

## 公司資料 Company Information

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代碼：600600  
H股：香港聯合交易所  
股票簡稱：青島啤酒  
代碼：0168
6. 未上市股票托管機構：  
中國證券登記結算有限責任公司上海分公司
7. 會計師事務所：  
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5. Stock Exchanges on which the Company's shares are listed:  
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Stock Name: 青島啤酒  
Stock Code: 600600  
H share: The Stock Exchange of Hong Kong Limited  
Stock Name: TSINGTAO BREW  
Stock Code: 0168
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## ANNUAL REPORT

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TSINGTAO BREWERY CO., LTD.