



ANNUAL REPORT

年度報告

2008

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



目錄 Contents



3	公司簡介	Company Profile
4	會計數據摘要	Financial Highlights
9	董事長報告書	Chairman's Statement
15	董事會報告	Report of the Directors
30	監事會報告	Report of the Supervisors
33	企業管治報告	Corporate Governance Report
45	管理層討論與分析	Management Discussion and Analysis
52	董事、監事和高級 管理人員簡介	Profiles of Directors, Supervisors and Senior Management
61	重要事項	Significant Events
64	財務報告	Financial Report
328	公司資料	Company Information

Passion to

Foster Innovations



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53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，已營銷世界六十餘個國家和地區。

公司為北京二零零八年奧運會之官方贊助商。

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 registered 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 53 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 60 countries and regions throughout the world.

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



一. 按香港財務報告準則編制

(單位：人民幣千元)

1. Prepared in accordance with HKFRS

(UNIT: RMB'000)

		集團 Group				
		2008	2007	2006	2005	2004
銷售額	Turnover	15,781,382	13,529,892	11,677,160	10,019,857	8,620,687
除稅前盈利	Profit before income tax	1,108,089	992,580	627,820	531,662	490,465
所得稅	Income tax expense	(374,317)	(413,812)	(179,063)	(188,356)	(186,391)
少數股東盈利	Profit attributable to minority interests	(34,218)	(39,857)	(890)	(36,717)	(18,911)
股東應佔盈利	Profit attributable to shareholders of the Company	699,554	538,911	447,867	306,589	285,163
總資產	Total assets	12,532,231	11,545,235	9,577,983	9,575,458	9,820,533
總負債	Total liabilities	(6,114,616)	(5,556,900)	(3,878,260)	(4,042,382)	(4,522,072)
少數股東權益	Minority interests	(335,377)	(479,150)	(452,294)	(576,686)	(544,333)
歸屬於母公司的股東權益	Equity attributable to the Company's shareholders	6,082,238	5,509,185	5,247,429	4,956,390	4,754,128

		集團 Group		
		2008	2007	2006
1. 每股盈利(元)	Earnings per share (RMB)	0.535	0.412	0.342
2. 淨資產收益率(全面攤薄)	Return on net assets (fully diluted)	11.50%	9.78%	8.53%
3. 每股淨資產(元)	Net assets employed per share (RMB)	4.65	4.21	4.01
4. 股東權益比例	Shareholders equity ratio	48.53%	47.72%	54.79%

二. 按中國企業會計準則編制

1. 公司二零零八年財務資料

(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：

非流動資產處置損益
計入當期損益的政府補助
交易性金融資產公允價值變動、處置損失
除上述各項之外的其他營業外收支淨額
少數股東損益影響額
非經常性損益的所得稅影響數
合計

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製，香港財務報告準則與中國企業會計準則差異對財務報表的影響如下：

2. Prepared in accordance with PRC GAAP

1. 2008 financial information of the Group

(UNIT : RMB'000)

Operating profit	988,873
Total Profit	1,108,089
Net profit attributable to shareholders of the Company	699,554
Net profit attributable to shareholders of the Company after deduction of extraordinary profit and loss	597,510
Net cash flows from operating activities	1,509,486

Note: Extraordinary items include:

Gains on disposal of non-current assets	(11,121)
Government subsidies included in the profit and loss of the period	137,936
Fair value gain and realised losses on derivative financial assets — net	(1,217)
Other non-operational income and expenses excluding the above items — net	(7,600)
Minority interests effects	(3,015)
Income tax effects on extraordinary gain and losses	(12,939)
Total	102,044

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. The financial effects of the differences between the generally accepted accounting principles in China ("PRC GAAP") and HKFRS are summarized as below:

會計數據摘要 Financial Highlights

(單位：人民幣千元)

(UNIT: RMB'000)

項目	Item	歸屬於母公司的淨利潤 Net Profit attributable to the Company's shareholders		歸屬於母公司的淨資產 Net Assets attributable to the Company's shareholders	
		本期數 Current period	上期數 Last period	期初數 Opening balance	期末數 Closing balance
按中國企業會計準則	Under PRC GAAP	699,554	558,142	5,509,185	6,082,238
按香港財務報告準則調整的 分項及合計：	Separation and aggregation under HKFRS:				
因按中國企業會計準則及香港 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)	—	—
其他	Others	—	(797)	—	—
按香港財務報告準則	Under HKFRS	699,554	538,911	5,509,185	6,082,238

3. 主要會計數據及財務指標

(單位：人民幣千元)

3. Principal financial data and financial indicators

(UNIT: RMB'000)

主要會計資料	Major accounting information	2008	2007 (經重述) (Restated)	2006 調整後 After adjustment	調整前 Before adjustment
營業收入	Operating income	16,023,442	13,709,220	11,832,850	11,832,850
利潤總額	Total profit	1,108,089	1,004,123	616,247	614,812
歸屬於母公司股東的淨利潤	Net profit attributable to the Company's shareholders	699,554	558,142	436,958	434,897
歸屬於母公司股東的扣除 非經常性損益的淨利潤	Net profit attributable to the Company's shareholders after deduction of extraordinary profit and loss	597,510	426,308	354,115	352,192
基本每股收益	Basic profit per share	0.5347	0.4266	0.3340	0.3324
稀釋每股收益	Diluted profit per share	0.5347	0.4266	0.3340	0.3324
扣除非經常性損益後的 基本每股收益	Basic profit per share after deduction of extraordinary profit and loss	0.4567	0.3259	0.2707	0.2692
全面攤薄淨資產收益率(%)	Fully diluted return on net assets (%)	11.5	10.13	8.36	8.33
加權平均淨資產收益率(%)	Weighted average return on net assets (%)	11.85	10.41	8.64	8.60
扣除非經常性損益後全面攤薄 淨資產收益率(%)	Fully diluted return on net assets after deduction of extraordinary profit and loss (%)	9.82	7.74	6.77	6.74
扣除非經常性損益後的 加權平均淨資產收益率(%)	Weighted average return on net assets after deduction of extraordinary profit and loss (%)	10.12	7.95	7.06	6.97
經營活動產生的現金流量淨額	Net cash flow from operating activities	1,509,486	1,094,094	1,127,832	1,127,832
每股經營活動產生的 現金流量淨額	Net cash flow from operating activities per share	1.15	0.84	0.86	0.86
總資產	Total assets	12,532,231	11,545,235	9,560,722	9,589,433
歸屬於母公司的股東權益	Equity (or shareholders equity) attributable to the Company's shareholders	6,082,238	5,509,185	5,228,197	5,223,722
歸屬於母公司股東的每股 淨資產	Net assets per share attributable to the Company's shareholders	4.65	4.21	4.00	3.99

4. 報告期內股東權益變動情況

(單位：人民幣千元)

4. Change in shareholders' equity in the reporting period

(UNIT: RMB'000)

		歸屬於母公司股東權益 Equity attributable to the Company's shareholders						股東權益 合計 Total
項目	Items	股本 Share capital	資本公積 Capital reserve	盈餘公積 Surplus reserve	未分配利潤 Unappropriated profits	外幣報表 折算差額 Translation difference	少數股東 權益 Minority interests	shareholders equity
期初數	Opening balance	1,308,219	2,864,565	495,219	835,546	5,635	479,151	5,988,335
本期增加	Increase in the period	—	283,939	40,889	699,554	157	40,873	1,065,412
本期減少	Decrease in the period	—	(122,788)	—	(328,697)	—	(184,647)	(636,132)
期末數	Closing balance	1,308,219	3,025,716	536,108	1,206,403	5,792	335,377	6,417,615

(1) 資本公積：本年增加為發行分離交易可轉債權益部分；本年減少主要為收購子公司少數股東權益影響以及可供出售金融資產公允價值損失；

(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：本年增加主要為少數股東盈利以及股東投入資本，本年減少為收購子公司少數股東權益影響以及分配股利。

(1) Capital reserve: Increase in the year represents the equity component of convertible bonds, while decrease in the year represents effects on acquisition of minority interests of subsidiaries and fair value loss on 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 attributable to minority shareholders and contribution from minority shareholders, while decrease in the period represents effects on acquisition of minority interests of subsidiaries and distribution of dividends.

The background of the entire page is a composite image. On the left, two green glass bottles of Tsingtao Light beer are shown, one in the foreground and one slightly behind it, both angled upwards. The labels are clearly visible, showing the 'TSINGTAO LIGHT' branding. On the right, a basketball player in a white jersey with the number 31 is captured in mid-air, performing a jump shot or layup. Another player in a dark blue jersey with the number 3 is partially visible in the lower right. The overall color palette is warm, with a golden-brown background that suggests a basketball court or arena.

Dedication to

Creating
Value



金志國先生
Mr. JIN Zhi Guo

致各位股東：

本人謹此提呈青島啤酒股份有限公司截止2008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。

一、國內市場分析

2008年是青啤公司經歷了嚴峻考驗的一年。年初啤酒行業原材料、能源、運輸、人工等價格的大幅升高，給啤酒生產企業帶來了巨大的成本壓力；而上半年華南的低溫雨雪冰凍災害、5.12汶川大地震等自然災害及下半年國際金融危機等都對全年的啤酒消費需求形成了負面影響。2008年全國啤酒總產量為4,103萬千升，同比僅增長5.4%，增速為近三年來之最低。啤酒市場供大於求的矛盾，隨著近年啤酒產能的持續增加也日益突出，市場競爭仍較激烈。

但整體而言，我們認為金融危機對中國啤酒市場影響相對較輕。作為世界啤酒產銷量最大、增長最快的中國啤酒市場，隨著國家拉動內需政策的推動和行業整合的進展，未來具有品牌、規模、市場銷售網絡等優勢的大型啤酒企業將具有更大的發展空間，行業集中度將會進一步提升。

Dear shareholders,

I hereby present the Business Report and audited Financial Statements of Tsingtao Brewery Company Limited for the accounting year ended on 31 December 2008 for your kind review.

1. Analysis to the Domestic Market

The year of 2008 is a severe year for the Company, when the great price hike of raw materials, energy, transportation and labors occurred at the year beginning brought huge pressure on cost to the breweries; while the negative effects were brought to the full-year beer consumption needs due to the snow disaster in South China and the severe May 12th earthquake happened in the first half year, and the financial crisis in USA in the second half. As a result, the national total output volume in 2008 only reached 410.3 million hl with the growth rate of 5.4%, which was the lowest growth rate in the recent 3 years. The conflict between the sales and supplies became more and more serious due to the continuous growth of output capacity in recent years, therefore, the competition in the market is still severe.

But on an overall basis, we still believe that the impact of the financial crisis is comparatively less serious to China's beer market. As the market with largest sales volume and greatest growth rate in the world, and with the promotional effect of the policy of increasing domestic demand to stimulate economic growth and the progress of integration of the industry, there will be more developing room for the large breweries with qualified brands, size and sales networks, thus resulting in a more concentrative industry.

二. 公司的主要經營業績

2008年，公司董事會和管理層帶領全體員工克服了面臨的各種困難，上下一心，努力拼搏，取得了良好的經營業績。公司全年實現啤酒銷量538萬千升，較2007年增長6.6%，其中主品牌銷量240萬千升，同比增長25.4%；按照香港財務報告準則計算，實現銷售收入人民幣157.81億元，同比增長16.6%；實現股東應佔盈利人民幣7億元，同比增長29.8%；呈現淨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2008年度末期股息每股人民幣0.22元(含稅)，為回報廣大股東對青島啤酒的關愛和支持，並基於公司現金流充足，擬派發末期特別股息每股人民幣0.03元(含稅)，合計每股派發現金股息人民幣0.25元(含稅)。

結構調整和奧運營銷

2007年底公司開始推行了內部組織機構變革，按專業化管理的原則成立了營銷、製造兩大中心，通過不斷建立、完善組織體系和管理流程，公司的管理水平和管理效率不斷提升，成效逐步顯現。在有效控制成本的基礎上，公司產品均保持了優異的品質，獲得了廣大消費者的廣泛認同，報告期內青島啤酒的品牌價值繼續位居國內啤酒行業首位。公司實施了成功的營銷策略和品牌策略，建立和完善了省一級的營銷分支機構，強化了對市場的運營和掌控能力。同時，公司作為2008年北京奧運會的贊助商，緊緊圍繞奧運營銷，推出了以「釋放激情」為主題的一系列奧運營銷活動，持續提升了青島啤酒的品牌影響力和市場佔有率。通過成功的市場推廣，公司產品結構的提升和優化成效卓著，「1+3品牌」(即以青島啤酒為主品牌，以山水、漢斯、嶗山為第二品牌)的比重已佔公司總銷量的94%，同比提高18個百分點。加之年初公司部分產品的調價作用，使全年公司的噸酒平均收入提高了9%。

II. Principal Operational Results

In 2008, the Company achieved excellent results by overwhelming the difficulties and putting into great efforts by all staff under the leadership of the Board of Directors and the management. In the year, the Company realized its sales volume of 53.8 million hl, representing an increase of 6.6% from 2007, in which that of Tsingtao reached 24 million hl, representing an increase of 25.4% from the previous year; according to HKFRS, the sales income reached approximately RMB15,781 million, representing an increase of 16.6% from the previous year; profit attributable to shareholders was RMB700 million, representing an increase of 29.8% from the previous year; which continued to show a good developing trend in which the growth in net profit was greater than the increase in sales income, which was in turn greater than the increase in sales volume. The Board of Directors proposed a final dividend of RMB0.22 (with tax) per share for the year of 2008, and proposed a special final dividend of RMB0.03 (with tax) per share for the affection and supports from the shareholders to Tsingtao and subject to the Company's sufficient cash-flow, thus the cash dividend was amounted to RMB0.25 (with tax) per share.

Restructuring and Olympic Marketing

At the end of 2007, the Company launched its organizational reform by setting up marketing center and manufacturing center under the principle of professional management. It obtained great achievements with continuous improvements in its managing skills and managing efficiency through establishing and improving its organizational system and managing procedures. The Company maintained good quality of its products and obtained common acknowledgement from the consumers on the basis of efficient cost control. In the reporting period, the brand value of Tsingtao went on to be No. 1 in the national brewery industry. The Company successfully implemented its marketing strategies and brand strategies, established and improved its provincial marketing branches, which helped to strengthen its ability in operating and controlling the market. At the same time, as the official sponsor of the Beijing 2008 Olympic Games, it firmly focused on the Olympic marketing by launching a series of Olympic marketing activities in the theme of "Releasing the passion", which helped to further increase the brand impact and market share of Tsingtao. The Company also achieved a lot in improving the product mix and optimization through the successful market promotional activities, in which the sales volume of "brand 1+3" (that is, the principal brand Tsingtao, and the secondary brands Shanshui, Hans and Laoshan) has been accounted for 94% of the total sales volume, representing an increase of 18 percentage points from the previous year, which helped to increase 9% of its average income of per ton beer in addition to the price adjusting towards some products at the year beginning.

產能擴充

為保持公司的可持續發展，2008年公司根據進一步完善國內市場布局的需要，利用年內發行的15億元人民幣的分離交易可轉債的資金在全國市場進行了有重點地投資開發，該批募集資金在4月份到位後公司迅速投入了相關項目，使生產規模實現了歷史性的飛躍。截止2008年底，濟南、成都、徐州等地的新建、擴建項目已相繼竣工投產，使公司產能新增近100萬千升，總的年生產能力達到770多萬千升，為公司的可持續發展奠定了堅實的基礎。

三. 新年度展望

展望2009年，國際金融危機已影響到中國市場並對實體經濟產生負面影響，我們面臨前所未有的挑戰。因此，公司將2009年的工作方針確定為：「全力以赴開拓市場；全力以赴降低成本；全力以赴防範金融風險」。公司將以提升價值鏈競爭能力為核心，發揮自身的品牌、管理、技術等優勢，繼續深化組織機構變革，完善營銷管理體系，不斷提高公司的競爭力和可持續發展能力，促進公司產銷量和收入的持續增長，向著國際化大公司的目標不斷邁進。

Expansion of Output Capacity

To keep on its sustainable development, and based on its needs of further improving its national network, the Company put into the investments in the key areas throughout the country with the proceeds from the issuance of RMB1.5 billion of bond with warrants in 2008. Upon receiving the proceeds in April, the Company immediately put it into the relevant projects, which pushed the historical expansion of its production size. By the end of 2008, the new constructions and expansion projects in Jinan, Chengdu, Xuzhou, and etc. have been completed and put into production, which helped to increase nearly 10 million hl of the Company's output capacity to totally 77 million hl, thus to build a sound basis for the sustainable development of the Company.

III. Outlook for 2009

For the year of 2009, we have to face the unprecedented challenges as the international financial crisis has affected the China market and has had negative impacts to the real economy. Therefore, the Company has worked out its working guidelines as: "To explore the market with full efforts, to decrease the costs with full efforts, and to prevent from the financial risks with full efforts". The Company will further focus on improving its competitive ability in the value chain and rely on its advantages in brands, management and technologies to deepen its organizational reform, improve the sales and marketing system, and continuously improve its competitive ability and the ability of sustainable development, thus to promote the continuous growth of the sales volume and income to step forward the target of becoming an international great company.





我們將堅定信心，努力開拓，實施積極的市場增長戰略，力爭全年公司的銷量增長率高於全國啤酒行業增長率2個百分點。

1. 繼續推進品牌整合

繼續實施「1+3」品牌戰略，不斷優化品牌品種結構，使「1+3」品牌佔總銷量比重2009年達到98%；並提高青島啤酒高附加值產品的銷量，提升啤酒收入水平。繼續整合營銷傳播，2009年品牌推廣要實施以NBA賽事為傳播主線，體育營銷為主導的整合，並推行「大客戶+微觀運營」的營銷模式，提高營銷運營效率。

2. 加強生產管理、降低成本

公司將不斷優化生產工藝，通過技術改造降低消耗，提高生產效率，降低成本。並推進先進的管理工具和方法的應用，成立專業化小組，不斷推進重點工廠和重點推進項目的實施，不斷降低管理成本。同時，公司將擴大推行規模化採購的模

We will strengthen our confidence and put into our efforts to carry out the positive strategy for market growth, and strive to realize the target that the Company's full-year growth rate of sales volumes is 2 percentage points higher than that of the national beer industry.

1. Further Improving the Brand Integration

The Company will further implement its brand strategy of "1+3" and continuously optimize its brand and products mix to realize that the sales volume of "1+3" may reach 98% of the total sales volume in 2009, and to increase the sales volume of products with high margin to increase the income of per ton beer. In addition, the Company will further integrate its marketing strategies in 2009, especially focusing on the integration of brand promotion led by the NBA games as its spreading principles and the sports marketing, and launch the marketing mode of "VIP + micro operations" to improve its operational efficiency in marketing.

2. Strengthening the Management in Production for a Lower Cost

The Company will go on to optimize its manufacturing techniques in way of technical reconstruction to decrease its consumption, improve its production efficiency and lower the costs. It will also encourage the utilization of advanced managing tools and skills, set up professional

式，選擇最優的合作夥伴，最大限度降低採購成本。

3. 提高資金使用效率

為實現公司資金集中管理，最大限度地防範金融風險，公司擬對四川、東北、華東、北方等部分省級分公司資金實行遠程集中管理，加快資金周轉速度，保持公司資金流的最佳使用效率。

各位股東，本人自2008年6月擔任董事長以來，秉承股東利益至上的原則，在董事會成員和管理層共同努力下，取得了公司經營業績持續增長的佳績。在此，謹向各位董事和管理團隊表示衷心感謝！並借此機會，對一直以來給予本公司長期支持並付出辛勤努力的各位股東、業務合作夥伴、公司全體員工表示衷心感謝！

預祝青島啤酒在新的一年里取得更加輝煌的成績！

董事長

金志國

中華人民共和國·青島

二零零九年四月八日

teams to further promote the implementation of the key plants and key promotional projects to lower its costs. Meanwhile, the Company will further promote the mode of sizable purchasing and choose the best partner to minimize its purchasing costs.

3. Improving the Efficiency of Funds Utilization

To realize the centralized fund management to prevent from the financial risks at maximized level, the Company may realize its remote centralized fund management in some provincial branches of Sichuan, Northeast China, East China, North China, and etc. to accelerate the circular of funds to keep the best efficiency of the utilization of the funds flow.

Dear shareholders, since I took the position as Chairman of the Company in June 2008, we have achieved the great results that the operational results of the Company kept its growth trend in the principle that the interests of our shareholders are the most important and with the joint efforts of the Board members and the management. Therefore, hereby I would like to express my sincere gratitude to all Directors and the management. And furthermore, I would also express my sincere gratitude to our shareholders, business partners and staff for your great supports and efforts in the past.

May Tsingtao Brewery more prosperous in the coming year!

Chairman

JIN Zhi Guo

Qingdao, the People's Republic of China

8 April 2009

Commitment to

Enhancing Quality





王帆先生
Mr. WANG Fan

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(按中國企業會計準則計算)

I. Operations of the Company

The Company is mainly engaged in the brewing 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
Unit: RMB'000

地區 Region		主營業務收入 Revenues from Principal Business	比上年增減 (%) Increase/ Decrease (%)
青島	Qingdao	7,273,085	27.1
山東(不含青島)	Shandong Province (excluding Qingdao)	2,430,077	15.1
華北	North China	2,930,592	13.6
華南	South China	5,391,681	24.9
出口銷售	Exports	361,306	4.4
合計	Sub-total	18,386,741	22.0
減：各地區分部間抵銷金額	Less: Intra-group set-offs	2,605,359	68.4
合併	Total	15,781,382	16.6

2. 主要控股子公司的經營情況及業績(按中國企業會計準則計算)

盈利最大的前三家子公司情況

單位名稱

Name of Subsidiary

深圳市青島啤酒華南營銷有限公司

Shenzhen Tsingtao Brewery South China Sales Company Limited

青島啤酒西安漢斯集團有限公司

Tsingtao Brewery Xi'an Hans Group Company Limited

深圳青島啤酒朝日有限公司

Shenzhen Tsingtao-Asahi Company Limited

總資產
Total Assets

1,009,489

987,483

735,955

單位：人民幣千元

Unit: RMB'000

歸屬於
母公司股東
的淨利潤
Profit
attributable to
the Company's
Shareholders

169,899

115,365

60,664

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8.7%。

(2) 本公司向前五名客戶銷售額合計佔公司銷售總額的7.7%。

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。

3. Main Suppliers and Clients

(1) The total amount of the Company's purchasing from its top 5 suppliers is accounted for 8.7% of its full-year purchasing amount.

(2) The total amount of the Company's sales to its top 5 clients is accounted for 7.7% of its sales amount in aggregate.

In the reporting period, there were no Directors, Supervisors or their associates or any shareholders whose stake in the Company exceeding 5% ever possessing any interests in the aforesaid suppliers and distributors.

二. 利潤分配

董事會建議截至二零零八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(含稅)，為回報廣大股東對青島啤酒的關愛和支持，並基於公司現金流充足，擬派發末期特別股息每股人民幣0.03元(含稅)，合計派發末期股息每股人民幣0.25元(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二零零八年度股東年會審議批准。

II. Profit Distribution

The Board of Directors proposed a final dividend of RMB0.22 per share (with tax) for the year ended on 31 December 2008, and proposed a special dividend of RMB0.03 (with tax) for the affection and supports to Tsingtao from the shareholders and subject to the Company's sufficient cash-flow, thus the cash dividend to be distributed for each share is RMB0.25 (with tax). It will carry forward the remaining distributable profits to the next year. The aforesaid distribution preliminary scheme is subject to the approval by the 2008 Annual General Meeting 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20。

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》的要求。截止報告期末，股本結構如下：

III. Reserves

Details of changes of reserves of the Company and the Group in the reporting period are disclosed in No. 20 of *Notes 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 in the reporting period.

Based on the public information which is known on the last actual practical 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 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. 境外上市的外資股(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38,862戶，其中A股股東38,474戶，H股股東388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 38,862, in which 38,474 were holders of A-share, and 388 of H-share.

In 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	報告期內增減 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 (%)	質押或凍結 的股份數量 Guaranteed or Frozen Shares	股份類別 Class of Shareholder
青島啤酒集團有限公司(附註1) Tsingtao Brewery Group Company Limited (Note 1)	+4,272,250	404,092,250	30.89	無 Nil	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(附註2) HKSCC Nominees Limited (Note 2)	-1,138,000	297,118,072	22.71	未知 Unknown	H股 H-share
A-B Jade Hong Kong Holding Co, Ltd. ("A-B Hong Kong") (Note 3)	0	261,643,836	20.0	未知 Unknown	H股 H-share
Law Debenture Trust (Asia) Limited (the "Trustee")	0	91,575,342	7.0	未知 Unknown	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	未知 Unknown	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		13,000,000	0.99	未知 Unknown	A股 A-share
興業趨勢投資混合型證券投資基金 Industrial Trend Investment Mixed Securities Investment Fund		12,285,524	0.94	未知 Unknown	A股 A-share
全國社保基金一零二組合 National Social Security Fund 102		10,000,000	0.76	未知 Unknown	A股 A-share
興業全球視野股票型證券投資基金 Industrial Global Vision Stock Securities Investment Fund		9,767,624	0.75	未知 Unknown	A股 A-share
大成藍籌穩健證券投資基金 Dacheng Blue Chip Steady Securities Investment Fund		8,107,570	0.62	未知 Unknown	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 shareholders 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	297,118,072	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	13,000,000	A股 A-share
興業趨勢投資混合型證券投資基金 Industrial Trend Investment Mixed Securities Investment Fund	12,285,524	A股 A-share
全國社保基金一零二組合 National Social Security Fund 102	10,000,000	A股 A-share
興業全球視野股票型證券投資基金 Industrial Global Vision Stock Securities Investment Fund	9,767,624	A股 A-share
大成藍籌穩健證券投資基金 Dacheng Blue Chip Steady Securities Investment Fund	8,107,570	A股 A-share
華富成長趨勢股票型證券投資基金 Huafu Growth Trend Stock Securities Investment Fund	6,360,000	A股 A-share
銀華核心價值優選股票型證券投資基金 Yinhua Core Value Selected Stock Securities Investment Fund	5,816,161	A股 A-share

附註：

Notes:

- 根據本公司控股股東青島啤酒集團有限公司(「青啤集團」)通知，截止2008年12月31日，青啤集團通過上海證券交易所證券交易系統增持了本公司A股股份3,260,250股，通過其全資附屬公司在香港市場增持了本公司H股股份1,012,000股。增持後，青啤集團持有本公司股份404,092,250股，約佔本公司已發行總股份的30.89%。青啤集團擬以自身名義或通過一致行動人繼續通過二級市場增持本公司股份，累計增持比例不超過本公司已發行總股份的2% (含已增持部分股份)。青啤集團承諾，在增持計劃實施期間及法定期限內不減持其持有的本公司股份。

- According to the notice from Tsingtao Brewery Group Company Limited ("TB Group"), the controlling shareholder of the Company, that, by 31 December 2008, TB Group had acquired 3,260,250 shares of A-share in the Company through the transaction system of Shanghai Stock Exchange, and acquired 1,012,000 shares of H-share in the Company through its wholly-owned subsidiary in Hong Kong. After the share acquisition, TB Group had held 404,092,250 shares in the Company, which was accounted for about 30.89% of the total issued shares of the Company. TB Group may further acquire shares in the Company through secondary market in its name or through parties acting in concert, and the accumulated percentage of increased shares would not exceed 2% (including the increased shares) of the total issued shares of the Company. TB Group promised that, it would not sell out the shares in the Company during the implementation of share acquisition scheme and during the statutory period.

2. HKSCC Nominees Limited (香港中央結算(代理人)有限公司)持有的H股乃代表多個客戶所持有。
3. Anheuser-Busch Companies, Inc. (「A-B公司」)與InBev S.A. (「英博」)兩家公司的合併程序於2008年11月19日完成，英博(現稱為「Anheuser-Busch InBev S.A., ABI」)因此獲得A-B公司(透過其全資附屬公司A-B香港)所持有的本公司27%股份的所有權。

A-B公司通過其全資擁有的附屬公司A-B Jade HongKong 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，並按青啤集團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。興業趨勢投資混合型證券投資基金和興業全球視野股票型證券投資基金屬於興業全球基金管理有限公司旗下管理的基金產品。

除上所述，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。

2. Shares are held by HKSCC Nominees Limited on behalf of different clients.
3. Anheuser-Busch Companies, Inc. completed its merger with InBev S.A on 11 November 2008 and renamed as "Anheuser-Busch InBev S.A", which therefore obtained the ownership of 27% interests in the Company held by A-B Company (through its wholly-owned subsidiary A-B Hong Kong).

A-B Company holds 261,643,836 shares of H-share 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 shares of H-share, and undertake such voting right under the written instruction of TB Group, while the financial interests including the dividends, profit distribution and payments delivery of these shares are processed under instructions of A-B Company. Industrial Trend Investment Mixed Securities Investment Fund and Industrial Global Vision Stock Securities Investment Fund are the products operated by Aegon-Industrial Fund Management Co., Ltd.,

Save as disclosed above, the Company is unaware if there are any other associations among these top 10 shareholders of listed shares or they are of the parties acting in concert.



(4) H股主要股東

於2008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) 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 2008, 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%
	好倉 Long Position	H股 H-Share	受控制法團權益 Interest of controlled corporation	3	1,012,000 H股 H-Shares	0.08%	0.15%
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
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 Interest of controlled corporations/ Beneficial Owner/Investment Manager/ Custodian	4	59,014,637 H股 H-Shares	4.51%	9.01%
	可供借出 股份中的權益 Interest in a lending pool	H股 H-Share			28,410,317 H股 H-Shares	2.17%	4.34%
	淡倉 Short Position	H股 H-Share	實益擁有人 Beneficial Owner		902,150 H股 H-Shares	0.02%	0.14%
Marathon Asset Management	好倉 Long Position	H股 H-Share	投資經理 Investment Manager		32,755,000 H股 H-Shares	2.50%	5.00%

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) 被視為由青島市國資委享有權益的1,012,000股H股是透過青島啤酒集團有限公司的全資附屬公司Hong Kong Xinhaisheng Investment Limited持有。
- (4) 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。
- (5) 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。

3. 優先認股權

本公司《公司章程》或中國法律並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。

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 1,012,000 H-shares which were deemed to be interested by SASACQ were held by Xinhaisheng Investment Limited, a wholly-owned subsidiary of Tsingtao Brewery Group Company Limited.
- (4) The Shares in which JPMorgan Chase & Co. was deemed to be interested were held through various intermediate holding companies.
- (5) 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. 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 offer new shares on pro-rate basis to its existing shareholders. However, the Company has to abide by the rules concerning pre-emptive right in the *Listing Rules*.

五. 董事、監事、高級管理人員和員工情況

1. 董事、監事和高級管理人員持股情況

姓名 Name	職務 Position	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、總裁 Executive Director, President	1,840	A 股 A-share
劉英弟 LIU Ying Di	執行董事 Executive Director	5,894	A 股 A-share
樊偉 FAN Wei	副總裁兼製造中心總裁 Vice President & President of Manufacturing	3,476	A 股 A-share
黃祖江 HUANG Zu Jiang	第五屆監事會職工監事 Supervisor as Staff Representative of the 5th Board of Supervisors	7,100	A 股 A-share
張學舉 ZHANG Xue Ju	董事會秘書 Board Secretary	1,179	A 股 A-share
曹向東 CAO Xiang Dong	職工監事 Supervisor as Staff Representative	2,358	A 股 A-share
董建軍 DONG Jian Jun	總釀酒師 Chief Brewer	92	A 股 A-share

截至二零零八年十二月三十一日止，除上述人員持股外，本公司的董事、監事和高級管理人員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、相關股份及債權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」）通知本公司及香港交易所。

V. Directors, Supervisors, Senior Management and Staff

1. The Shareholding of Directors, Supervisors and Senior Management

單位：股
Unit: Share

As at 31 December 2008, save as disclosed above, none of the Directors, Supervisors and senior management of the Company 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 *Securities and Futures Ordinance* (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 Companies* (the “Model Code”) included in Appendix 10 of the *Listing Rules*.

本公司已以《標準守則》以及本公司製訂的《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定》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及監事作出特定查詢，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。

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.

2. 董事、監事、高級管理人員年度報酬情況

公司董事、監事的報酬依據公司股東大會審議通過的董事會及監事會成員年度薪酬方案和董事、監事服務合約以及公司的經營效益情況決定其薪酬，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。

2. Annual Remuneration of Directors, Supervisors and Senior Management

The remuneration of the Directors and Supervisors of the Company is determined in accordance with the annual remuneration schemes of members of Board of Directors and Board of Supervisors considered and approved by the Company's General Meeting, Service Contract of Director, Service Contract of Supervisor, and subject to the operational results of the Company. The remuneration of senior management is determined in accordance with the operator's remuneration scheme approved by the Board of Directors, and implemented after the performance appraisal conducted by the Corporate Governance and Remuneration Committee under the Board of Directors according to the Company's operational results and the work duty taken by each of them.

單位：人民幣千元
Unit: RMB'000

		報告期內從公司領取的 報酬總額(稅前) Total Remuneration Withdrawn from the Company in the Reporting Period (Pre-tax)
姓名 Name	職務 Position	
金志國 JIN Zhi Guo	董事長 Chairman of Board of Directors	1,138.1
王帆 WANG Fan	副董事長兼黨委書記 Vice Chairman & Secretary to the Party	420.4
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、總裁 Executive Director, President	793.7
劉英弟 LIU Ying Di	執行董事 Executive Director	565.1
孫玉國 SUN Yu Guo	執行董事、副總裁 Executive Director, Vice President	575.1
Mark F.SCHUMM	非執行董事 Non-executive Director	30

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 Withdrawn from the Company in the Reporting Period (Pre-tax)
付洋	獨立董事	80
FU Yang	Independent Director	
李燕	獨立董事	80
LI Yan	Independent Director	
潘昭國	獨立董事	80
POON Chiu Kwok	Independent Director	
王樹文	獨立董事	80
WANG Shu Wen	Independent Director	
杜常功	監事會主席	80
DU Chang Gong	Chairman of Board of Supervisors	
滕安功	職工監事	111
TENG An Gong	Supervisor as Staff Representative	
曹向東	職工監事	222.3
CAO Xiang Dong	Supervisor as Staff Representative	
薛超山	職工監事	75.4
XUE Chao Shan	Supervisor as Staff Representative	
鄭曉凡	股東代表監事	30
Frances ZHENG	Supervisor as Shareholders Representative	
劉清遠	外部監事	40
LIU Qing Yuan	External Supervisor	
鐘明山	外部監事	40
ZHONG Ming Shan	External Supervisor	
嚴旭	副總裁兼營銷中心總裁	982
YAN Xu	Vice President & President of Marketing Center	
樊偉	副總裁兼製造中心總裁	655.3
FAN Wei	Vice President, President of Manufacturing Center	
姜宏	副總裁	629.1
JIANG Hong	Vice President	
張安文	副總裁	232.1
ZHANG An Wen	Vice President	
董建軍	總釀酒師	274.7
DONG Jian Jun	Chief Brewer	
于嘉平	製造中心副總裁	274.7
YU Jia Ping	Vice-President of Manufacturing Center	
楊華江	營銷中心副總裁	572.4
YANG Hua Jiang	Vice President of Marketing Center	
張學舉	董事會秘書	385.1
ZHANG Xue Ju	Secretary to the Board of Directors	
李桂榮	第五屆董事會董事長	604.2
LI Gui Rong	Chairman of the 5th Board of Directors	
孫賈堯	第五屆監事會主席	80
SUN Jia Yao	Chairman of the 5th Board of Supervisors	

單位：人民幣千元
Unit: RMB'000

		報告期內從公司領取的 報酬總額(稅前) Total Remuneration Withdrawn from the Company in the Reporting Period (Pre-tax)
姓名 Name	職務 Position	
楚振剛 CHU Zheng Gang	第五屆董事會獨立董事 Independent Director of the 5th Board of Directors	80
黃祖江 HUANG Zu Jiang	第五屆監事會職工監事 Supervisor as Staff Representative of the 5th Board of Supervisors	89.9
任增貴 REN Zeng Gui	第五屆監事會職工監事 Supervisor as Staff Representative of the 5th Board of Supervisors	63.3
袁璐 YUAN Lu	第五屆董事會秘書 Secretary to the 5th Board of Directors	113.6
陸文金 LU Wen Jin	原任營銷副總裁 Former Vice President of Marketing Division	77.8
合計 Total		9,585.3

3. 員工情況

截至報告期末，本公司(包括下屬子公司)在職員工共計35,763人，離退休職工為4,321人。員工專業構成如下：

3. Staff

As of the end of the reporting period, the Company (including its subsidiaries) totally had 35,763 of staff, and 4,321 of retired staff. 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	5,814
財務人員 Financial Personnel	605
工程技術人員 Technical and Engineering Personnel	1,653
銷售人員 Sales Personnel	10,529
生產服務人員 Production and Services Personnel	17,162

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。同時，建立了基於崗位價值和員工成長的薪酬激勵機制，讓員工分享企業的經營成果，員工收入水平能隨著企業發展獲得持續增長。

The Company cares about its staff and secure their legal 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 fees for these insurances with full amount. Meanwhile, the Company sets up an remuneration incentive mechanism subject to the staff's position value and personal development to have its staff share the operational results, which makes the remuneration of its staff may obtain continuous growth with its development.

公司重視員工教育培訓，加強教育培訓體系的建立，已成立青島啤酒管理學院，為員工搭建了一個學習、共享、實踐的平台，根據公司需要有針對性地開展實際、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。2008年度累計實施培訓152,652課時，參加培訓人數達18,090人次。

The Company takes seriously about its staff's education and trainings by strengthening its establishment of education and training system. It has set up Tsingtao Brewery Administration Institute as a platform for its staff's study, sharing and practice. It carries out the practical, applicable and effective training programs with pertinence 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 2008, the number of training hours reached 152,652 hours, and the persons who attended the trainings reached 18,090 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。

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 from purchasing shares or bonds of the Company or that of any other organizations.

七. 募集資金使用情況

1. 公司於2008年通過發行分離交易可轉債募集資金15億元人民幣，已累計使用11.5億元，尚未使用3.5億元。尚未使用的募集資金存儲於公司募集資金指定銀行存儲帳戶。

VII. Use of Proceeds

1. The Company collected RMB1.5 billion from the issuance of bond with warrants in 2008, in which RMB1.15 billion had been used, and the remaining RMB0.35 billion was deposited in the savings account of the bank appointed by the Company for its offering proceeds.

2. 承諾項目使用情況

- (1) 青島啤酒(徐州)彭城有限公司新建年產20萬千升啤酒生產基地項目擬投入24,000萬元，實際投入24,000萬元，已投產。
- (2) 青島啤酒(濟南)有限公司新建年產30萬千升啤酒生產基地項目擬投入36,000萬元，實際投入36,000萬元，已投產。
- (3) 青島啤酒第三有限公司新建年產30萬千升啤酒生產基地項目擬投入22,000萬元，實際投入22,000萬元，已投產。

2. Utilization of the committed projects

- (1) The proposed new construction of brewing base of annual output volume of 2 million hl in Tsingtao Brewery (Xuzhou) Pengcheng Company Limited had been put into production. It was expected to invest in RMB240 million, and the actual investment was RMB240 million.
- (2) The proposed new construction of brewing base of annual output volume of 3 million hl in Tsingtao Brewery (Jinan) Company Limited had been put into production. It was expected to invest in RMB360 million, and the actual investment was RMB360 million.
- (3) The proposed new construction of brewing base of annual output volume of 3 million hl in Tsingtao Brewery No. 3 Company Limited had been put into production. It was expected to invest in RMB220 million, and the actual investment was RMB220 million.

- (4) 青島啤酒(日照)有限公司新建年產20萬千升啤酒生產基地項目擬投入28,000萬元，實際投入28,000萬元，正在建設中。
- (5) 青島啤酒(成都)有限公司新建年產10萬千升啤酒生產基地項目擬投入5,000萬元，實際投入5,000萬元，已投產。
- (6) 青島啤酒麥芽廠10萬噸產能擴建項目，擬投入35,000萬元，因政府調整麥芽廠所在區域的發展規劃，尚未投入。

- (4) The proposed new construction of brewing base of annual output volume of 2 million hl in Tsingtao Brewery (Rizhao) Company Limited was still under construction. It was expected to invest in RMB280 million, and the actual investment was RMB280 million.
- (5) The proposed new construction of brewing base of annual output volume of 1 million hl in Tsingtao Brewery (Chengdu) Company Limited had been put into production. It was expected to invest in RMB50 million, and the actual investment was RMB50 million.
- (6) It was planned to invest in RMB350 million for the proposed expansion for output volume of 1 million hl in Tsingtao Brewery Malting Company Limited, but the fund had not been put into as the government was adjusting its developing plan for the region in which the Malting Company was located.

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及監事均已與本公司訂立服務合約，各董事及監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擁有重大權益。

VIII. Contracted Rights of Director or Supervisor and Director Service Contract

All Directors and Supervisors appointed by the Company have entered into service contract with the Company, and do not enter any service contract with the Company that the Company and its subsidiaries should make compensation to 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 obtained material interests from any contracts entered into with the Company and its subsidiaries within the year.

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。

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 persons of independence.

十. 購回、出售或贖回上市股份

報告期內，本公司或其任何附屬公司並無購入、出售或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期權或其它類似權利，亦無任何行使轉換權或認購權的情況。

X. Buy-back, Sales and Redemption of Shares

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

In the reporting period, the Company or any of its subsidiaries did not issue or provide any options or any other similar rights, 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

於二零零八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

本公司二零零八年年度報告摘要及業績公佈已於二零零八年四月九日刊登在中國境內的《上海證券報》、《中國證券報》和上海證券交易所網頁(www.sse.com.cn)、香港聯交所披露易網頁(www.hkexnews.com.hk)以及本公司網頁(www.tsingtao.com.cn)。本年報以中、英兩種文字編製，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七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。

金志國
董事長

中華人民共和國•青島
二零零九年四月八日

XI. Principal Subsidiaries and Associated Companies

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

XII. Fixed Assets

Any changes of fixed assets in the year are set out in the attached "Notes to the Financial Statements".

XIII. Bank Loans

The details of bank loans as of 31 December 2008 are set out in the attached Notes to the Financial Statements.

XIV. Other Issues for Reporting

The summary of the Company's 2008 Annual Report and the results announcement were published on 9 April 2009 in *Shanghai Securities News*, *China Securities Journal*, and at website of Shanghai Stock Exchange (www.sse.com.cn), website of HKEx (www.hkexnews.com.hk) and website of the Company (www.tsingtao.com.cn). The Annual Report is prepared both in Chinese and English, in case of any discrepancies existing between the Chinese and English context, the Chinese version shall prevail.

XV. Auditor

In the reporting period and in the past 7 years, PricewaterhouseCoopers Zhong Tian Certified Public Accountants Limited Company and PricewaterhouseCoopers had being appointed respectively as domestic and international auditor of the Company, and have audited the attached Financial Statements.

JIN Zhi Guo
Chairman

Qingdao, the People's Republic of China
8 April 2009

杜常功先生
Mr. DU Chang Gong



致各位股東：

本人謹此提呈青島啤酒股份有限公司2008年度之監事會報告，敬請各位股東審閱。

報告期內，公司監事會遵照《公司法》及《公司章程》的有關規定，通過召開監事會審議公司重大事項、組織監事就所關心的問題考察相關企業、列席董事會會議和經理系列辦公會議等方式，認真履行監督職責，積極維護公司和股東的利益。

一. 審議公司重大事項情況

報告期內，公司監事會共召開八次會議，審議的主要事項如下：

1. **財務報告方面：**公司2007年度財務報告；公司2008年第一季度報告；公司2008年半年度報告；公司2008年第三季度報告。
2. **關聯交易方面：**公司受讓青島啤酒集團有限公司所持日照公司5%股權之關聯交易的可行性方案；公司受讓青島啤酒集團有限公司所持彭城公司10%股權之關聯交易的可行性方案；公司受讓青島啤酒集團有限公司所持華南營銷等22家子公司少數股權之關聯交易的可行性方案；公司附屬公司青啤華南投資公司受讓珠海皇妹公司所持珠海公司21.35%股權之關聯交易的可行性方案；公司受讓青島啤酒集團有限公司持有的文化傳播公司和工程公司各100%股權的關聯交易方案。

Dear shareholders,

I hereby present the 2008 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 and its shareholders by seriously undertaking their responsibilities as Supervisor through considering the Company's significant events at the Supervisory meetings, visiting the relevant enterprises with the questions concerned by the Supervisors, sitting in the Board meetings and management meetings, and abiding by the rules set out in the *Company Law*, and *Articles of Association*.

I. Significant Events Considered

In the reporting period, the Board of Supervisors totally held 8 meetings to mainly consider the following issues:

1. **Financial reports:** the Company's 2007 Financial Report; 2008 First Quarter Report; 2008 Interim Report; 2008 Third Quarter Report.
2. **Connected transactions:** the feasibility scheme for the connected transaction of the Company's acquiring 5% interests in Tsingtao Rizhao held by Tsingtao Brewery Group Company Limited; the feasibility scheme for the connected transaction of the Company's acquiring 10% interests in Tsingtao Pengcheng held by Tsingtao Brewery Group Company Limited; the feasibility scheme for the connected transaction of the Company's acquiring minority interests in 22 subsidiaries including Tsingtao South China Sales held by Tsingtao Brewery Group Company Limited; the feasibility scheme for the connected transaction of Tsingtao South China Investing Company (the Company's subsidiary) acquiring 21.35% interests in Tsingtao Zhuhai held by Zhuhai Loyal Sister Company; the scheme for the connected transaction of the Company's acquiring 100% interests respectively in Tsingtao Cultural Company and Tsingtao Construction Company held by Tsingtao Brewery Group Company Limited.

3. **其它事項方面：**公司2008年度經營預算方案；公司2008年為控股子公司提供擔保的議案；公司2008年為控股子公司提供30億元委托貸款額度的議案；公司為全資子公司香港貿易公司提供1,500萬美元借款擔保的議案；關於核銷公司2007年財產損失的議案；關於收購煙台啤酒朝日有限公司39%股權可行性研究報告；關於深青啤擴建工程可行性報告；關於松江公司擴建項目的可行性報告。

二. 對有關事項的獨立意見

1. 公司依法運作情況

監事會認為，報告期內，公司依法經營，規範運作，各項決策程序合法；董事及高級管理人員勤勉盡責，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和股東利益的情況。

2. 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、年度報告進行了審議，認為公司的財務報告按照要求進行了外部審計，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。

3. 最近一次募集資金使用情況

報告期內，公司發行了分離交易可轉債，共募集資金人民幣15億元，以上資金主要投向公司新建廠項目。監事會認為，公司募集資金使用規範，沒有發現問題。

3. **Other issues:** 2008 operational budget scheme; case for providing guarantees for the Company's controlling subsidiaries in 2008; case for providing the credit line of RMB3 billion of entrusted loans for the Company's controlling subsidiaries; case of providing guarantees for US\$15 million borrowings by the Company's wholly-owned subsidiary Tsingtao Brewery (Hong Kong) Trading Company; case of writing-off the financial losses in 2007; the feasibility report for acquiring 39% interests in Yantai Brewery Asahi Co., Ltd.; the feasibility report for the expansion of Tsingtao Shenzhen; and the feasibility report for the expansion of Tsingtao Songjiang.

II. Independent Comments to the Concerned Issues

1. Compliant Operation

It is of the view that, in the reporting period, the Company operated and made decisions in legal procedures and compliant manner; its Directors and all members of senior management were honest and integrity, diligent and responsible, and were not found to breach any laws, regulations, articles of association or damage any interests of the Company and its shareholders.

2. Review of the Financial Conditions

In the reporting period, the Board of Supervisors, after reviewing the Company's quarterly reports, interim report and annual report, were of the view that the Company's financial statements were audited by external firms as requested, which 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.

3. Latest Use of Proceeds

In the reporting period, the Company received RMB1.5 billion of proceeds from the issuance of bond with warrants, which was mainly put into the construction of new plants. The Board of Supervisors is of the view that, the use of the proceeds was compliant without any problems being found.



4. 報告期內公司出售、收購資產情況

監事會認為，公司報告期內收購行為符合公司發展戰略，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。

5. 報告期內關聯交易情況

監事會認為，公司報告期內對關聯交易執行了審議程序，定價公平合理，並減少了今後關聯交易的機會，符合公司及股東的整體利益。

2009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：杜常功
二零零九年四月八日

4. Assets Sales and Purchase

The Board of Supervisors is of the view that, the acquisitions by the Company in the reporting period were in line with the Company's developing strategy; the process of acquisitions was legal, the price was fair and reasonable, and no behaviors of insider transaction or damaging the interests of the Company and its shareholders were found.

5. Connected Transactions

The Board of Supervisors is of the view that, the Company carried out the auditing procedures for the connected transactions occurred in the reporting period, the pricing was fair and reasonable, and decreased the connected transactions in future, which was for the interests of the Company and its shareholders as a whole.

In 2009, 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 the Company, its shareholders and staff. 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 Board of Supervisors: **DU Chang Gong**
8 April 2009



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，相互制衡。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》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。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 operations of the Company in accordance with domestic and foreign listing rules and regulatory requirements. The Company's general meeting, Board of Directors and Board of Supervisors undertake their duties separately and make decisions independently, supervise each other and maintain the balance of power among them. The Board of Directors sets up 3 professional committee, namely Audit & Finance Committee, Strategy & Investment Committee and Corporate Governance & Remuneration Committee, which are mainly comprise of external Directors (including Independent Directors), playing active role in improving efficiency of decision-making of the Board of Directors, and promoting the effective operation of corporate governance of the Company.

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

I. Board of Directors

1. Duties and Assignments

Under the leadership of its Chairman, the Board of Directors undertakes its management decision-making power concerning the Company's development strategies, management structure, investment and financing, financial supervision and control, and human resources, and dedicate to realize the maximization of its shareholders' value. It has been stated in details in the *Articles of Association* of the Company and its appendix *Order of Meeting for the Board of Directors* its authorities in the Company's development strategies and management, and that on supervision and inspection over the Company's development and operations.

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。公司董事長由金志國先生擔任，總裁由孫明波先生擔任。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，並根據實際情況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，公司明確了管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2008年6月10日召開的股東年會選舉產生了第六屆董事會成員，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2008年6月10日起為期三年。

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、高級管理人員情況」。

The division of duties between the Chairman and President of the Company has been clearly defined and stated in the *Articles of Association* and its appendix. Mr. JIN Zhi Guo position of Chairman while Mr. SUN Ming Bo takes the position of President. The Chairman is responsible for deciding the agenda of each board meeting, contacting other Directors before each meeting for any proposals to be discussed at the meeting, and considering whether to include such proposals into the agenda according to the circumstance. Besides, the Chairman should also be responsible for leading and determining the overall development strategies of the Company, and supervising the implementation of resolutions approved by the Board of Directors.

The President is responsible for organizing the implementation of resolutions, yearly budget and investment scheme, and reporting to the Board of Directors about the Company's operations, signing and implementation of significant contracts; undertakes the right of use of funds and assets within the scale authorized by the Board, and signing the contracts on behalf of the Company. Meanwhile, the Company makes clearly the specific duties and responsibilities of all members of senior management, so as to ensure the undertaking of obligations of integrity and fulfillment of their own responsibilities.

2. Composition

It elected members of the 6th Board of Directors at the AGM held by the Company on 10 June 2008, which comprised of 11 Directors including Chairman, Vice-Chairman, Executive Directors, Non-executive Directors and Independent Directors, whose service term was 3 years from 10 June 2008.

Members of the Board have various professional background and possess different professional knowledge, among which 1 Independent Director has the qualification on accounting or has appropriate strength in accounting or related financial management required by regulatory authorities. The profile of the Directors is enclosed in the section "*Profile of Directors, Supervisors and Senior Management*" in the Annual Report.

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，並具有豐富的法律、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，向股東做出匯報。

There are 4 Independent Directors in the Company, which is accounted for over 1/3 of the total number of the Directors in the Board of Directors. These Independent Directors have various professional backgrounds with rich experience in law, accounting and financial investment. Such structure is helpful in discussion and analysis from different aspects at the board meetings, which is benefit for the Board's reasonable decision-making. The Independent Directors has been submitting their annual performance review to the AGM for consideration and discussion by shareholders since 2005.

3. 董事會會議

2008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11次，以討論本公司的營運及財務表現、管理架構、投資方案等，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；
- 選舉公司董事長、副董事長，審議聘任公司總裁及其他高級管理人員；
- 審議公司高管層薪酬激勵方案；
- 審議公司內部控制制度等。

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 2008, the Company totally held 6 site board meetings and 11 meetings in the form written resolutions, to discuss the Company's operational and financial performance, management structure, investment scheme, including:

- To consider and approve the annual financial budget, work report of the Board of Directors;
- To consider and approve reports of annual, interim and quarterly results;
- To consider and approve the acquisition scheme for the target breweries, and capital investment programs for the relocation and expansion of the Company's subsidiaries;
- To approve to write-off the property losses.
- To consider and approve to elect Chairman, Vice-Chairman, and appoint President and other members of senior management of the Company.
- To consider and approve the remuneration incentive scheme for the senior management.
- To consider and approve the internal control system.

The meeting notices and materials of cases to be discussed are sent to all Directors in the reasonable time, so as to ensure they can have fruitful discussion, and make quick and prudential decisions at the meetings. The details of attendance of board meetings and relative professional committee meetings are as follows:

企業管治報告 Corporate Governance Report

第五屆董事會(2008年6月10日前)

The 5th Board of Directors (before 10 June 2008)

		董事會 Board of Directors	戰略與 投資委員會 Strategy & Investment Committee	公司治理與 薪酬委員會 Corporate Governance & Remuneration Committee	審計與 財務委員會 Audit & Finance Committee
會議次數	Total meetings held	3	1	1	2
董事姓名	Name:				
李桂榮	LI Gui Rong	3	不適用 N/A	不適用 N/A	不適用 N/A
金志國	JIN Zhi Guo	3	1	不適用 N/A	不適用 N/A
伯樂思	Stephen J. BURROWS	1 *	0	不適用 N/A	不適用 N/A
孫明波	SUN Ming Bo	3	1	不適用 N/A	不適用 N/A
劉英弟	LIU Ying Di	2 *	不適用 N/A	不適用 N/A	不適用 N/A
孫玉國	SUN Yu Guo	3	1	1	不適用 N/A
馬 爽	Mark F. SCHUMM	3	1	1	2
楚振剛	CHU Zhen Gang	2 #	1	1	1
付 洋	FU Yang	3	不適用 N/A	1	2
李 燕	LI Yan	3	1	不適用 N/A	2
潘昭國	POON Chiu Kwok	3	不適用 N/A	1	2

第六屆董事會(2008年6月10日後)

The 6th Board of Directors (after 10 June 2008)

		董事會 Board of Directors	戰略與 投資委員會 Strategy & Investment Committee	公司治理與 薪酬委員會 Corporate Governance & Remuneration Committee	審計與 財務委員會 Audit & Finance Committee
會議次數	Times of Meeting	3	1	2	2
董事姓名	Name:				
金志國	JIN Zhi Guo	3	不適用 N/A	不適用 N/A	不適用 N/A
王 帆	Wang Fan	3	不適用 N/A	不適用 N/A	不適用 N/A
伯樂思	Stephen J. BURROWS	2 *	1	不適用 N/A	不適用 N/A
孫明波	SUN Ming Bo	3	1	不適用 N/A	不適用 N/A
劉英弟	LIU Ying Di	2 #	不適用 N/A	不適用 N/A	不適用 N/A
孫玉國	SUN Yu Guo	3	1	不適用 N/A	不適用 N/A
馬 爽	Mark F. SCHUMM	3	1	2	2
付 洋	FU Yang	2 *	不適用 N/A	2	1
李 燕	LI Yan	3	1	2	2
潘昭國	POON Chiu Kwok	3	不適用 N/A	2	2
王樹文	WANG Shu Wen	3	不適用 N/A	2	2

: 因公未能親自出席，亦未委托其他董事出席及表決

#: Not attend for business reason, nor entrust other Directors to attend and make comments on his/her behalf

* : 因公未能親自出席，委托其他董事出席及表決

*: Not attend for business reason, but entrust other Directors to attend and make comments on his/her behalf

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，可由該董事書面委托其他董事出席並代為行使表決權，如是獨立董事則可委托其他獨立董事出席和表決。

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。

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，並會組織其參加監管機構舉辦的專門培訓。報告期內共有4位執行董事參加了監管機構組織的董事培訓課程，同時，有1位新任獨立董事參加了上海證券交易所組織的獨董任職資格培訓和後續培訓。



The convening and holding of board meetings are strictly subject to the rules in the *Articles of Association* and *Order of Meeting for the Board of Directors*. The meetings are hosted by the Chairman, and are held on time after delivery of meeting notice. All proposals are discussed fully and completely at the meetings and voted one by one. The notice of regular meeting is dispatched 14 days before the meeting. Should any Directors are unavailable for the meeting due to other business, they could authorize other Directors in written form to attend and vote on their behalf, and the Independent Directors could authorize other Independent Directors to attend and vote on their behalf.

The management team of the Company is responsible for providing the Board of Directors with all related materials and information needed for considering the cases, and reporting their related work at the Board meeting. The Independent Directors undertake their duties pursuant to the stipulations in the *Articles of Association*. They may appoint the independent professional organizations to serve them when needed in undertaking their duties or business, and the reasonable expenses occurred will be borne by the Company.

II. Directors

1. Information Support and Professional Development

The Company has delivered a set of overall materials *Director's Manual* in which includes business summary, management structure, responsibility and other legal requirements to the Director after he/she is appointed, and will arrange him/her to attend the internal professional trainings or those held by the supervisory authorities. Within the year, totally 4 Executive Directors attended the training programs for Directors organized by the supervisory authorities, and 1 newly-elected Independent Director attended the training programs and follow-up programs organized by Shanghai Stock Exchange for the profession qualification as Independent Director

公司於報告期內還通過資料提供(定期編寫證券市場發展的動態信息)、工作匯報等多種形式,使所有董事,特別是非執行董事,能夠及時了解公司的業務發展、競爭和監管環境以及其他可能影響公司和啤酒行業的資料,以確保董事能了解其應盡的職責,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。

2. 董事的獨立性

本公司已委任足夠數目的獨立董事。根據香港聯交所上市規則第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《證券上市規則》附錄十所載的《上市公司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規定》。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已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。董事有責任組織相關部門和人員編制每個財政年度的財務報表,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企業會計準則和香港財務報告準則,以真實及公允地報告本公司的財務狀況及經營成果。

All Directors, especially those Non-executive Directors, can be aware of the Company's business development, competition and supervisory environment, and obtain other materials that may affect the Company and the beer industry through providing them with the relative materials (newsletters for the development in stock market), work reports, and so on, so as to ensure the Directors can understand their duties and responsibilities to help them make correct decisions and provide efficient supervision, and to ensure them to implement the procedures of the Board of Directors and appropriately abide by the proper laws and regulation.

2. Independence of Director

The Company has appointed sufficient Independent Directors, and the Board of Directors has received from all Independent Directors their confirmation letter on their independence in written form pursuant to Rule 3.13 of the *Listing Rules* of The Stock Exchange of Hong Kong Limited.

3. Securities Transactions by Director

The Company applies the *Model Code for Securities Transactions by Directors by Listed Issuers* ("Model Code") included in the Appendix 10 of *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* ("Listing Rules"), and works out the Company's *Regulations on Holding of Shares by Directors, Supervisors and Members of Senior Management of the Company and Its Changes*. The Company confirms that, after having made specific enquiries to all Directors, they have been in compliance with the *Model Code* of the *Listing Rules*.

4. Financial Reporting and Responsibilities taken by Directors on Financial Statements

The Board of Directors makes annual review over the annual, interim and quarterly reports against sufficient information provided by the management and approves to disclose them. The Directors are reliable to organize relevant departments and staff to prepare financial statements in each fiscal year, and ensure to apply appropriate accounting policies, and abide by the PRC GAAP and HKFRS when preparing financial statements, so as to truly and fairly report the financial situation and operational results of the Company.

三. 董事會專門委員會

董事會於2008年6月10日召開會議，根據董事會成員的調整，批准成立董事會下屬3個專門委員會，並通過了各委員會新制訂的工作細則，明確其監察公司個別範疇業務的職權範圍。

1. 審計與財務委員會(「審計委員會」)

該委員會職權範圍依據香港聯交所上市規則附錄十四之《企業管治常規守則》及中國證監會頒佈的《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付洋先生、潘昭國先生和王樹文女士，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。

2008年度審計委員會共舉行了4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。

III. Professional Committees under Board of Directors

The Board of Directors held meeting on 10 June 2008, at which it approved to establish 3 specific committees under it based on the adjustments in its members, approved the new detailed work guideline of each committee, and expressly stated their duty scope of supervising the specific business areas in the Company

1. Audit & Finance Committee (“Audit Committee”)

The duty scope of the Audit Committee is determined pursuant to the *Code on Corporate Governance Practice* included in the Appendix 14 of the *Listing Rules* of the Stock Exchange of Hong Kong Limited and *Guidelines for Corporate Governance of Listed Companies in China* published by China Securities Regulatory Commission. Its principal duties include: to review the completeness and effectiveness of the Company's internal supervisory system and regulations, to review the Company's annual, interim and quarterly financial statements, to appoint the Company's external auditor, coordinate their work, and review the efficiency and quality of their work, to review and supervise the quality and procedures of the Company's financial reporting.

The Audit Committee is comprised of 4 Independent Directors and 1 Non-executive Director including Ms. LI Yan, (Chairwoman of the Committee), Non-executive Director Mr. Mark F. SCHUMM, and Independent Directors Mr. FU Yang, Mr. POON Chiu Kwok and Ms. WANG Shu Wen, who are appointed by the Board of Directors. Ms. LI Yan is of profession qualification as CCPA with experience and capability in financial and accounting business.

In 2008, the Audit Committee totally held 4 meetings. To ensure the independence of reporting, the Committee Chairperson arranged sole meetings between external auditors and members of the Audit Committee. The Committee made proposals to the Board of Directors for important issues discussed after each of such meetings.

審計委員會在本年度主要工作包括：

- a. 審閱本公司的年度、半年度及季度業績報告和財務報告；
- b. 就續聘公司審計師事宜向董事會提供建議；
- c. 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。

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

戰略委員會於2008年度舉行了2次會議，對受讓青啤松江公司、珠海公司少數股權和受讓青啤集團所持22家子公司少數股權的可行性方案，深圳青啤朝日公司及松江公司擴建項目，以及受讓煙台朝日39%股權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。

Main work by the Committee in the year includes:

- a. To review the Company's annual, interim and quarterly reports, and financial reports;
- b. To make proposals to the Board of Directors on renewed appointment of auditor;
- c. To review the effectiveness of internal control system and regulations of the Company.

2. Strategy & Investment Committee ("Strategy Committee")

Its main duties are: to supervise and review the Company's orientation of strategic development, to work out the Company's strategic plan, and to make proper adjustment towards the Company's strategic and governance structure.

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

The Strategy Committee held 2 meetings in 2008, at which carefully considering and providing professional comments to the Board of Directors for the issues including the feasibility scheme of acquiring Tsingtao Songjiang, minority interests in Tsingtao Zhuhai, and minority interests held by TB Group in 22 subsidiaries, expansion projects of Shenzhen Tsingtao-Asahi and Tsingtao Songjiang, and the feasibility report of acquiring 39% interests in Yantai Asahi.

3. Corporate Governance & Remuneration Committee ("Remuneration Committee")

The Company sets up the Remuneration Committee. Its main duties are: to study and consider the remuneration policies and incentive system of the Directors and senior management of the Company, to work out appraisal standards, to study the schemes to improve the corporate governance.

薪酬委員會成員包括：獨立董事付洋先生(委員會主席)、李燕女士、潘昭國先生及王樹文女士和非執行董事馬爽先生。

薪酬委員會於2008年度舉行了3次會議，就公司高管層薪酬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

公司監事會於2008年6月10日順利完成換屆，新一屆監事之任期自2008年6月10日起為期三年。監事會現有7名成員，其中包括外部監事4名，職工監事3名。現任監事的個人簡介資料，載列於本年度報告「董事、監事、高級管理人員情況」。

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。2008年度，監事會共舉行8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現場會議和股東大會。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。

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。

Members of the Remuneration Committee include: Independent Directors Mr. FU Yang (Chairman of the Committee), Ms. LI Yan, Mr. POON Chiu Kwok and Ms. WANG Shu Wen, and Non-executive Director Mr. Mark F. SCHUMM.

The Remuneration Committee held 3 meetings in 2008, at which carefully considering and providing professional comments to the Board of Directors for the issues including remuneration scheme and newly-appointed members of the senior management.

IV. Supervisory Mechanism

1. Board of Supervisors

The 6th Board of Supervisors was successfully set up on 10 June 2008, whose duty term is 3 years since 10 June 2008. It currently has 7 members in which including 4 External Supervisors and 2 Supervisors as Staff Representative. The profile of current Supervisors is set out in the *Profiles of Directors, Supervisors and Senior Management* in the Annual Report.

The Board of Supervisors legally takes the authority of supervision to prevent the legal rights and interests of the Company and its employees from being offended. The Board of Supervisors totally held 8 meetings (including site meetings and resolutions in written form) in 2008, at which supervising on behalf of shareholders over the finance, the validity and compliance of the Directors and senior management on fulfilling their duties, and sat in all site board meetings and general meetings. The details of the work of the Board of Supervisors are set out in *Report of the Supervisors* in the Annual Report.

2. Internal Control and Risk Management

The Company worked out a series of internal control systems pursuant to 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 its 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。

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。

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，繪制了風險圖譜，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，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。

The Company has always place importances on the institutionalization, routinization and standardization. To ensure to realize its control target, the Company has worked out a relatively more comprehensive control system and process in areas of currency funds, sales and incomes, purchasing and payments, cost and expenses, external investments, guarantees, fund raising, construction projects, real assets, investments, taxation, managements to subsidiaries, connected transactions, HR, and is strictly abide by them. In recent years the Company gradually established and improved over 200 internal management systems, about 190 operational process, and all departments has established corresponding control systems and management procedures, therefore, the internal management system has generally covered all areas in the production and operations.

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 its shareholders and assets. The Audit Committee under the Board of Directors regularly receives information regarding the establishment of the Company's internal control, and supervises the further improvements of the internal control system, to ensure the thorough implementation of its internal control system.

The Company appointed professional consulting organization on internal control, and systematically and extensively carried out the risk acknowledgement and assessment, established base of risk issues and risk classifying system, worked out the risk statement, made clear the risk management responsibilities, which helped to further improve the Company's internal control and risk management.

To ensure the effectiveness of operational management and internal control system, the Company established Internal Control Dept., which reported directly to the Board of Directors. It regularly inspects, assesses and improves risks that may exist among the production, operations and internal control activities, and gives independent comments and suggestions regularly to the Audit Committee.

3. 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企業會計準則和香港財務報告準則編制，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。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7年。2008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，已包括代墊費用（所有差旅費和通訊費等）及營業稅。

審計委員會已對普華永道中天及羅兵咸永道的專業素質、2008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2008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，並由會議主席（董事長）宣佈表決結果，正式形成大會決議。公司聘請的律師對大會作見證並發表法律意見書。

3. External Auditor and remuneration

The financial statements included in the 2008 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. PwC Zhong Tian and PwC have provided auditing services for 7 years in consecution. For the year of 2008, the Company should pay RMB6.93 million to PricewaterhouseCoopers Zhong Tian Certified Public Accountants Limited Company and PricewaterhouseCoopers for their full-year auditing work, including expenses paid on their behalf (all expenses for business travels and communication fees) and business tax.

The Audit Committee has discussed and appraised the professional qualities and the implementation of 2008 auditing work of PwC Zhong Tian and PwC, and provided relative comments and suggestions for improvements. The Committee suggested appoint PwC Zhong Tian as the Company's domestic auditor, while PwC as its international auditor, and will submit it to the 2008 AGM for shareholders' final approval.

V. Shareholders and Other Interest-related Parties

1. General Meeting

The Company has been devoting to the legal rights of all shareholders. The convening and holding of general meeting are strictly pursuant to the terms in the *Articles of Association* and *Order of Meeting for the General Meeting*. The Company's general meeting is convened by the Board of Directors and hosted by the Chairperson of the Board. The Executive Directors make reports over proposals at the general meeting, while the representatives of shareholders, representatives of Supervisors, witness lawyers, profession accountant from Hong Kong (Scrutineer for the vote-taking) jointly inspect and count the votes to the proposals, and have the chairperson of the meeting (Chairperson of the Board of Directors) announce the voting results and form the formal resolutions of the meeting. The lawyers appointed by the Company witnesses the meeting and present legal comments.

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了解，並悉心听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。

2008年，本公司通過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，舉行現場及網上路演以及參加國內外證券公司組織的投資論壇，共計120餘次會議，與證券分析員、基金經理(主要是境外)電話會議200餘次，取得了良好的效果。

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。

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，公司董事會將致力於不斷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。

The General Meeting is the highest authority of the Company, which legally undertakes its duties and determines the significant issues for the Company. The annual general meeting is the channel of direct communication between the Board of Directors and the shareholders of the Company. Therefore, the Company pays high regards to the general meeting by distributing the meeting notice 45 days prior to the meeting date, and the Chairman and other attending Executive Directors make extensive and intensive communications and explanations over the issues concerned by the shareholders at the AGM.

2. Investor Relations and Communications

The Company pays much attention to the management work of investor relations, and strives to strengthen the communications with investors through different channels and forms, and timely responds to hot issues concerned by the investors. Meanwhile, the Company devotes to improve its transparency, helps the investors more clearly understand the situation and prospects of the Company, carefully listens to the comments and proposals made by the investors, and helps the Company to improve corporate governance and operational management.

In 2008, the Company arranged the site research and visits paid by the national and international securities analysts, fund managers and other investing institutions/individual investors, held site and on-line road-shows, and participated in the investing forum organized by national and international securities companies, totaling over 120 meetings, and made over 200 conference calls with securities analysts and fund managers (mostly international ones), which were fruitful.

3. Other Interest-related Parties

The Company is of the view that, it should insist on operations with integrity and fulfillment of its social responsibilities, and establishing a harmonic, win-win and long-term cooperation with interest-related parties of the Company to ensure its long-lasting existence. For years, the Company has been insisting on making full payment of taxes, operating with integrity, rewarding the society and actively taking in part of the social welfare and environmental protection activities while keeping on steady growth of its operational results.

A good corporate governance is helpful to the healthy development and in raising the investors' confidence, while the effectiveness of the Board of Directors is important to the good corporate governance. Therefore, the Board of Directors will be dedicated to the continuous improvement of efficiency and qualification of decision-making, so as to promote the steady development and adding shareholder's value.

孫明波先生

Mr. SUN Ming Bo

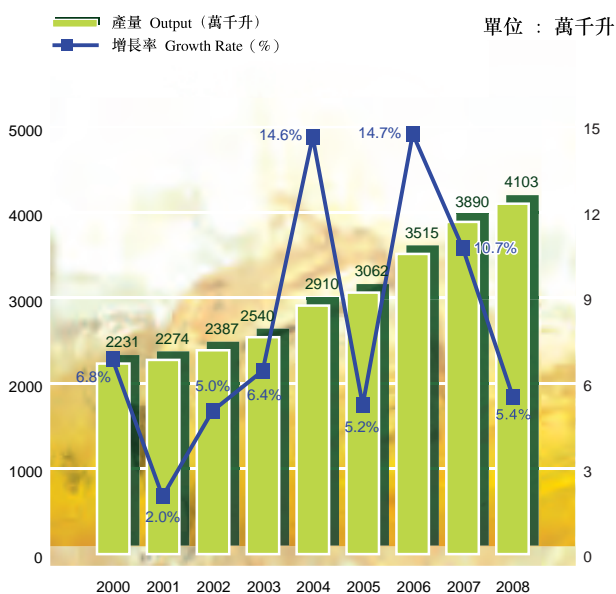


一、行業分析

Analysis to the Industry

1、中國啤酒行業產量變動

Changes in Output Volume of China's Brewery Industry



- 市場增長幅度放緩和產能的過剩，使行業供求矛盾愈加突出。

The lower growth in the market and the overmuch of output capacity led to more serious conflicts between the sales and the supplies.

- 隨著行業整合的進展和國家拉動內需政策的推動作用，具有品牌、規模、市場銷售網路等優勢的大型啤酒企業將具有更大發展空間，行業集中度將進一步提升。

With the promotional effect of the policy of increasing domestic demand to stimulate economic growth and the progress of integration in the industry, there will be more developing room for the large breweries with qualified brands, size and sales networks, thus resulting in a more concentrative industry.

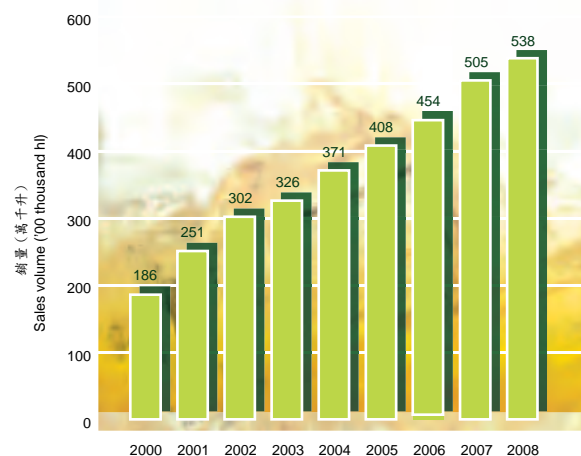
二、報告期內銷量及產品結構分析

Analysis to Sales Volume and Product Mix

1. 銷量增長趨勢

Trend of Growth of Sales Volume

單位：萬千升



2. 2008年中國啤酒市場簡況

Profile of China Beer Market in 2008

- 啤酒生產原材料及能源、運輸、人工等成本的大幅升高，給啤酒生產企業帶來了巨大的成本壓力。

The great rise of the price of the raw materials, energy, transportation and labors brought huge pressures on cost to the breweries.

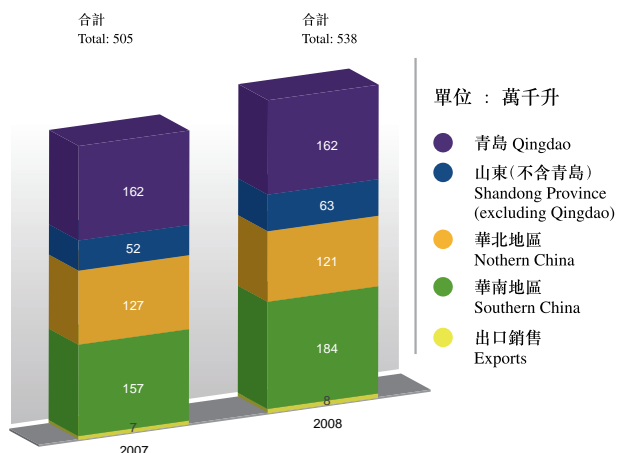
- 國內自然災害和國際金融危機對啤酒消費需求形成了負面影響。

The natural disasters in the country and the international financial crisis brought negative effects to the needs for beer consumption.

管理層討論與分析 Management Discussion and Analysis

2. 分地區啤酒銷量

Sales Volume of Beer in Geographical Regions

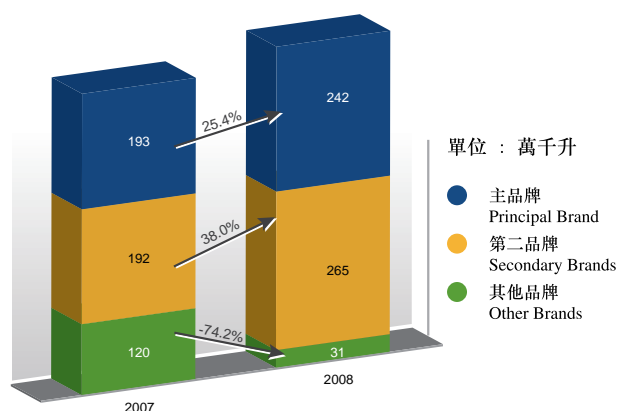


3. 二零零八年產品結構情況

Product Mix in 2008

主品牌和第二品牌銷量比重已佔公司總銷量的94%，同比提高18個百分點。

The sales volume of the principal brand and the secondary brands has been accounted for 94% of the Company's total sales volume, representing an increase of 18 percentage points from the previous year.



三. 報告期內主要財務分析(按中國企業會計準則計算)

Analysis to Main Finance (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

單位：人民幣千元
Unit: RMB'000

利潤構成項目 Items under Profit		2008年12月31日 31 December 2008	2007年12月31日 31 December 2007	增減額 Increased/ Decreased Amount	增減幅度 Increased/ Decreased Percentage
營業收入	Business revenues	16,023,442	13,709,220	2,314,222	16.9%
營業成本	Business cost	9,509,013	8,001,645	1,507,368	18.8%
銷售費用	Sales expenses	2,972,028	2,651,299	320,729	12.1%
管理費用	Managing expenses	902,134	667,262	234,872	35.2%
財務費用	Financial expenses	45,613	(5,883)	51,496	875.3%
資產減值損失	Impairment Loss for assets	179,092	166,721	12,371	7.4%
公允價值變動損益	Gain/(Loss) on fair value of financial instruments	24,564	(19,052)	43,616	228.9%
投資損失	Investment Losses	(27,104)	(1,165)	(25,939)	(2226.5%)

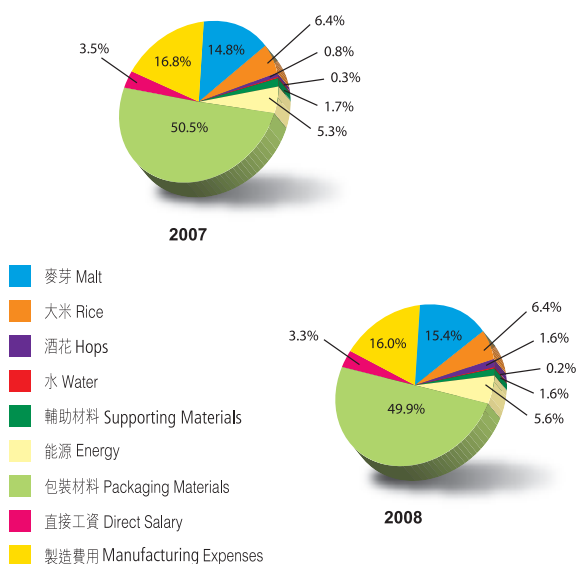
- (1) 營業收入同比增加16.9%，主要原因：一是報告期內部分品種的產品提價；二是報告期內優化產品銷售結構；三是報告期內公司主營產品銷售增長趨勢較好，銷售量增長，使得營業收入提高所致。

The business revenues increased 16.9% from the pervious year, which was mainly due to: firstly, the price hike for products of some series; secondly, the optimized product mix and sales structure; thirdly, the great growth trend of its principal products pushed the growth of its sales volume.

(2) 營業成本 Business Cost

2008年本集團營業成本同比增長18.8%。主要原因：一是報告期內構成啤酒成本的主要原材料和包裝物料的價格上漲；二是報告期內調整產品結構；三是報告期內公司銷售規模的擴大，使得營業成本提高所致。有關生產成本結構比例如下：

In 2008, the business cost of the Group increased 18.8% from the previous year, which was mainly due to that: firstly, the price hike of main raw materials and packing materials which constituted the cost of beer; secondly, the adjustment of product mix; thirdly, the expansion of sales scale, which resulted in the rise of business cost. The structure of production cost is as follows:



(3) 期間費用 Expenses in the Period

- (i) 2008年銷售費用同比增加12.1%，主要原因是報告期內公司產品結構優化，高端產品銷售量增長較高，促銷費用增長所致。
2008, the sales expenses increased 12.1% from the previous year, which was mainly due to the

increase of sales volume of high-end products and rise of promotional fees resulting from the optimization of product mix.

- (ii) 2008年管理費用同比增加35.2%，主要原因：一是上年同期根據中國新會計準則的要求，沖回以前年度結餘福利費約5,755萬元人民幣；二是本報告期新增子公司增加管理費用3,981萬元人民幣；三是本報告期上交土地使用稅等稅費增加3,109萬元人民幣所致。

In 2008, the management expenses increased 35.2% from the previous year, which was mainly due to that: firstly, the set-offs of around RMB57.55 million of balanced welfare fees for the previous years in the same period of last year as requested by the latest China accounting policies; secondly, RMB39.81 million of increased managing fees of the subsidiaries was included in this Report; thirdly, taxes including land utilization tax in this reporting period increased RMB31.09 million.

- (iii) 2008年財務費用同比增加875.3%，主要原因是報告期內公司發行分離交易可轉債增加利息費用所致。

In 2008, the financial expenses of the Group increased 875.3% from the previous year, which was mainly due to the increase of interest expenses from the bonds with warrants issued by the Company.

(4) 公允價值變動收益 Gain/(Loss) on fair value of financial instruments

2008年公允價值變動收益同比增加228.9%，主要原因是報告期內部分遠期外匯交易合同到期交割增加公允價值變動收益及市場價格波動影響未交割部分公允價值變動影響所致。

In 2008, the earnings from changes of fair value increased 228.9% from the previous year, which was mainly due to the settlement of some expired long-term foreign exchanges transaction agreements and the change of fair value of the unsettled ones caused by the fluctuating market price.

(5) 投資損失 Investment Losses

2008年投資損失同比增加2226.5%，主要原因是報告期內部分遠期外匯交易合同到期交割損失所致。

In 2008, the losses from investments increased 2226.5% from the previous year, which was mainly due to the losses caused by the settlement of some expired long-term foreign exchanges transaction agreements.

管理層討論與分析 Management Discussion and Analysis

(II) 資產負債構成情況說明

Interpretation of Composition of Assets/Liabilities

單位：人民幣千元

Unit: RMB'000

經營成果項目 Items		2008年 12月31日 31 December 2008	2007年 12月31日 31 December 2007	增減額 Increased/ Decreased Amount	增減幅度 Percentage of Increase/ Decrease
貨幣資金	Currency Funds	2,393,510	1,334,909	1,058,601	79.3%
預付款項	Prepayments	225,456	862,482	(637,026)	(73.9%)
存貨	Inventories	2,756,337	2,187,254	569,083	26.0%
在建工程	Construction in Progress	108,207	225,381	(117,174)	(52.0%)
遞延所得稅資產	Deferred Income Tax Assets	94,930	174,783	(79,853)	(45.7%)
應交稅費	Taxes Payable	317,676	516,218	(198,542)	(38.5%)
短期借款	Short-term Borrowings	414,907	971,096	(556,189)	(57.3%)
長期借款	Long-term Borrowings	15,868	90,854	(74,986)	(82.5%)
應付債券	Bonds Payable	1,137,179	—	1,137,179	
專項應付款	Specific Accounts Payable	136,997	61,367	75,630	123.2%
遞延收益	Deferred Revenues	57,201	14,908	42,293	283.7%
未分配利潤	Retained Earnings	1,206,404	835,546	370,858	44.4%

(1) 貨幣資金 Currency funds

2008年貨幣資金期末比期初增加79.3%，主要原因是報告期內經營活動產生的現金淨流量和公司發行分離交易可轉債募集資金所致。

In 2008, the currency funds at the year end increased 79.3% from the year beginning, which was mainly due to the net cash-flow from the business activities and the proceeds from the issuance of bonds with warrants.

(2) 預付款項 Prepayments

2008年預付款項期末比期初減少73.9%，主要原因是上年末在原材料價格上漲的情況下，為保證貨源和穩定採購成本，本集團預付了大額原材料採購款，本報告期末隨著原材料價格的穩定，本集團改變採購方式所致。

In 2008, the pre-paid accounts at the year end decreased 73.9% from the year beginning, which was mainly due to that, the Group paid in advance in huge amount for purchasing the raw materials to ensure the supplying resources and maintain steady purchasing costs due to the price hike of raw materials at the end of last year, however, the Group changed its purchasing methods as the price of raw materials getting steady at the end of this reporting period.

(3) 存貨 Inventories

2008年存貨期末比期初增加26.0%，主要原因是報告期內增加主要原材料儲備及庫存平均成本較高所致。

In 2008, the inventories of the Group at the year end increased 26.0% from the year beginning, which was mainly due to the increased storage of raw materials and the average high cost of the inventories.

(4) 在建工程 Construction in Progress

2008年在建工程期末比期初減少52.0%，主要原因是報告期內部分子公司技改擴建項目和新建工廠在建項目完工轉入固定資產所致。

In 2008, the projects under construction of the Group at the year end decreased 52.0% from the year beginning, which were mainly due to that some technical restructuring projects of its subsidiaries and the new plants were included under the item of fixed assets.

(5) 遞延所得稅資產

Deferred income tax assets

2008年遞延所得稅資產期末比期初減少45.7%，主要原因是報告期內母公司發行分離交易可轉債確認遞延所得稅負債抵減遞延所得稅資產所致。

In 2008, the deferred income tax assets of the Group at the year end decreased 45.7% from the year beginning, which was mainly due to the confirmed deferred income tax liabilities for the issuance of bonds with warrants set-off the deferred income tax assets.

(6) 應交稅費

Taxes payable

2008年應交稅費期末比期初減少38.5%，主要原因是報告期末本公司應交企業所得稅餘額減少較大所致。

In 2008, the taxes payable of the Group at the year end decreased 38.5% from the year beginning, which was mainly due to the great decrease of balance of the enterprise income tax applicable to the Company.

(7) 銀行借款

Banking Facilities

2008年短期借款、長期借款期末比期初分別減少57.3%、82.5%，主要原因是報告期內公司利用自有資金歸還銀行貸款所致。

In 2008, the short-term borrowings and long-term borrowings of the Group at the year end increased 57.3% and 82.5% respectively from the year beginning, which was mainly due to that the Company repaid the borrowings with its own funds.

2008年期末本集團銀行借款共為4.33億元人民幣，其中短期借款4.15億元人民幣，長期借款17,904千元人民幣。長期借款中：1年以內到期部分2,036千元人民幣，1至5年7,899千元人民幣，超過5年7,969千元人民幣。

By the end of 2008, the total amount of banking facilities of the Group was RMB433 million, in which included RMB415 million of short-term borrowings and RMB17,904 thousand. Among the long-term borrowings, those will expire within 1 year are amounted to RMB2,036 thousand, those will expire in 1-5 years are amounted to RMB7,899 thousand, and those will expire in over 5 years are amounted to RMB7,969 thousand.

2008年期末本集團銀行借款按借款幣種分為人民幣借款239,800千元人民幣，港幣借款72,588千元人民幣，美元借款102,519千元人民幣，歐元借款11,440千元人民幣，丹麥克朗借款6,464千元人民幣。

By the end of 2008, the borrowings in Renminbi were amounted to RMB239,800 thousand, borrowings in Hong Kong Dollars were amounted to RMB72,588

thousand, borrowings in US Dollars were amounted to RMB102,519 thousand, borrowings in Euro were amounted to RMB11,440 thousand, and borrowings in Danish Krone were amounted to RMB6,464 thousand.

本集團的借款均受市場利率變動的影響，人民幣、港幣及美元的借款於結算日的有效年利率分別為5.28%、3.89%及6.12%。

All borrowings of the Group are affected by the interest fluctuation, and the effective annual interest rate for the borrowings in Renminbi, Hong Kong dollars and US dollars as of the settling date is 5.28%, 3.89% and 6.12% respectively.

(8) 應付債券

Bonds payable

2008年期末新增確認應付債券11.37億元人民幣。主要為公司於本期發行分離交易可轉債所致。

In 2008, the confirmed bonds payable of the Group occurred at the year end were RMB1,137 million, which was mainly due to the issuance of bond with warrants.

(9) 專項應付款

Specific amounts payable

2008年專項應付款期末比期初增加123.2%，主要原因是報告期內子公司因政策性搬遷收到政府撥付的搬遷補償款所致。

In 2008, the specific amounts payable of the Group at the year end increased 123.2% from the year beginning, which was mainly due to the compensations provided by the local government for the relocation of the subsidiaries of the Group.

(10) 遞延收益

Deferred revenues

2008年遞延收益期末比期初增加283.7%，主要原因是報告期內子公司收到的與資產相關的政府補助增加所致。

In 2008, the deferred revenues of the Group at the year end increased 283.7% from the year beginning, which was mainly due to the increase of subsidies related to its assets received from the government.

(11) 未分配利潤

Retained Earnings

2008年未分配利潤期末比期初增加44.4%，主要原因是本年盈利轉入所致。

In 2008, the profits before distribution of the Group at the year end increased 44.4% from the year beginning, which was mainly due to that, the revenues of the year were transferred in under the item.

管理層討論與分析 Management Discussion and Analysis

(12) 與公允價值計量相關的項目

Items related to the calculation of fair value

單位：萬元
Unit: RMB'000

項目 Item		期初金額 Amount at the period beginning	本期公允價 值變動損益 Profits/losses due to changes of fair value in the period	計入權益的 累計公允價 值變動 Accumulated changes of fair value to be calculated in the equity	本期計提的 減值 Accrued devaluation in the period	期末金額 Amount at the period end
a. 以公允價值計量且其變動計入當期損益的金融資產	a. the financial assets to be calculated in fair value and its changes to be calculated in the profits/losses of the period	(2,280)	2,456			176
b. 可供出售金融資產	b. On sale financial assets	1,455		(1,013)		442
合計	Total	(825)	2,456	(1,013)		618

(III) 現金流量情況分析

Analysis of Cash Flow

單位：人民幣千元
Unit: RMB'000

項目 Item		2008年1-12月 Jan-Dec 2008	2007年1-12月 Jan-Dec 2007	增減額 Increased/ Decreased Amount	增減幅度 Increased/ Decreased Percent
經營活動產生的現金流量淨額	Net amount of cash flow from business activities	1,509,486	1,094,094	415,392	38.0%
投資活動產生的現金流量淨額	Net amount of cash flow from investing activities	(853,987)	(1,114,610)	260,623	23.4%
籌資活動產生的現金流量淨額	Net amount of cash flow from fund raising activities	441,990	102,121	339,869	332.8%

- (1) 2008年經營活動產生的現金流量淨額同比增加38.0%，主要原因：一是報告期內公司主營產品銷售增長趨勢較好，銷售商品的收入較高；二是原材料價格下半年下降，減少使用預付款方式所致。

In 2008, the net amount of cash flow from business activities increased 38.0% from the previous year, which was mainly due to that, firstly, the revenues from sales was high with the growth of sales of principal products; secondly, the pre-paid amounts was decreased due to the decrease of price of raw materials in the second half year.

- (2) 2008年投資活動產生的現金流量淨額同比增加23.4%，主要原因是報告期內部分子公司技改擴建項目支出和新建工廠固定資產項目與同期相比支出減少所致。

In 2008, the net amount of cash flow from investing activities increased 23.4% from the previous year, which was mainly due to that the expenses for the technical restructuring projects and new plants of some subsidiaries decreased from the pervious year.

- (3) 2008年籌資活動產生的現金流量淨額同比增加332.8%，主要原因是報告期內公司發行分離交易可轉債募集資金所致。

In 2008, the net amount of cash flow from fund raising activities increased 332.8% from the previous year, which was mainly due to the proceeds from the issuance of bond with warrants.

(IV) 其他經營情況說明

Interpretation to Other Operational Situations

(1) 投資

Investments

詳情載於隨附財務報表附註。

The details are set out in the attached Notes to the Financial Statements.

(2) 債務資本率

Debt/Capital Ratio

本集團2008年12月31日的債務資本率為15.9%（2007年12月31日：1.6%）。債務資本的計算方法為：長期借款總額 / （長期借款總額 + 歸屬於母公司股東權益）。

On 31 December 2008 the Group's debt/capital ratio was 15.9% (1.6% on 31 December 2007), 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

Assets Mortgage

於2008年12月31日，本集團銀行借款均非抵押擔保借款（二零零七年十二月三十一日：銀行抵押借款2,000萬元人民幣系由淨值約為3,700萬元人民幣的機器設備以及1,040萬元人民幣的原材料作為抵押物）。

As at 31 December 2008, all banking facilities of the Group were borrowings without mortgage (as at 31 December 2007, the RMB20 million of banking facilities with mortgages of the Group was comprised of the mortgages of net amount of around RMB37 million of machines and equipments and RMB10.4 million of raw materials).

(4) 匯率波動風險

Risk of Flexible Exchange Rate

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 currently relies on the imported barley among the raw materials in its production of Tsingtao beer, so the change of exchange rate would indirectly affect the price of raw materials used by the Group, so as to bring certain impacts to the earning ability 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 appreciation of Renminbi will also bring certain negative impacts to the exports of the Group.

(5) 資本性開支

Capital Expenses

09年公司將對資本性開支實施重點控制，努力提升現有資產的使用效率。依據公司目前的資金狀況及盈利能力，有充足的自有資金及持續的經營現金淨流入滿足公司資本項目的資金需求。

In 2009, the Company will focus on the control over capital expenses and strive to improve the utilizing efficiency of existing capital. According to the Company's current situation in funds and profitability, it has sufficient funds and continuous net in-flow of business cash to satisfy its needs in funds for the capital projects.

(6) 或有負債

Contingent Liabilities

詳情載於隨附財務報表附註。

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

董事、監事和高級管理人員簡介 Profiles of Directors, Supervisors and Senior Management

公司第六屆董事會成員簡介 Directors



金志國先生
Mr. JIN Zhi Guo

金志國先生 本公司董事長，現年52歲，高級經濟師，中歐國際工商學院EMBA畢業，青島大學理學博士。曾任青島啤酒西安有限公司總經理，青島啤酒北方事業部總經理，本公司總經理助理、總裁、副董事長，2008年6月任本公司董事長。具有豐富的戰略管理、營銷管理和資本運作經驗，2007年CCTV中國十大經濟年度人物。為第十、十一屆全國人大代表，兼任青島啤酒集團有限公司董事長、首席執行官。

Mr. JIN Zhi Guo, Chairman, aged 52, Senior Economist with EMBA at China Europe International Business School (CEIBS) and Ph.D at Qingdao University. Mr. JIN ever took the position of General Manager of Tsingtao Brewery Xi'an Company Limited, General Manager of Tsingtao Brewery North Office, Assistant to the General Manager, President and Vice-chairman of the Company. Mr. JIN was elected Chairman of the Company in June 2008. He has rich experience in strategic management, sales and marketing management and capital operations, and was entitled CCTV Top 10 Economic Figures in 2007. He is the national representative of the 10th and 11th National People's Congress. Mr. JIN is also Vice Chairman and CEO of Tsingtao Brewery Group Company Limited.



王帆先生
Mr. WANG Fan

王帆先生 本公司副董事長，現年55歲，西安交通大學工學碩士。曾任青島市產品質量監督檢驗所所長，青島市經濟委員會副主任，青島市勞動和社會保障局局長，2008年3月加盟本公司，6月任本公司副董事長。具有豐富的經濟工作和企業管理經驗。為山東省政協第九屆、第十屆委員，兼任青島啤酒集團有限公司副董事長。

Mr. WANG Fan, Vice-chairman of the Company, aged 55, Master of Engineering at Xi'an Jiaotong University. Mr. WANG was the Superintendent of Qingdao Product Quality Supervision & Test Institute, Vice Director of Qingdao Economic Commission, Director of Qingdao Labor and Social Security Bureau. Mr. WANG joined the Company in March 2008, and was elected Vice-chairman in June with substantial experience in economic work and enterprise management. He was Member of the 9th and 10th Shandong Committee of CPPCC (Chinese People's Political Consultative Conference). Mr. WANG is also Vice-chairman of Tsingtao Brewery Group Company Limited.



伯樂思先生
Mr. Stephen J. BURROWS

Mr. Stephen J. BURROWS (伯樂思先生) 本公司副董事長、非執行董事，現年57歲，美國密蘇里州Lindenwood大學工商管理碩士。曾任美國安海斯 — 布希國際公司亞太地區首席執行官和總裁。

Mr. Stephen J. BURROWS, Vice Chairman and Non-executive Director of the Company, aged 57, MBA at Lindenwood University in Missouri, USA. He was CEO and President for Pacific and Asia Area in Anheuser-Busch International, Inc.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management



孫明波先生
Mr. SUN Ming Bo

孫明波先生 本公司執行董事、總裁，現年52歲，工程系列應用研究員，南開大學EMBA碩士，同濟大學管理科學與工程博士。曾任青島啤酒一廠副廠長、總工程師，本公司總經理助理兼副總工程師、常務副總裁，2008年6月任本公司總裁。具有豐富的戰略管理、生產技術管理及併購重組經驗，青島專業技術拔尖人才，國務院特殊津貼專家。兼任青島啤酒集團有限公司董事。

Mr. SUN Ming Bo, Executive Director and President of the Company, aged 52, Applied Researcher in engineering, EMBA at Nankai University and Doctor of Management and Engineering at Tongji University. Mr. SUN ever took the position of Deputy Factory Manager & Chief Engineer of Tsingtao Brewery No. 1, Assistant to the General Manager & Vice Chief Engineer and Executive Vice President of the Company. He took the position of President of the Company in June 2008 with substantial experience in strategic management, production and technical management and M&A. Mr. SUN is the Top Talent in Professional Technologies in Qingdao and expert with special allowance from the State Council. Mr. SUN is also the Directors of Tsingtao Brewery Group Company Limited.



劉英弟先生
Mr. LIU Ying Di

劉英弟先生 本公司執行董事，現年52歲，高級工程師。曾任青島啤酒廠副廠長、本公司副總經理。具有豐富的生產技術管理、信息化管理和工程項目管理經驗，2003年青島專業技術拔尖人才，2006年國家信息化測評中心優秀CIO。為青島市第十四屆人大代表、山東省第十屆政協委員，兼任青島啤酒集團有限公司董事、副總裁。

Mr. LIU Ying Di, Executive Director of the Company, aged 52, Senior Engineer. Mr. LIU was ever the Deputy Factory Manager of Tsingtao Brewery No. 1, and Deputy General Manager of the Company. He has experience in management of production technology, information and construction projects. He was entitled Top Talent in Professional Technologies in Qingdao in 2003, and “Best CIO” by the National Information Evaluation Center in 2006. Mr. LIU was Representative of the 14th People’s Congress in Qingdao and Member of the 10th Shandong Committee of CPPCC. He is also the Director and Executive President of Tsingtao Brewery Group Company Limited.



孫玉國先生
Mr. SUN Yu Guo

孫玉國先生 本公司執行董事、副總裁，現年54歲，中國註冊會計師協會和中國註冊評估師協會非執業會員。曾任青島市財政局副處長、青島市國有資產管理局處長。具有豐富的財務管理和資本運作經驗，2004年中國CFO年度人物，2008年全國會計先進工作者。

Mr. SUN Yu Guo, Executive Director, Vice President & Chief Accountant of the Company, aged 54, non-profession member of The Chinese Institute of Certified Public Accountant and The Chinese Institute of Certified Public Valuator. Mr. SUN ever worked as Deputy Department Head in Finance Bureau of Qingdao, and Department Head in State-owned Assets Administration of Qingdao. He has rich experience in financial management and capital operations. Mr. SUN was awarded National Annual Figure as CFO in 2004, and National Pioneer in Accounting in 2008.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management



馬爽先生
Mr. Mark F. SCHUMM

Mr. Mark F. SCHUMM (馬爽先生) 本公司非執行董事，現年53歲，美國密執根大學工商管理碩士。曾任美國安海斯 — 布希國際公司亞洲業務運作和開發副總裁。

Mr. Mark F. SCHUMM, Non-executive Director of the Company, aged 53, MBA at University of Michigan, USA. Mr. SCHUMM was Vice President of Asian business operations and development in Anheuser-Busch International, Inc.



付洋先生
Mr. FU Yang

付洋先生 本公司獨立董事，現年59歲，執業律師。現任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。曾任全國人大法制工作委員會經濟法室副主任、中華全國律師協會第三、四、五屆副會長。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。

Mr. FU Yang, Independent Director of the Company, aged 59, lawyer with profession. 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, Vice-chairman of the 3rd, 4th and 5th All China Lawyers Association. Mr. FU participated 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*.



李燕女士
Ms. LI Yan

李燕女士 本公司獨立董事，現年51歲，註冊會計師。現任中央財經大學財政學院副院長、教授，中國法學會財稅法學研究會理事，全國財政學教學研究會理事。主編出版國家級重點教材、專著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，參與了多項國家級、省部級課題的研究。做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、修改。長期在企業任財稅顧問。

Ms. LI Yan, Independent Director of the Company, aged 51, CPA. She is Vice President & Professor in the 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. 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. Ms. LI participated in the working out and revision of laws including Law of Administration of Taxes Collection, *Law of Governmental Purchase*, *Budget Law* as consulting expert of NPC Finance and Economy Committee. She also took position of Financial Consultant in the companies.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management



潘昭國先生
Mr. POON Chiu Kwok

潘昭國先生 本公司獨立董事，現年46歲，擁有國際會計學碩士學位、法律深造證書、法律學士及商業學學士學位。為在香港聯交所上市之華寶國際控股有限公司執行董事，並為香港證券專業學會會員及其專業教育委員會委員、英國特許秘書及行政人員公會及香港特許秘書公會會員。曾擔任監管、商業及投資銀行工作，在金融及證券法規方面擁有廣泛的經驗。潘先生於2006年2月至11月擔任中國礦資源集團有限公司（香港聯交所上市公司）之獨立非執行董事。潘先生現為深圳中航集團股份有限公司的獨立非執行董事。

Mr. POON Chiu Kwok, Independent Director of the Company, aged 46. He holds a master degree in international accounting, a postgraduate certificate in laws, a bachelor degree in laws and a bachelor degree in business studies. He is an Executive Director of Huabao International Holdings Limited, a company listed on the Hong Kong Exchanges and Clearing Limited. He is a member of the Hong Kong Securities Institute and its Professional Education Committee, an associate member of the Institute of Chartered Secretaries and Administrators, and the Hong Kong Institute of Chartered Secretaries. Mr. Poon has worked as a regulator, commercial and investment banker and has broad experience in finance and securities regulations. He was an independent non-executive director of China Mining Resources Group Limited, a company listed on the Stock Exchange, from February 2006 to November 2006. He now serves as an independent non-executive director of CATIC Shenzhen Holdings Limited.



王樹文女士
Ms. WANG Shu Wen

王樹文女士 本公司獨立董事，現年45歲，中國人民大學企業管理博士畢業。現任中國海洋大學法政學院教授、副院長、MPA教育中心副主任。主持或參與國家級、省部級等課題研究10餘項，撰寫的《現代公司法人治理結構研究》、《我國管理層收購融資體制問題研究》等文章在國家級及核心期刊發表，著寫了《走向21世紀的中國經濟》、《公共政策分析》、《企業成長與矛盾管理》等著作。

Ms. WANG Shu Wen, Independent Director of the Company, aged 45, Doctor of Enterprise Management at Renmin University of China. She is Professor and Vice President of Law and Politics School, and Vice Dean of MPA Program Center of Ocean University of China (OUC). Ms. WANG has sponsored or participated in more than 10 national, provincial research subjects, in which her articles such as *A Study on Modern Corporation Governance Structure*, and *A Study on Financing System of Management Buy-out in China* were published in the national or core journals. She also has works including *Chinese Economy Towards the 21st Century*, *Analysis of Public Policy and Enterprise Growth and Contradictory Management*.

董事、監事和高級管理人員簡介 Profiles of Directors, Supervisors and Senior Management

公司第六屆監事會成員簡介 Supervisors



杜常功先生
Mr. DU Chang Gong

杜常功先生 本公司監事會主席，現年55歲，高級會計師。現任青島市市直企業監事會主席。曾任青島市財政局副局長、總會計師。具有豐富的財政管理和企業管理經驗。兼任青島啤酒集團有限公司、青島雙星集團有限公司、青島紡織總公司監事會主席。

Mr. DU Chang Gong, Chairman of Board of Supervisors of the Company, aged 55, Senior Accountant. He is Chairman of Board of Supervisors at enterprise directly under Qingdao Government, and was ever Deputy Commissioner, Accountant-in-Chief at Qingdao Finance Bureau with rich experience in financial and enterprise management. Mr. DU is also the Chairman of Board of Supervisors at Tsingtao Brewery Group Company Limited, Qingdao Double Star Group Co., Ltd. and Qingdao Textile Co., Ltd.



滕安功先生
Mr. TENG An Gong

滕安功先生 本公司職工監事，現年58歲。曾任青島市委政治體制改革工作研究室副主任、市委政策研究室研究員，本公司黨委副書記、工會主席、紀委書記，青島啤酒集團有限公司黨委副書記、工會主席、紀委書記、董事。具有豐富的政策研究和企業管理經驗。兼任青島啤酒集團有限公司監事。

Mr. TENG An Gong, Supervisor as Staff Representative of the Company, aged 58. Mr. TENG ever worked as Vice Head of Researching Office of Political Body Reform, and Researcher of Policy Researching Office in Qingdao Municipal Party Committee, Vice Secretary to the Party, Chairman of Staff Union, and Secretary of the Discipline Inspection Commission of the Company, and Vice Secretary to the Party, Chairman of Staff Union, and Secretary of the Discipline Inspection Commission of Tsingtao Brewery Group Company Limited with rich experience in policy research and corporate management. He is also Supervisor of Tsingtao Brewery Group Company Limited.



曹向東先生
Mr. CAO Xiang Dong

曹向東先生 本公司職工監事，現年57歲。曾任青島啤酒二廠、青島啤酒廠廠長、黨委書記，青島啤酒華東營銷有限公司總經理、董事長，本公司總經理助理、副總裁。具有豐富的市場管理和企業管理經驗。曾任本公司第二屆、第三屆監事。兼任青島啤酒集團有限公司監事。

Mr. CAO Xiang Dong, Supervisor as Staff Representative of the Company, aged 57. Mr. CAO has substantial experience in market and corporate management as he ever worked as Factory Manager and Party Secretary of Tsingtao Brewery No. 2 and Tsingtao Brewery Factory, General Manager and Chairman of Shanghai Tsingtao Brewery East China Sales Company Limited, Assistant to the General Manager and Vice President of the Company. Mr. CAO was also Supervisor of the 2nd and 3rd Board of Supervisors of the Company. He is also Supervisor of Tsingtao Brewery Group Company Limited.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management



薛超山先生
Mr. XUE Chao Shan

薛超山先生 本公司職工監事，現年50歲，廈門大學EMBA課程班畢業。現任青島啤酒二廠廠長、黨委書記。曾任青島啤酒銷售分公司副總經理，青島啤酒(三水)有限公司、青島啤酒(福州)有限公司、青島啤酒(漳州)有限公司總經理，青島啤酒東南營銷有限公司總經理、董事長。具有豐富的市場營銷和企業管理經驗。

Mr. XUE Chao Shan, Supervisor as Staff Representative of the Company, aged 50, EMBA at Xiamen University. He is now the Factory Manager and Party Secretary of Tsingtao Brewery No. 2. Mr. XUE obtained rich experience in marketing and corporate management by ever taking the positions including Regional Manager and Vice Manager of Tsingtao Brewery Sales Company, General Manager of Tsingtao Brewery (Sanshui) Company Limited, Tsingtao Brewery (Fuzhou) Company Limited, Tsingtao Brewery (Zhangzhou) Company Limited, General Manager and Chairman of Tsingtao Brewery South-east Sales Company Limited.



鄭曉凡女士
Ms. Frances ZHENG

鄭曉凡女士 本公司股東監事，現年46歲，美國賓西法尼亞州伊思坦大學工商管理碩士。曾任美國安海斯—布希亞洲有限公司資深財務總監。

Ms. Frances ZHENG, Supervisor as Shareholders Representative of the Company, aged 46, MBA at Eastern University of Pennsylvania, USA. She was Finance Director of Anheuser-Busch Asia, Inc.



劉清遠先生
Mr. LIU Qing Yuan

劉清遠先生 本公司股東監事，現年60歲，畢業於青島科技大學。現任山東天和律師事務所主任，青島律師協會常務理事、副會長。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。曾任本公司第三屆、第四屆、第五屆監事。

Mr. LIU Qing Yuan, Supervisor as Shareholders Representative of the Company, aged 60. Mr. LIU graduated from Qingdao Sci-technology University. He is currently Director of Shandong Tianheren Law Firm, the Standing Director and Vice Chairman of Qingdao Lawyers Society. Mr. LIU 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. He was the Supervisor of the 3rd, 4th and 5th Board of Supervisors of the Company.



鐘明山先生
Mr. ZHONG Ming Shan

鐘明山先生 本公司股東監事，現年56歲，註冊會計師。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。曾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。具有長期的審計工作經驗。曾任本公司第四屆、第五屆監事。

Mr. ZHONG Ming Shan, Supervisor as Shareholders Representative of the Company, aged 56, CPA. He is currently audit partner of Shinewing Certified Public Accountants and Chief Accountant of its Qingdao Branch. Mr. ZHONG has a long history in auditing work 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. He was the Supervisor of the 4th and 5th Board of Supervisors of the Company.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management

公司高級管理人員簡介 Senior Management



嚴旭女士
Ms. YAN Xu

嚴旭女士 本公司副總裁兼營銷中心總裁，現年44歲，北京大學EMBA工商管理碩士。曾任珠江啤酒集團董事兼副總經理，青島啤酒華南營銷有限公司總經理。具有豐富的市場營銷和企業管理經驗，2006年中國十大經濟女性年度人物，2008年「金麒麟」杰出營銷領袖年度標杆人物，2008年中國改革開放三十年女性新聞人物。

Ms. YAN Xu, Vice President of the Company and President of Marketing Center, aged 44, EMBA at University of Beijing. She was ever Director & Deputy General Manager of Zhujiang River Brewery Group Company, General Manager of Tsingtao Brewery South-China Sales Company Limited with rich experience in marketing. She was awarded 2006 China Top 10 Economic Female, 2008 “olden Kylin” Pioneer for Outstanding Marketing Leaders and 2008 China Female News Personality for the 30-Year of Opening Up.



樊偉先生
Mr. FAN Wei

樊偉先生 本公司副總裁兼製造中心總裁，現年49歲，工程系列應用研究員，江南大學碩士研究生畢業。曾任青島啤酒二廠副廠長、總工程師，本公司總釀酒師。具有豐富的生產、科研及技術管理經驗，青島專業技術拔尖人才，國務院特殊津貼專家。

Mr. FAN Wei, Vice President of the Company and President of Manufacturing Center, aged 48, Applied Researcher in engineering 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 of the Company. He has rich experience in production, scientific research and technical management in a brewery with title of Top Talent in Professional Technologies in Qingdao and expert with special allowance from the State Council.



姜宏女士
Ms. JIANG Hong

姜宏女士 本公司副總裁，現年52歲，高級經濟師，南開大學EMBA畢業。曾任青島啤酒二廠廠長，本公司生產部部長、企業管理部部長、總裁助理兼人力資源管理總部部長，具有豐富的生產管理和人力資源管理經驗，2006年中國杰出人力資源管理者，2009年青島市優秀經濟女性。

Ms. JIANG Hong, Vice President of the Company, aged 52, Senior Economist with EMBA at Nankai University. She has rich experience in production and HR management after having served as Factory Manager of Tsingtao Brewery No. 2, Head of Production Dept. Head of Corporate Management Dept., and Assistant to the President & Head of Human Resources Dept. of the Company. She was the 2006 China Outstanding HR Manager and 2009 Qingdao Outstanding Economic Female.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management



張安文先生
Mr. ZHANG An Wen

張安文先生 本公司副總裁兼青島啤酒西安漢斯集團有限公司董事長，現年51歲，西安交通大學工商管理學院EMBA畢業。曾任青島啤酒西安有限公司副總經理、總經理。具有豐富的企業生產和管理經驗。

Mr. ZHANG An Wen, Vice President of the Company and Chairman of Tsingtao Brewery Xi'an Hans Group Company Limited, aged 51, EMBA at Business Management College of Xi'an Jiaotong University. He has rich experience in production and management after having served as Deputy Manager and General Manager of Tsingtao Brewery (Xi'an) Company Limited.



董建軍先生
Mr. DONG Jian Jun

董建軍先生 本公司總釀酒師兼技術質量管理總部部長、科研中心主任，現年48歲，工程系列應用研究員，天津科技大學發酵工程專業博士。曾任青島啤酒二廠總工程師，本公司品管部部長，具有豐富的技術創新及質量管理經驗，青島專業技術拔尖人才，國務院特殊津貼專家。

Mr. DONG Jian Jun, Chief Brewer & Head of Technology and Quality Management Dept., and Director of Sci-Technology Center of the Company, aged 48, Applicable Researcher of Engineering, Doctor of Ferment Engineering at Tianjin University of Science & Technology. He was Chief Engineer of Tsingtao Brewery No. 2, and Head of Quality Management Dept. of the Company. Mr. Dong has rich experience in technical innovation and quality management with title of Top Talent in Professional Technologies in Qingdao and expert with special allowance from the State Council.



于嘉平先生
Mr. YU Jia Ping

于嘉平先生 本公司製造中心副總裁兼採購管理總部部長，現年46歲，中歐國際工商學院工商管理碩士研究生。曾任青島啤酒二廠廠長，青島啤酒廠廠長，本公司總裁助理兼青島事業總部部長，具有豐富的生產運營管理及商務管理經驗。

Mr. YU Jia Ping, Vice President of Production Center & Head of Purchasing Management Dept. of the Company, aged 46, EMBA at China Europe International Business School. He has rich experience in production and operations management, and business management after having worked as Factory Manager of Tsingtao Brewery No. 2, Factory Manager of Tsingtao Brewery Factory, Assistant to President & Head of Qingdao Office of the Company.

董事、監事和高級管理人員簡介

Profiles of Directors, Supervisors and Senior Management



楊華江先生
Mr. YANG Hua Jiang

楊華江先生 本公司營銷中心副總裁，現年46歲，高級經濟師，西安交通大學管理學博士。曾任本公司企管部部長、市場部部長、總裁助理兼營銷管理總部部長。具有豐富的市場營銷及企業管理經驗。

Mr. YANG Hua Jiang, Vice President of Marketing of Marketing Center, aged 46, Senior Economist with Doctor's Degree of Management Science at Xi'an Jiaotong University. He has rich experience in marketing and business management after having worked as Head of Corporate Management Dept., Head of Marketing Dept., and Assistant to President & Head of Marketing Management Dept. of the Company.



張學舉先生
Mr. ZHANG Xue Ju

張學舉先生 本公司董事會秘書，現年54歲。曾任本公司財務部部長、銷售公司總經理，本公司副總裁，2008年6月任本公司董事會秘書。具有豐富的營銷管理和財務管理經驗。

Mr. ZHANG Xue Ju, Secretary to the Board of Directors of the Company, aged 54. Mr. ZHANG was ever Head of Finance Dept., General Manager of sales and Vice President of the Company. He was appointed Secretary in June 2008 with rich experience of sales management and financial management.

一. 報告期內公司對子公司提供擔保及委托貸款事項

報告期內，經董事會批准，本公司為下屬控股子公司的承兌匯票和銀行貸款業務提供擔保的總金額為人民幣51,555萬元。

另外，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人民幣2,200萬元的授信業務提供展期擔保。詳情請見本公司於2008年12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126,054萬元。

二. 關聯交易事項

1. 本公司向青島啤酒集團有限公司(「青啤集團」)收購其所持22間本公司附屬公司少數股權之關聯交易

2008年5月26日，本公司與青啤集團訂立股權轉讓協議，本公司通過青島產權交易所公開交易的方式受讓青啤集團所持有的22間本公司附屬公司的少數股權，本次股權轉讓交易的總代價為人民幣7,694萬元。其作價參考了兩家中國境內獨立的資產評估機構於2007年3月31日就目標公司作出的淨資產價值估值以及截至2007年9月30日止六個月目標公司的淨利潤或虧損而厘定，於協議經青島產權交易所批准生效後的5個工作日內，本公司需向青啤集團在青島產權交易所的指定賬戶支付收購股權之對價。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，有利於公司加強對子公司的集中管理，減少關聯交易。收購價格以子公司的淨資產評估值為依據，並考慮了子公司的經

I. Guarantees and Trusted Loans

In the reporting period, with approval by the Board of Directors, the total amount guaranteed by the Company for the bank loans and accepted bills of exchange of its controlling subsidiaries reached RMB515.55 million.

In addition, Tsingtao Brewery No. 5 Company Limited, the controlling subsidiary of the Company, provided extended guarantee for credit line of total amount of RMB22 million applied by Qingdao Tsingtao-Asahi Company Limited, in which it holds 40% interests, to the domestic commercial banks. The period of the guarantee is from 1 July 2008 to 31 December 2009. For further details of it, please refer to the announcement made by the Company on 31 December 2008.

In the reporting period, no trusted wealth management issues occurred. To secure the production and operation of its subsidiaries, about RMB1,260.54 million in aggregate of trusted loans was provided by the Company to its controlling subsidiaries

II. Connected Transaction

1. Connected transaction of the Company's acquiring minority interests in 22 subsidiaries held by Tsingtao Brewery Group Company Limited ('TB Group')

The Company entered into an equity transfer agreement with TB Group on 26 May 2008, pursuant to which the Company agreed to acquire the minority interests in its 22 controlling subsidiaries held by TB Group in way of public transaction through Qingdao Property Ownership Trading Center for a total consideration of RMB76.94 million. The consideration was determined in reference to the valuation over the net assets value of the target company made on 31 March 2007 and the net profits/losses of the target company for the 6 months ended on 30 September 2007 by two independent PRC assets valuating firms, and should be paid for the sale interests by the Company to the appointed account of TB Group in Qingdao Property Ownership Trading Center

營狀況和盈利能力，本次交易定價屬公平合理，並符合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5月27日刊載於上市地交易所網站之公告。

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。

within 5 working days after the agreement taking into effect under the approval by Qingdao Property Ownership Trading Center. The Board of Directors (including the Independent Directors) was of the view that, this transaction was in line with the development strategies of the Company, had benefits for strengthening the centralized management by the Company to its subsidiaries and decreasing the connected transaction. The acquiring price was based on the valuation over the net assets and took into account of the operational situation and the profitability of the subsidiaries, which was fair and reasonable, and was in the interest of the Company and the shareholders as a whole. For details of the transaction, please refer to the announcement published on 27 May 2008 in the website of the stock exchanges where the Company is listed.

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

三. 托管事項

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

III. Custody

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



四. 公司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，2007年度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%)。截止本報告披露之日，對於2007年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%。

IV. Adjustment to the Applicable Income Tax Rate

The Company received notice from the tax authority in Qingdao in April 2008 that, the Company should apply 33% as its applicable income tax rate in 2007 (the previous income tax rate applicable to the Company was 15%). As for the date of disclosure of the Report, the tax authority has not made any decision on how to settle the income tax before the year of 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 has become effective from 1 January 2008, the income tax rate applicable to the Company for 2008 is 25%.

五. 報告期內收購股權事項

經公司董事會批准，2008年11月9日，本公司與煙臺啤酒朝日有限公司(「煙臺啤酒」)兩家股東簽訂《股權轉讓協議》，同意公司分別支付現金對價人民幣20,350萬元及1,100萬元，購買煙臺啤酒集團有限公司及朝日啤酒伊藤忠(集團)有限公司在煙臺啤酒持有的37%及2%股權。該39%股權於2008年6月30日的評估值約人民幣22,145萬元。董事會認為，該收購對於提高青島啤酒在膠東市場的份額具有重要意義。同時，公司收購股權以煙臺啤酒的淨資產評估值為依據，並考慮了煙臺啤酒的經營狀況和盈利能力，本次交易定價屬公平合理，並符合公司及其股東的整體利益。2009年1月9日，收購煙臺啤酒股權事項辦理完畢工商變更手續，煙臺啤酒之名稱亦變更為「煙臺啤酒青島朝日有限公司」。煙臺啤酒2007年度銷量約18萬千升。

V. Equity Acquisition

Under the approval by the Board of Directors, the Company entered into *Equity Transfer Agreement* with two shareholders of Yantai Brewery Asahi Co., Ltd. ('Yantai Brewery') on 9 November 2008, pursuant to which the Company agreed to acquire 37% and 2% interests held respectively by Yantai Brewery Group Co., Ltd. and Asahi Breweries Itochu (Holdings) Ltd. in Yantai Brewery for the consideration of RMB203.5 million and RMB11 million in cash. The value of such 39% interests as of 30 June 2008 was around RMB221.45 million. The Board of Directors was of the view that, the acquisition was meaningful to increase the market share of Tsingtao Brewery in Jiaodong Peninsula. Meanwhile, the acquiring price was based on the valuation over the net assets, took into account of the operational situation and the profitability of Yantai Brewery, which was fair and reasonable, and was in the interest of the Company and the shareholders as a whole. The procedures for altering registration at the State Administration of Industry and Commerce for the acquisition of sale interests in Yantai Brewery was completed on 9 January 2009, after which Yantai Brewery was renamed as 'Yantai Brewery Tsingtao-Asahi Company Limited'. The sales volume of Yantai Brewery in 2007 was about 1.8 million hl.



財務報告 Financial Report

按香港財務報告準則編制的財務報表

Financial Statements Prepared in Accordance with HKFRS

65	Independent Auditor's Report – PricewaterhouseCoopers	154	獨立核數師報告 – 羅兵咸永道會計師事務所
67	Balance Sheets	156	資產負債表
69	Consolidated Income Statement	158	綜合利潤表
70	Consolidated Statement of Changes in Equity	159	綜合權益變動表
72	Consolidated Cash Flow Statement	161	綜合現金流量表
73	Notes to the Consolidated Financial Statements	162	綜合財務報表附註
153	Supplementary Information	242	補充資料

按照中國會計準則編制的財務報表

Financial Statements Prepared in Accordance with PRC GAAP

243	審計師報告 – 普華永道中天會計師事務所 有限公司
244	合併及公司資產負債表
246	合併及公司利潤表
247	合併及公司現金流量表
249	合併股東權益變動表
250	公司股東權益變動表
251	財務報表附註

Independent Auditor's Report



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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 152, which comprise the consolidated and company balance sheets as at 31 December 2008, 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 2008 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, 8 April 2009

Balance Sheets

	Note	Group		Company	
		As at 31 December		As at 31 December	
		2008	2007	2008	2007
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Leasehold land and land use rights	6	842,077	717,172	64,031	65,878
Property, plant and equipment	7	5,617,314	5,608,946	917,609	946,698
Investment property		—	—	20,253	20,853
Prepayment for land use rights		17,442	17,442	17,442	17,442
Intangible assets	8	249,468	237,269	102,230	95,494
Investments in subsidiaries	9	—	—	3,782,143	1,857,838
Loans to subsidiaries	9	—	—	1,218,383	2,704,878
Interests in jointly controlled entity and associates	10	28,697	27,882	7,200	7,200
Deferred income tax assets	23	94,930	174,783	11,796	120,425
Available-for-sale financial assets	13	10,085	20,223	7,055	12,195
Other long-term assets		10,987	11,120	2,733	3,167
		6,871,000	6,814,837	6,150,875	5,852,068
Current assets					
Inventories	14	2,756,337	2,187,254	643,698	411,062
Amounts due from subsidiaries	40(b)	—	—	262,890	237,434
Trade receivables	15	81,453	94,199	32,594	44,117
Bills receivable	15	9,055	37,294	3,850	—
Deposits, prepayments and other receivables	16	363,837	1,076,742	80,197	293,260
Derivative financial instruments	22	1,763	—	1,763	—
Pledged bank deposits		12,466	20,266	—	—
Cash and cash equivalents	17	2,381,044	1,314,643	1,408,380	689,459
Income tax recoverable	18	55,276	—	45,979	—
		5,661,231	4,730,398	2,479,351	1,675,332
Total assets		12,532,231	11,545,235	8,630,226	7,527,400
EQUITY					
Capital and reserves attributable to the Company's shareholders					
Share capital	19	1,308,219	1,308,219	1,308,219	1,308,219
Other reserves	20	3,835,057	3,632,861	3,929,089	3,609,216
Retained earnings					
— Proposed final dividend		327,055	287,808	327,055	287,808
— Others		611,907	280,297	361,093	325,429
		6,082,238	5,509,185	5,925,456	5,530,672
Minority interests		335,377	479,150	—	—
Total equity		6,417,615	5,988,335	5,925,456	5,530,672

Balance Sheets (Continued)

		Group		Company	
		As at 31 December		As at 31 December	
		2008	2007	2008	2007
	Note	RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
Non-current liabilities					
Borrowings	21	1,157,508	96,580	1,137,179	—
Deferred income tax liabilities	23	13,117	17,035	—	1,828
Deferred government grants	24	194,198	76,275	10,710	11,308
Other financial liabilities		36,515	28,286	—	—
		<u>1,401,338</u>	<u>218,176</u>	<u>1,147,889</u>	<u>13,136</u>
Current liabilities					
Trade payables	25	1,208,379	1,080,803	356,985	188,918
Bills payable	26	146,983	207,268	63,120	81,180
Accruals and other payables	27	2,390,810	2,172,297	711,313	572,702
Deposits and advance from customers	28	340,759	482,882	152,944	374,158
Taxes payable		98,949	279,227	—	198,603
Loan due to a shareholder	40(b)	107,890	109,569	—	—
Borrowings	21	419,508	983,877	272,519	545,230
Derivative financial instruments	22	—	22,801	—	22,801
		<u>4,713,278</u>	<u>5,338,724</u>	<u>1,556,881</u>	<u>1,983,592</u>
Total liabilities		<u>6,114,616</u>	<u>5,556,900</u>	<u>2,704,770</u>	<u>1,996,728</u>
Total equity and liabilities		<u>12,532,231</u>	<u>11,545,235</u>	<u>8,630,226</u>	<u>7,527,400</u>
Net current assets/ (liabilities)		<u>947,953</u>	<u>(608,326)</u>	<u>922,470</u>	<u>(308,260)</u>
Total assets less current liabilities		<u>7,818,953</u>	<u>6,206,511</u>	<u>7,073,345</u>	<u>5,543,808</u>

JIN Zhiguo
Director

SUN Yuguo
Director

The notes on pages 73 to 152 are an integral part of these financial statements.

Consolidated Income Statement

	<i>Note</i>	Year ended 31 December	
		2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Sales	5	15,781,382	13,529,892
Cost of goods sold	31	(10,770,245)	(9,215,999)
Gross profit		5,011,137	4,313,893
Selling and marketing expenses	31	(2,974,159)	(2,651,635)
Administrative expenses	31	(907,087)	(689,326)
Other gains — net	29	166,769	97,469
Other operating losses — net	30	(117,883)	(63,095)
Operating profit		1,178,777	1,007,306
Finance costs — net	33	(70,711)	(15,009)
Share of profit/loss of jointly controlled entity and associates-net		23	283
Profit before income tax		1,108,089	992,580
Income tax expense	34(a)	(374,317)	(413,812)
Profit for the year		733,772	578,768
Attributable to:			
Shareholders of the Company		699,554	538,911
Minority interests		34,218	39,857
		733,772	578,768
Earnings per share for profit attributable to the Shareholders of the Company during the year (expressed in RMB per share)			
— Basic and diluted	35	0.535	0.412
Dividends	36	327,055	287,808

The notes on pages 73 to 152 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

	Note	Attributable to shareholders of the Company				Minority interests	Total equity
		Share capital RMB'000	Other reserves RMB'000 (Note 20)	Proposed final dividends RMB'000	Retained earnings RMB'000	RMB'000	RMB'000
Balance at 1 January 2007, as previously reported		1,308,219	3,796,626	287,808	(145,224)	452,294	5,699,723
Opening adjustments for the accounting policy change		—	(236,203)	—	236,203	—	—
Balance at 1 January 2007, as restated		1,308,219	3,560,423	287,808	90,979	452,294	5,699,723
Translation difference		—	898	—	—	—	898
Fair value gain on 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
Total recognised income and expense for 2007		—	10,653	—	538,911	40,318	589,882
Dividends declared		—	—	(287,808)	—	(29,902)	(317,710)
Proposed dividends	36	—	—	287,808	(287,808)	—	—
Profit appropriation to surplus reserve	20	—	61,785	—	(61,785)	—	—
Contribution from minority shareholders		—	—	—	—	15,703	15,703
Others		—	—	—	—	737	737
Balance at 31 December 2007		1,308,219	3,632,861	287,808	280,297	479,150	5,988,335

Consolidated Statement of Changes in Equity (continued)

	Note	Attributable to shareholders of the Company				Minority interests	Total equity
		Share capital	Other reserves	Proposed final dividends	Retained earnings		
		RMB'000	RMB'000 (Note 20)	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2008		1,308,219	3,632,861	287,808	280,297	479,150	5,988,335
Translation difference		—	156	—	—	—	156
Fair value loss on available-for-sale financial assets		—	(9,794)	—	—	(344)	(10,138)
Deferred income tax liabilities for available-for-sale financial assets		—	2,449	—	—	86	2,535
Profit for the year		—	—	—	699,554	34,218	733,772
Total recognised income and expense for 2008		—	(7,189)	—	699,554	33,960	726,325
Dividends declared		—	—	(287,808)	—	(33,077)	(320,885)
Proposed dividends	36	—	—	327,055	(327,055)	—	—
Profit appropriation to surplus reserve	20	—	40,889	—	(40,889)	—	—
Equity component of convertible bonds, net of transaction costs		—	380,490	—	—	—	380,490
Deferred tax arising on initially stating the convertible bonds at fair value		—	(97,426)	—	—	—	(97,426)
Acquisition of minority interests in subsidiaries		—	(115,442)	—	—	(151,312)	(266,754)
Contribution from minority shareholders		—	—	—	—	5,085	5,085
Others		—	874	—	—	1,571	2,445
Balance at 31 December 2008		1,308,219	3,835,057	327,055	611,907	335,377	6,417,615

The notes on pages 73 to 152 are an integral part of these financial statements.

Consolidated Cash Flow Statement

	<i>Note</i>	Year ended 31 December	
		2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Cash flows from operating activities			
Cash generated from operations	37	2,059,303	1,394,061
Interest received		30,051	24,224
Income tax paid		(609,870)	(295,433)
Net cash generated from operating activities		1,479,484	1,122,852
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		7,887	17,184
Purchase of property, plant and equipment, construction-in-progress and intangible assets		(688,439)	(1,054,091)
Proceeds from sales of property, plant and equipment	37	6,745	34,064
Purchase of minority interests from third parties		(85,500)	(88,123)
Purchase of minority interests from a related party	40(a)	(95,050)	—
Acquisition of subsidiary from a related party		—	(5,290)
Additional equity investments in associates		—	(8,000)
Proceeds from liquidation of subsidiaries		—	14,961
Decrease in short-term bank deposits and pledged bank deposits		29,000	(24,327)
Cash paid for derivative financial instruments		(25,781)	(3,905)
Dividend received		3,443	3,660
Others		(6,292)	—
Net cash used in investing activities		(853,987)	(1,113,867)
Cash flows from financing activities			
Proceeds from borrowings		714,414	1,090,688
Repayment of borrowings		(1,356,104)	(646,388)
Proceeds from issuance of convertible bonds	21(b)	1,464,543	—
Contributions from minority shareholders		5,085	—
Interest paid		(53,649)	(28,859)
Dividends paid to the Company's shareholders		(305,808)	(287,808)
Dividends paid to minority interests		(25,745)	(29,902)
Others		(746)	—
Net cash from financing activities		441,990	97,731
Net increase in cash and cash equivalents		1,067,487	106,716
Cash and cash equivalents at beginning of the year		1,314,643	1,213,243
Exchange losses on cash and cash equivalents		(1,086)	(5,316)
Cash and cash equivalents at end of the year		2,381,044	1,314,643

The notes on pages 73 to 152 are an integral part of these 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. The Company obtained business licence 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 8 April 2009.

The English names of some of the companies referred to in the financial statements represent unofficial translations of their registered Chinese names by management and these English 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 all the years presented, unless otherwise stated.

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 2008*

- The HKAS 39, ‘Financial instruments: Recognition and measurement’, amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, ‘Financial instruments: Disclosures’, introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group’s financial statements, as the Group has not reclassified any financial assets.
- HK(IFRIC) — Int 11, ‘HKFRS 2 — Group and treasury share transactions’, provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent’s shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group’s financial statements.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) Standards, amendment and interpretations effective in 2008 (continued)

- HK(IFRIC) — Int 14, ‘HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction’, 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. This interpretation does not have any impact on the Group’s financial statements, as the Group has no defined benefit plans.

(b) Interpretations effective in 2008 but not relevant to the Group

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the Group’s operations:

- HK(IFRIC) — Int 12, ‘Service Concession arrangements’.

(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 and amendments to existing standards have been published and are mandatory for the Group’s accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), ‘Presentation of financial statements’ (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1 January 2009.
- HKAS 23 (Revised), ‘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 (Revised) retrospectively from 1 January 2009 but it is not expected to have any impact on the Group’s financial statements.

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 (continued)*

- HKAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010. The Group has already chosen the similar accounting policy as HKAS 23 (Revised) in prior years (Note 2.2).
- HKAS 32 (Amendment), 'Financial instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of financial statements' — 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of 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 as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the HKAS 32 (Amendment) and HKAS 1 (Amendment) from 1 January 2009, but it is not expected to have any impact on the Group's financial statements.
- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from HKAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Company will apply HKAS 27 (Amendment) prospectively from 1 January 2009 in its separate financial statements. This amendment is not relevant to the Group.
- HKFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply HKFRS 2 (Amendment) from 1 January 2009, but it is not expected to have any impact on the Group's financial statements.

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 (continued)*

- HKFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.
- 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.
- HK(IFRIC) — Int 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). HK(IFRIC) — Int 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of HKAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The Group will apply HK(IFRIC) — Int 16 from 1 January 2009. It is not expected to have a material impact on the Group's financial statements.
- HKICPA's improvements to HKFRS published in October 2008.
- > HKAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with HKAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Group will apply the HKAS 1 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's financial statements.

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 (continued)*

- > HKAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).
 - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
 - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
 - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
 - HKAS 37, 'Provisions, contingent liabilities and contingent assets' requires contingent liabilities to be disclosed, not recognised. HKAS 19 has been amended to be consistent.

The Group will apply the HKAS 19 (Amendment) from 1 January 2009.

- > HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in HKAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between HKAS 39 and HKAS 23. The Group will apply the HKAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009.
- > HKAS 28 (Amendment), 'Investments in associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the HKAS 28 (Amendment) to impairment tests related to investment in associates and any related impairment losses from 1 January 2009.
- > HKAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the HKAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.
- > HKAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply the HKAS 38 (Amendment) from 1 January 2009.

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 (continued)*

- > HKAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).
 - This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
 - The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.
 - The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that HKAS 39 is consistent with HKFRS 8, 'Operating segments' which requires disclosure for segments to be based on information reported to the chief operating decision maker.
 - When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

The Group will apply the HKAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's consolidated income statement.

- > HKFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to HKFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The Group will apply the HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.
- > There are a number of minor amendments to HKFRS 7, 'Financial instruments: Disclosures', HKAS 8, 'Accounting policies, changes in accounting estimates and errors', HKAS 10, 'Events after the balance sheet date', HKAS 18, 'Revenue' and HKAS 34, 'Interim financial reporting' which are not addressed above. These amendments are unlikely to have an impact on the Group's financial statements and have therefore not been analysed in detail.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(continued)*

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 consolidated income statement.

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) Jointly controlled entities

The Group's interests in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(c) Jointly controlled entities (continued)

The Group's share of its jointly controlled entities' 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 a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, 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 jointly controlled entities are eliminated to the extent of the Group's interest in the joint controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) 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, net of any accumulated impairment loss. See note 2.7 for the impairment of non-financial assets including goodwill.

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 associates 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.

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 is subject to risks and returns that are different from those of segments operating in other economic environments.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(continued)*

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 the Group's 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 or valuation where items are remeasured. 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 consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other gains — net'.

Translation difference 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:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated 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
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, 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 consolidated income statement as part of the gain or loss on sale.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(continued)*

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated 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 — 40 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).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains — net, in the consolidated income statement.

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 at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested 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.

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*

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate their costs over their estimated useful lives.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(continued)*

2.6 Intangible assets *(continued)*

(b) Trademarks and licences (continued)

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.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs those are capitalised as part of the software product include the software development employee costs 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.

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, for example goodwill, 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 recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount 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 impairments 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 or loss, loans and receivable, available-for-sale and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) *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. The Group's loans and receivables comprise trade and other receivables and other long-term receivables in the balance sheet (Note 2.11).

(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.

(d) *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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(continued)*

2.8 Financial assets *(continued)*

(e) Recognition and measurement (continued)

Regular way 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 recognised in equity are included in the consolidated 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 as an indicator that 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 profit or loss — is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated 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 consolidated 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 the 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 consolidated income statement within 'selling and marketing costs'. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the consolidated 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 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 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 consolidated income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised in shareholders' equity, net of income tax effects.

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.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(continued)*

2.15 Current and deferred income tax *(continued)*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, 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, 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 only 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.

2.16 Employee benefit

(a) 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 RMB10,583) per annum per each employee. The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) 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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(continued)*

2.16 Employee benefit *(continued)*

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.17 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a post-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 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 taxes paid and payable, such tax item is included in cost of sales.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(continued)*

2.18 Revenue recognition *(continued)*

(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.

2.19 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.

2.20 Leases

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) including upfront payment made for leasehold land and land use rights, are charged to the consolidated income statement on a straight-line basis over the period of the lease.

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 consolidated 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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(continued)*

2.21 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.

2.22 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 arising from purchases of raw materials 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 2008, if US dollar had appreciated by 7% against RMB with all other variables held constant, post-tax profit for the year would have been approximately RMB2,627,000 (2007: RMB2,982,000) 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 1.98% p.a. (2007: 3.7% 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.

Notes to the Consolidated Financial Statements

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk (continued)

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

At 31 December 2008, 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 RMB1,194,000 (2007: RMB1,224,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2008, 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 RMB1,496,000 (2007: RMB3,592,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Liquidity risk

The Company completed a bond offering with maturity in 2014 with net proceeds received by the Group amounting to approximately RMB1,464,543,000 in April 2008 (see Note 21(b) for details) in order to finance its ongoing capital commitments, and the net cash generated from operating activities for the year ended 31 December 2008 amounted to approximately RMB1,479,484,000. As a result, the Group had net current assets of approximately RMB947,953,000 as at 31 December 2008 (2007: net current liabilities RMB608,326,000). Although most of the bank financing of the Group is in the form of short-term bank loans, the directors are confident that the Group will be able to renew its short-term bank loan facilities upon maturity. In addition, the Group had unutilised banking facilities granted by certain banks in an aggregate amount of approximately RMB700,000,000 as at 31 December 2008 (Note 21(a)) which the Group could utilise in order to meet its short-term cash needs.

In addition, management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents (Note 17)) based on expected cash flow.

The Group's and the Company's financial liabilities mainly includes bank borrowings 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 21.

Notes to the Consolidated Financial Statements

3 Financial risk management *(continued)*

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 benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) plus loan due to a shareholder. Total capital is calculated as 'equity', as shown in the consolidated balance sheet, plus total debt. The gearing ratios at 31 December 2008 and 2007 were as follows:

	2008 RMB'000	2007 RMB'000
Total borrowings (<i>Note 21</i>)	1,577,016	1,080,457
Loan due to a shareholder	107,890	109,569
Total debt	1,684,906	1,190,026
Total equity	6,417,615	5,988,335
Total capital	8,102,521	7,178,361
Gearing ratio	20.79%	16.58%

The small increase in the gearing ratio during 2008 resulted primarily from the issue of convertible bonds (Notes 21(b)).

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 and payables are assumed to approximate their fair values. The fair value of other 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.

Notes to the Consolidated Financial Statements

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 addressed 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. These calculations require the use of estimates (see Note 8).

For the year ended 31 December 2008, the Group had not reported impairment losses (2007: nil) for impairment loss on goodwill based on such calculations.

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

Impairment loss of goodwill would not need to be recognised even if the actual gross profit margin had been 5% lower or the post-tax discounted rate had been 5% higher than management's estimates with all other variables held constant.

(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 2008, the Group reported impairment losses amounting to RMB162,468,000 (2007: RMB141,008,000) for property, plant and equipment based on such calculations (Note 7).

If the estimated gross profit margin at 31 December 2008 had been 5% lower than management's estimates at 31 December 2008, the Group would have recognised a further impairment against property, plant and equipment by RMB82,191,000 (unaudited).

If the estimated post-tax discount rate applied to the discounted cash flows adopted in the value-in-use calculations had been 5% higher than management's estimates, the Group would have recognised a further impairment against property, plant and equipment by RMB17,862,000 (unaudited).

If the actual gross margin had been 5% higher or the post-tax discounted rate had been 5% lower than management's estimates, in 2008 the Group would be able to reduce impairment losses by RMB80,341,000 (unaudited) and RMB23,076,000 (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 2008						Consolidated RMB'000
	Qingdao Region RMB'000	Other Shandong Regions RMB'000	Huabei Region RMB'000	Huanan Region RMB'000	Overseas RMB'000 (Note a)	Eliminations RMB'000	
Turnover							
External sales	6,976,316	548,561	2,598,236	5,299,059	359,210	—	15,781,382
Inter-segment sales	296,769	1,881,516	332,356	92,622	2,096	(2,605,359)	—
	<u>7,273,085</u>	<u>2,430,077</u>	<u>2,930,592</u>	<u>5,391,681</u>	<u>361,306</u>	<u>(2,605,359)</u>	<u>15,781,382</u>
Results							
Segment results	<u>796,988</u>	<u>21,649</u>	<u>57,140</u>	<u>421,313</u>	<u>66,636</u>	<u>815</u>	<u>1,364,541</u>
Unallocated expenses, net							<u>(185,764)</u>
Operating profit							<u>1,178,777</u>
Finance costs							<u>(70,711)</u>
Share of profit of jointly controlled entity and associates	23	—	—	—	—	—	<u>23</u>
Profit before income tax							<u>1,108,089</u>
Income tax expense							<u>(374,317)</u>
Profit for the year							<u>733,772</u>
Other information							
Depreciation	106,374	82,965	120,570	212,879	771	—	523,559
Amortisation	8,104	5,856	9,914	8,511	586	—	32,971
Impairment of property, plant and equipment	<u>886</u>	<u>8,834</u>	<u>145,841</u>	<u>6,907</u>	<u>—</u>	<u>—</u>	<u>162,468</u>

Notes to the Consolidated Financial Statements

5 Segment information *(continued)*

(a) Primary reporting format — geographical segment *(continued)*

	For the year ended 31 December 2007						
	Qingdao Region <i>RMB'000</i>	Other Shandong Regions <i>RMB'000</i>	Huabei Region <i>RMB'000</i>	Huanan Region <i>RMB'000</i>	Overseas <i>RMB'000</i> <i>(Note a)</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Turnover							
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>
Results							
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>
Operating profit							1,007,306
Finance costs							(15,009)
Share of loss of jointly controlled entity and associates	283	—	—	—	—	—	<u>283</u>
Profit before income tax							992,580
Income tax expense							<u>(413,812)</u>
Profit for the year							<u>578,768</u>
Other information							
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)*

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).

The segment assets and liabilities at 31 December 2008 and capital expenditure for the year then ended are as follows:

	As at 31 December 2008						
	Qingdao Region RMB'000	Other Shandong Regions RMB'000	Huabei Region RMB'000	Huanan Region RMB'000	Overseas RMB'000 (Note a)	Eliminations RMB'000	Consolidated RMB'000
Assets							
Segment assets	1,955,205	2,472,515	2,336,755	4,966,693	—	(1,108,036)	10,623,132
Interests in jointly controlled entity and associates	28,697	—	—	—	—	—	28,697
Unallocated assets							<u>1,880,402</u>
							<u>12,532,231</u>
Liabilities							
Segment liabilities	1,082,892	683,535	1,047,390	2,350,044	—	(1,100,306)	4,063,555
Unallocated liabilities							<u>2,051,061</u>
							<u>6,114,616</u>
Capital expenditure	<u>106,731</u>	<u>347,884</u>	<u>69,642</u>	<u>407,245</u>	<u>137</u>	<u>—</u>	<u>931,639</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 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 (Note a)	Eliminations RMB'000	
Assets							
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>
Liabilities							
Segment liabilities	1,138,448	604,075	872,838	2,121,114	—	(1,097,462)	3,639,013
Unallocated liabilities							<u>1,917,887</u>
							<u>5,556,900</u>
Capital expenditure	<u>173,328</u>	<u>703,138</u>	<u>107,769</u>	<u>283,171</u>	<u>1,087</u>	<u>—</u>	<u>1,268,493</u>

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 and their net book values are analysed as follows:

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Opening	717,172	676,759	65,878	68,892
Additions	166,040	59,640	—	—
Amortisation	(22,188)	(17,372)	(1,847)	(1,863)
Disposals	(18,947)	(1,855)	—	(1,151)
	842,077	717,172	64,031	65,878
	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Outside Hong Kong, held on:				
Leases of between 10 to 50 years	842,077	717,172	64,031	65,878

As at 31 December 2008, the relevant legal procedures for the certificates of the Group's land use right with carrying value of approximately RMB39,606,000 (2007: RMB991,000) is still in process. According to the legal adviser's opinion, the directors of the Company are of the view that there is no substantial legal restriction for the acquisition of the certificates, which does not have significant impact on the Group's operation and it is unnecessary to accrue the impairment of intangible assets.

Plant and buildings of certain subsidiaries of the Group were located on parcels of allocated land ("Allocated Lands") owned by certain local municipal governments and these lands are occupied by the Group at nil consideration. Carrying values of the associated buildings and facilities constructed thereon were approximately RMB71,170,000 as at 31 December 2008 (2007: RMB94,776,000). The Company's directors consider that there is no significant adverse impact on the operations of the Group.

Notes to the Consolidated Financial Statements

7 Property, plant and equipment

(a) Group

	Plant and buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Construction -in-progress RMB'000	Total RMB'000
At 1 January 2007						
Cost (<i>note a</i>)	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
Year ended 31 December 2007						
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
At 31 December 2007						
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
Year ended 31 December 2008						
Opening net book amount	2,331,929	2,797,586	145,376	108,674	225,381	5,608,946
Acquisition of subsidiaries	—	534	886	106	—	1,526
Additions	11,168	7,650	20,283	34,937	669,604	743,642
Transfers	232,265	526,630	6,921	20,499	(786,315)	—
Disposals	(30,214)	(10,559)	(8,705)	(1,295)	—	(50,773)
Depreciation	(86,972)	(374,193)	(24,528)	(37,866)	—	(523,559)
Impairment charges (<i>note b</i>)	(54,547)	(105,859)	(1,581)	(18)	(463)	(162,468)
Closing net book amount	2,403,629	2,841,789	138,652	125,037	108,207	5,617,314
At 31 December 2008						
Cost	3,401,560	6,751,802	386,139	381,719	108,670	11,029,890
Accumulated depreciation and impairment	(997,931)	(3,910,013)	(247,487)	(256,682)	(463)	(5,412,576)
Net book amount	2,403,629	2,841,789	138,652	125,037	108,207	5,617,314

Notes to the Consolidated Financial Statements

7 Property, plant and equipment (continued)

(b) Company

	Plant and buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Construction -in-progress RMB'000	Total RMB'000
At 1 January 2007						
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
Year ended 31 December 2007						
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	(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
At 31 December 2007						
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
Year ended 31 December 2008						
Opening net book amount	354,694	505,723	2,360	64,067	19,854	946,698
Additions	1,572	9,486	2,911	16,424	46,396	76,789
Transfers	6,290	36,352	2,158	4,236	(49,036)	—
Disposals	(5,896)	(2,404)	(58)	(561)	—	(8,919)
Depreciation	(13,229)	(57,403)	(5,283)	(20,159)	—	(96,074)
Impairment	—	(422)	—	—	(463)	(885)
Closing net book amount	343,431	491,332	2,088	64,007	16,751	917,609
At 31 December 2008						
Cost	530,833	1,396,990	122,199	172,486	16,751	2,239,259
Accumulated depreciation and impairment	(187,402)	(905,658)	(120,111)	(108,479)	—	(1,321,650)
Net book amount	343,431	491,332	2,088	64,007	16,751	917,609

Notes to the Consolidated Financial Statements

7 Property, plant and equipment *(continued)*

Depreciation expense of approximately RMB482,245,000 (2007: RMB458,822,000) has been charged in cost of goods sold, RMB19,260,000 (2007: RMB19,852,000) in selling and marketing expenses and approximately RMB22,054,000 (2007: RMB26,513,000) in administrative expenses of the consolidated income statement.

As at 31 December 2008, there was no bank borrowing that was secured on machinery (2007: RMB37,002,000).

As at 31 December 2008, ownership certificates of certain buildings (“Building Ownership Certificates”) of the Group with respective carrying values of approximately RMB527,806,000 (2007: RMB434,336,000) had not yet been obtained. The Group is currently in application of building ownership certificates for buildings with carrying value of approximately RMB420,189,000. Other buildings with the aggregate carrying values of approximately RMB107,617,000 are currently not in the application process as the Group cannot locate certain necessary documents. Consultations had been made with the Company’s legal adviser, and the Company’s directors are of the view that this situation will not prevent the Group from legal possession of such facilities as there is no legal restriction for the Group to apply for and obtain the building ownership certificates, therefore, there are no significant adverse impact on the operations of the Group, and then, 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 2008 RMB'000	31 December 2007 RMB'000
Cost — capitalised finance leases	10,214	10,214
Accumulated depreciation	(1,175)	(580)
Net book amount	9,039	9,634

Note:

- 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 the 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 such incident would not lead to any significant contingent liabilities nor adverse financial impact to the Group.
- The Group performed impairment assessments on the carrying values of certain fixed assets of the Group as at 31 December 2008 based on the accounting policy set out in Note 2.7.

The Group’s cash-generating units (CGUs) are identified according to operating segment. The recoverable amounts of CGU have been determined based on the higher of the fair value less costs to sell and value in use with support of valuation performed by independent third party valuer and/or management. These calculations use post-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 2% which does not exceed the long-term average growth rate of the brewery industry in the PRC.

Notes to the Consolidated Financial Statements

7 Property, plant and equipment *(continued)*

The key assumptions used for calculations are as follows:

	Five Star Company	Three Ring Company	Gansu Nongken Company
Budgeted gross margin of product sales	21.2%	24.4%	23.0%
Discount rate <i>(a)</i>	15.6%	15.6%	15.6%

(a) Post-tax discount rate applied to the cash flow projections.

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

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 post-tax and reflect specific risks relating to the relevant CGUs.

As a result of performing such assessments, an impairment loss of approximately RMB162,468,000 (2007: RMB141,008,000) relating to fixed assets of certain CGUs was recognised, with the details set out as follows:

	<i>RMB'000</i>
Five Star Company*	65,933
Gansu Nongken Company*	50,242
Three Ring Company*	28,631
Other subsidiaries	17,662
	<u>162,468</u>

* Defined in Notes 9.

The market share of the Group in these CGUs had been declining in recent years due to the more fierce competition than expected.

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
At 1 January 2007					
Cost	320,228	115,092	18,629	42,022	495,971
Accumulated amortisation and impairment	(197,411)	(39,677)	(14,305)	(12,085)	(263,478)
Net book amount	122,817	75,415	4,324	29,937	232,493
Year ended 31 December 2007					
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
At 31 December 2007					
Cost	320,228	106,135	18,629	61,401	506,393
Accumulated amortisation and impairment	(197,411)	(40,088)	(16,168)	(15,457)	(269,124)
Net book amount	122,817	66,047	2,461	45,944	237,269
Year ended 31 December 2008					
Opening net book amount	122,817	66,047	2,461	45,944	237,269
Additions	—	—	—	19,579	19,579
Amortisation	—	(413)	(1,864)	(4,981)	(7,258)
Disposal	—	—	—	(122)	(122)
Closing net book amount	122,817	65,634	597	60,420	249,468
At 31 December 2008					
Cost	320,228	106,135	18,629	80,858	525,850
Accumulated amortization and impairment	(197,411)	(40,501)	(18,032)	(20,438)	(276,382)
Net book amount	122,817	65,634	597	60,420	249,468

Notes to the Consolidated Financial Statements

8 Intangible assets *(Continued)*

(b) Company

	Trademarks <i>(i)</i> RMB'000	Software and others RMB'000	Total RMB'000
At 1 January 2007			
Cost	100,000	17,200	117,200
Accumulated amortisation	(33,624)	(4,835)	(38,459)
Net book amount	66,376	12,365	78,741
Year ended 31 December 2007			
Opening net book amount	66,376	12,365	78,741
Additions	—	18,984	18,984
Amortisation charge	—	(2,231)	(2,231)
Closing net book amount	66,376	29,118	95,494
At 31 December 2007			
Cost	100,000	36,184	136,184
Accumulated amortisation	(33,624)	(7,066)	(40,690)
Net book amount	66,376	29,118	95,494
Year ended 31 December 2008			
Opening net book amount	66,376	29,118	95,494
Additions	—	10,624	10,624
Amortisation charge	—	(3,766)	(3,766)
Disposal	—	(122)	(122)
Closing net book amount	66,376	35,854	102,230
At 31 December 2008			
Cost	100,000	46,686	146,686
Accumulated amortisation	(33,624)	(10,832)	(44,456)
Net book amount	66,376	35,854	102,230

Amortisation of approximately RMB7,258,000 (2007: RMB5,648,000) is included in administrative expenses of the consolidated income statement.

Notes to the Consolidated Financial Statements

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 the valuation as approved by the State-Owned Assets Administration Bureau of the PRC.

The directors are of the view that the “TSINGTAO BEER” trademark has an indefinite useful life, accordingly, it is not subject to amortisation but annual impairment assessments.

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 trademarks were recognised according to their respective fair 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

Goodwill is allocated to the Group’s cash-generating units (CGUs).

A summary of the goodwill allocation is presented below:

	2008 RMB’000	2007 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 amounts of CGU have been determined based on the higher of the fair value less costs to sell and value in use. These calculations use post-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 2% which does not exceed the long-term average growth rate of the brewery industry in the PRC.

Notes to the Consolidated Financial Statements

8 Intangible assets *(Continued)*

(iii) Goodwill *(Continued)*

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

	Dongnan Region
Budgeted gross margin of product sales	32.5%
Discount rate (a)	15.6%

(a) Post-tax discount rate applied to the cash flow projections.

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

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 post-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 post-tax discount rate and gross profit margin used in the year ended 31 December 2007 for the CGU were 15.6% and 38.2%, respectively. The decrease in gross profit margin adopted in current year was mainly due to the expected more fierce marketing competition of the South-eastern region of the PRC.

9 Investment in and loans to subsidiaries — Company

(a) Investments in subsidiaries

	Company	
	2008	2007
	RMB'000	RMB'000
Unlisted equity investments — cost less impairment provisions	3,782,143	1,857,838
Loans to subsidiaries	1,218,383	2,704,878

The loans to subsidiaries are unsecured, interest bearing, denominated in RMB. According to the Group's long-term supporting strategy to subsidiaries, these loans are renewable upon their maturity and the directors consider the loans to subsidiaries as non-current assets. The carrying amount of these borrowings approximated to their respective fair values as at 31 December 2008, the effective interest rates dominated are similar to the market interest rate.

Notes to the Consolidated Financial Statements

9 Investment in and loans to subsidiaries — Company *(Continued)*

(a) Investments in subsidiaries *(Continued)*

The following is a list of the principal subsidiaries at 31 December 2008:

Name	Place of Incorporation	Registered capital	Interest held		Principal activities
			Directly	Indirectly	
Shenzhen Tsingtao Brewery Huanan Holding Company Limited (“Huanan Holding Company”) <i>(e)(iii)</i>	Shenzhen, the PRC	RMB200,000,000	100%	—	Investment holding
Tsingtao Brewery (Zhuhai) Company Limited	Zhuhai, the PRC	RMB60,000,000	—	78.65%	Manufacture and domestic trading of beer
Tsingtao Brewery (Sanshui) Company Limited	Sanshui, the PRC	RMB41,335,505	—	75%	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 Company”) <i>(e)(iii)</i>	Huangshi, the PRC	RMB5,000,000	5%	95%	Manufacture and domestic trading of beer
Tsingtao Brewery (Yingcheng) Company Limited (“Yingcheng Company”) <i>(e)(iii)</i>	Yingcheng, the PRC	RMB5,000,000	5%	95%	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”) <i>(e)(iii)</i>	Shenzhen, the PRC	RMB20,000,000	100%	—	Domestic trading of beer
Tsingtao Brewery (Nanning) Company Limited (“Nanning Company”)	Nanning, the PRC	RMB730,000,000	—	75%	Manufacture and domestic trading of beer
Tsingtao Brewery (Changsha) Company Limited (“Changsha Company”)	Changsha, the PRC	RMB68,000,000	70%	30%	Manufacture and domestic trading of beer
Tsingtao Brewery Huadong Holding Company Limited (“Huadong Holding Company”) <i>(e)(iii)</i>	Shanghai, the PRC	RMB100,000,000	100%	—	Investment holding
Tsingtao Brewery Huadong Shanghai Sales Company Limited (“Shanghai Sales Company”) <i>(c)(i)</i>	Shanghai, the PRC	RMB50,300,000	94.04%	5.96%	Domestic trading of beer
Tsingtao Brewery Huadong Nanjing Sales Company Limited	Nanjing, the PRC	RMB1,000,000	—	99.93%	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 (Shanghai) Company Limited ("Shanghai Company") <i>(e)(iii)</i>	Shanghai, the PRC	RMB50,000,000	5%	95%	Manufacture and domestic trading of beer
Tsingtao Brewery (Wuhu) Company Limited ("Wuhu Company") <i>(c)(i), (e)(iii)</i>	Wuhu, the PRC	RMB114,290,000	84.25%	15.75%	Manufacture and domestic trading of beer
Tsingtao Brewery (Maanshan) Company Limited ("Maanshan Company") <i>(c)(i)</i>	Maanshan, the PRC	RMB85,000,000	94.12%	5.64%	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 Huadong Hangzhou Sales Company Limited ("Hangzhou Sales Company") <i>(g)</i>	Hangzhou, the PRC	RMB1,000,000	—	100%	Domestic trading of beer
Tsingtao Brewery (Shouguang) Company Limited	Shouguang, the PRC	RMB60,606,060	99%	—	Manufacture and domestic trading of beer
Tsingtao Brewery (Weifang) Company Limited ("Weifang Company") <i>(c)(i), (d), (e)(iii)</i>	Weifang, the PRC	RMB75,000,000	100%	—	Manufacture and domestic trading of beer
Tsingtao Brewery No. 3 Company Limited ("No. 3 Company") <i>(c)(ii)</i>	Pingdu, the PRC	RMB230,000,000	99.78%	0.22%	Manufacture and domestic trading of beer
Tsingtao Brewery (Xuzhou) Huaihai Sales Company Limited ("Huaihai Sales Company")	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 Company") <i>(c)(ii), (e)(ii)</i>	Pengcheng, the PRC	RMB245,000,000	98.16%	1.84%	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 Company") <i>(c)(i), (e)(iii)</i>	Tengzhou, the PRC	RMB61,020,000	76.65%	23.35%	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 (Heze) Company Limited ("Heze Company") (c)(i), (e)(iii)	Heze, the PRC	RMB130,000,000	93.08%	6.92%	Manufacture and domestic trading of beer
Tsingtao Brewery (Suqian) Company Limited ("Suqian Company") (c)(i), (e)(iii)	Suqian, the PRC	RMB25,000,000	62%	38%	Manufacture and domestic trading of beer
Tsingtao Brewery (Taierzhuang) Malt Company Limited	Taierzhuang, the PRC	RMB5,000,000	—	90.20%	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
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 Company") (e)(iii)	Langfang, the PRC	RMB20,000,000	5%	95%	Manufacture and domestic trading of beer
Tsingtao Brewery Xi'an Han's Group Company Limited ("Xi'an Company") (e)(i)	Xi'an, the PRC	RMB287,900,000	100%	—	Manufacture and domestic trading of beer
Tsingtao Brewery Weinan Company Limited	Weinan, the PRC	RMB50,000,000	28%	72%	Manufacture and domestic trading of beer
Tsingtao Brewery (Gansu) Nongken Company Limited ("Gansu Nongken Company")	Lanzhou, the PRC	RMB174,420,800	—	55.06%	Manufacture and domestic trading of beer
Tsingtao Brewery Wuwei Company Limited	Lanzhou, the PRC	RMB36,100,000	—	54.91%	Manufacture and domestic trading of beer
Tsingtao Brewery Hansi Baoji Company Limited	Baoji, the PRC	RMB30,000,000	—	100%	Manufacture and domestic trading of beer
Tsingtao Brewery (Anshan) Company Limited	Anshan, the PRC	RMB50,000,000	60%	—	Manufacture and domestic trading of beer
Tsingtao Brewery (Xingkaihu) Company Limited ("Xingkaihu Company") (c)(i), (e)(iii)	Jixi, the PRC	RMB130,000,000	100%	—	Manufacture and domestic trading of beer
Tsingtao Brewery (Mishan) Company Limited ("Mishan Company") (c)(i), (e)(iii)	Mishan, the PRC	RMB23,400,000	100%	—	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 (Haerbin) Company Limited ("Haerbin Company") (c)(i), (e)(iii)	Haerbin, the PRC	RMB52,000,000	100%	—	Manufacture and domestic trading of beer
Tsingtao Brewery (Penglai) Company Limited	Penglai, the PRC	RMB37,500,000	80%	—	Manufacture and domestic trading of beer
Tsingtao Brewery (Rongcheng) Company Limited	Rongcheng, the PRC	RMB20,000,000	70%	—	Manufacture and domestic trading of beer
Tsingtao Brewery Import/Export Company Limited ("Import/Export Company") (e)(iii)	Qingdao, the PRC	RMB11,000,000	100%	—	Import/Export trading of beer
Tsingtao Brewery (No. 5) Company Limited ("No. 5 Company") (e)(iii)	Qingdao, the PRC	RMB34,610,000	100%	—	Manufacture and domestic trading of beer
Tsingtao Brewery Kai Fa Company Limited ("KaiFa Company") (g)	Qingdao, the PRC	RMB1,320,000	100%	—	Domestic trading of beer
Tsingtao Brewery (Pingyuan) Company Limited ("Pingyuan Company") (c)(i), (d), (e)(iii)	Pingyuan, the PRC	RMB25,000,000	100%	—	Manufacture and domestic trading of beer
Tsingtao Brewery (Rizhao) Company Limited ("Rizhao Company") (c)(ii), (d), (e)(ii)	Rizhao, the PRC	RMB290,000,000	100%	—	Manufacture and domestic trading of beer
Chengdu Tsingtao Brewery Xinan Sales Company Limited	Chengdu, the PRC	RMB100,000,000	95%	5%	Domestic trading of beer
Tsingtao Brewery (Chongqing) Company Limited ("Chongqing Company") (c)(i), (e)(iii)	Chongqing, the PRC	RMB60,000,000	88.92%	11.08%	Manufacture and domestic trading of beer
Tsingtao Brewery (Luzhou) Company limited	Luzhou, the PRC	RMB111,110,000	—	95%	Manufacture and domestic trading of beer
Tsingtao Brewery (Taizhou) Company Limited ("Taizhou Company") (c)(i), (e)(iii)	Taizhou, the PRC	RMB70,000,000	86.43%	13.57%	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
Tsingtao Brewery (Hanzhong) Company Limited	Hanzhong, the PRC	RMB29,410,000	—	66%	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 Beifang Sales Company Limited ("Beifang Sales Company") (c)(i), (e)(iii)	Beijing, the PRC	RMB89,980,000	95%	5%	Domestic trading of beer
Haerbin Northeast Tsingtao Brewery Sales Company Limited(" Northeast Sales Company")(g)	Haerbin, the PRC	RMB10,000,000	85%	15%	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 (Suizhou) Company Limited	Suizhou, the PRC	RMB24,000,000	—	90%	Manufacture and domestic trading of beer
Tsingtao Xianghong Shangwu Company Limited ("Xianghong Shangwu") (e)(iii)	Qingdao, the PRC	RMB6,000,000	100%	—	Car rental services
Tsingtao Brewery Chenzhou Sales Company Limited	Chenzhou, the PRC	RMB1,000,000	—	99.44%	Domestic trading of beer
Tsingtao Brewery (Xiamen) Company Limited ("Xiamen Company")	Xiamen, the PRC	RMB90,000,000	—	100%	Manufacture and Domestic trading of beer
Xiamen Tsingtao Brewery Dongnan Sales Company Limited ("Dongnan Sales Company") (c)(i)	Xiamen, the PRC	RMB215,000,000	97.44%	2.56%	Domestic trading of beer
Tsingtao Brewery (Fuzhou) Company Limited ("Fuzhou Company")	Fuzhou, the PRC	US\$26,828,100	—	100%	Manufacture and domestic trading of beer
Tsingtao Brewery (Zhangzhou) Company Limited ("Zhangzhou Company") (c)(iii)	Zhangzhou, the PRC	RMB100,000,000	—	90%	Manufacture and domestic trading of beer
Tsingtao Brewery (Jinan) Company Limited ("Jinan Company") (c)(ii)	Jinan, the PRC	RMB560,000,000	100%	—	Manufacture and domestic trading of beer
Tsingtao Brewery (Chengdu) Company Limited ("Chengdu Company")(c)(ii)	Chengdu, the PRC	RMB200,000,000	100%	—	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	
Qingdao Guangrunlong Logistics Company Limited	Qingdao, the PRC	RMB6,620,000	100%	—	Logistics services and management
Tsingtao Brewery Yulin Company Limited ("Yulin Company")	Yulin, the PRC	RMB55,000,000	—	100%	Manufacture and domestic trading of beer
Tsingtao Brewery Haifeng Warehouse Company Limited	Qingdao, the PRC	RMB10,000,000	—	55%	Warehousing, packaging and logistics
Tsingtao Brewery (Yangzhou) Company Limited ("Yangzhou Company") (f)	Yangzhou, the PRC	RMB5,000,000	20%	—	Manufacture and Domestic trading of beer
Maanshan Zhongshan Recycle Bottle and Box Company Limited	Maanshan, the PRC	RMB300,000	—	99.76%	Recycling of waste brewery package
Tengzhou Tianfa Waste Bottle Recycling Company Limited	Tengzhou, the PRC	RMB300,000	—	98.50%	Recycling of waste brewery package
Xuzhou Peixian Xinglong Waste Bottle Recycling Company Limited	Xuzhou, the PRC	RMB600,000	—	69.17%	Recycling of waste brewery package
Yangzhou Zhongdan Brewery Materials Recycling Company Limited	Yangzhou, the PRC	RMB1,000,000	—	35.95%	Recycling of waste brewery package
Penglai Waste Bottle Recycling Station	Penglai, the PRC	RMB520,000	—	80%	Recycling of waste brewery package
Tsingtao Brewery Cultural Communication Company Limited ("Cultural Communication Company")	Qingdao, the PRC	RMB3,500,000	100%	—	Pre-packaged food, accommodation and design
Tsingtao Brewery International Travel Agency Company Limited	Qingdao, the PRC	RMB1,580,000	—	100%	Inbound and domestic travel service
Xi'an Fengyuan Materials Recycling Company Limited ("Xi'an Fengyuan Company") (g)	Xi'an, the PRC	RMB500,000	—	95%	Daily waste materials recycling
Tsingtao Brewery Construction Company Limited ("Construction Company") (b)(i)	Qingdao, the PRC	RMB13,142,200	100%	—	Indoor decoration industrial equipment fixing

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 Business and Trade Company Limited ("Business and Trade Company") <i>(b)(ii)</i>	Qingdao, the PRC	RMB2,000,000	—	51%	Pre-packaged food
Xi'an Jufeng Materials Recycling Company Limited <i>(b)(iii)</i>	Xi'an, the PRC	RMB500,000	—	90%	Recycling Resource and saling

(b) New subsidiaries established during the year

- i. In December 2007, the Company acquired 100% equity interests of Construction Company from Tsingtao Brewery Group Company ("TB Group Company") at a consideration of RMB2,490,000, paid by cash. The relevant legal procedures were completed in March 2008.
- ii. In December 2008, Business and Trade Company was established by Cultural Communication Company joint with an independent third party with a registered capital of RMB2,000,000, of which Cultural Communication Company holds 51%. The relevant legal procedures were completed in December 2008.
- iii. In June 2008, Xi'an Jufeng Materials Recycling Company Limited was established by Xi'an Company joint with an independent third party with a registered capital of RMB500,000, of which Xi'an Company holds 90% interest. The relevant legal procedures were completed in June 2008.

Notes to the Consolidated Financial Statements

9 Investment in and loans to subsidiaries — Company *(Continued)*

(c) Increase in registered capital of subsidiaries

- i. In accordance with the Board Resolutions approved in June 2008, the Company converted its loans to 15 subsidiaries into equity investments with a total amount of RMB 914,010,000 listed below. The relevant legal procedures were completed in November and December 2008.

Name of subsidiaries	RMB'000
Heze Company	120,000
Xingkaihu Company	110,000
Dongnan Sales Company	105,000
Wuhu Company	94,290
Maanshan Company	80,000
Weifang Company	70,000
Taizhou Company	60,000
Beifang Sales Company	60,000
Chongqing Company	53,000
Shanghai Sales Company	47,300
Tengzhou Company	46,020
Haerbin Company	30,000
Pingyuan Company	20,000
Suqian Company	15,000
Mishan Company	3,400
Total	914,010

- ii. In May 2008, the Company contributed additional capitals of RMB360,000,000 in cash to Jinan Company, RMB220,000,000 in cash to No.3 Company, RMB240,000,000 in cash to Pengcheng Company, RMB50,000,000 in cash to Chengdu Company and RMB280,000,000 in cash to Rizhao Company during the year. All these subsidiaries are wholly owned by the Company.
- iii. In November 2008, Dongnan Sales Company contributed additional capital of RMB55,008,000 in cash to Zhangzhou Company.

(d) Inter-group transfer for equity interest in subsidiaries

In June 2008, the Company entered into an agreement with one of its subsidiaries, Tsingtao Brewery Luzhong (Rizhao) Sales Company Limited to buy 95% of equity interest for Rizhao Company, 70% of equity interest for Weifang Company and 90% of equity interest for Pingyuan Company at considerations of RMB 51,499,300, RMB1 and RMB1 respectively. The relevant legal procedures were completed in July 2008.

Notes to the Consolidated Financial Statements

9 Investment in and loans to subsidiaries — Company *(Continued)*

(e) Acquisition of minority interests of subsidiaries

- i. In December 2007, the Company signed a conditional agreement with Xi'an 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 procedures were completed on 25 January 2008 and Xi'an Company became a wholly owned subsidiary of the Company thereafter.
- ii. In February 2008, the Company entered into an agreement with TB Group Company to buy 10% of equity interest for Pengcheng Company and 5% of equity interest for Rizhao Company at considerations of RMB10,370,000 and RMB7,740,000 respectively. The relevant legal procedures were completed in February 2008.
- iii. In May 2008, the Company entered into an agreement with TB Group Company to acquire minority equity interests of its 22 subsidiaries at a consideration of RMB76,940,000 with the details listed below.

Name of subsidiaries	Minority interest acquired	Considerations RMB'000
Huanan Sales Company	5%	26,070
Huanan Holding Company	5%	18,790
No.5 Company	6.21%	11,250
Heze Company	10%	4,590
Weifang Company	30%	3,620
Tengzhou Company	5%	2,290
Suqian Company	5%	2,040
Huadong Holding Company	5%	1,820
Pingyuan Company	10%	1,730
Shanghai Company	5%	1,570
Mishan Company	5%	1,520
Haerbin Company	5%	1,040
Import/Export Company	2.27%	460
Langfang Company	5%	90
Xianghong Shangwu	5%	60
Beifang Sales Company	5%	—
Huangshi Company	5%	—
Yingcheng Company	5%	—
Xingkaihu Company	5%	—
Chongqing Company	5%	—
Wuhu Company	10%	—
Taizhou Company	5%	—
Total		76,940

The differences between the consideration paid and the relevant shares acquired of the carrying value of net assets of the subsidiaries are deducted from equity.

Notes to the Consolidated Financial Statements

9 Investment in and loans to subsidiaries — Company *(Continued)*

- (f) 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.

(g) **Subsidiaries liquidated/put under liquidation**

During the year, Hangzhou Sales Company, Northeast Sales Company, Xi'an Fengyuan Company and KaiFa Company were put into voluntary liquidation, and as at 31 December 2008, the procedures had not yet been completed. The relevant losses had been recognised in the consolidated income statement in 2008.

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 RMB69,458,000, RMB60,000,000, RMB55,000,000, RMB47,300,000 and RMB36,296,000, with a total of RMB 268,054,000 of impairment provisions for the investment in subsidiaries were recognised for Three Ring Company, Beifang Sales Company, Huaihai Sales Company, Shanghai Sales Company and other subsidiaries 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 2008, all the subsidiaries owned by the Company are limited liability companies.

10 Interests in jointly controlled entity and associates — Group

(a) **Interests in jointly controlled entity**

	2008 RMB'000	2007 RMB'000
Unlisted investments, at cost	577	—
Share of results of jointly controlled entity	(577)	—
	—	—

Notes to the Consolidated Financial Statements

10 Interests in jointly controlled entity and associates — Group *(Continued)*

(a) Interests in jointly controlled entity *(Continued)*

As at 31 December 2008, particulars of the jointly controlled entity of the Group are as follows:

Name of jointly controlled entity	Country of incorporation	Registered Capital	Equity Interests held by the Group		Principal Activities
			directly	indirectly	
Tsingtao Brewery Equipment Manufacture Company Limited (“Equipment Manufacture”)	PRC	USD350,000	—	50%	Beer equipment manufacture

There are no contingent liabilities relating to the Group’s interest in the jointly controlled entity, and no contingent liabilities of the venture itself.

(b) Interests in associates

	2008 RMB’000	2007 RMB’000
Unlisted investments, at cost	53,227	52,650
Share of results of associates	(21,530)	(21,768)
Dividends received	(3,000)	(3,000)
	<u>28,697</u>	<u>27,882</u>

In the opinion of the directors, as at 31 December 2008, the underlying values of the associates were not less than the carrying amounts of these investments.

As at 31 December 2008, particulars of the principal associates of the Group are as follows:

Name of associates	Country of incorporation	Registered Capital	Equity Interests held by the Group		Principal Activities
			directly	indirectly	
Liaoning Shenqing Tsingtao Brewery Company Limited (“Liaoning Shenqing”)	PRC	RMB2,000,000	30%	—	Domestic trading of beer
Tsingtao Beer and Asahi Beverages Company Limited (“Asahi Beverage”)	PRC	RMB110,000,000	—	40%	Manufacture and domestic trading of tea beverages
Tsingtao Brewery Import Export S.A.R.L.	France	Euro152,449	—	40%	Import and export sales of beers
Qingdao Zhaoshang Logistics Company Limited (“Zhaoshang Logistics”)	PRC	RMB20,000,000	30%	—	Logistics services and management

Notes to the Consolidated Financial Statements

10 Interests in jointly controlled entity and associates — Group *(Continued)*

(b) Interests in associates *(Continued)*

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

Name of associates	As at 31 December	Total assets <i>RMB'000</i>	Total liabilities <i>RMB'000</i>	Revenue <i>RMB'000</i>	Share of Profit/ (loss) <i>RMB'000</i>
Liaoning Shenqing	2008	18,097	10,280	320,329	870
	2007	13,218	8,299	205,342	492
Asahi Beverage	2008	83,823	58,173	36,868	(4,124)
	2007	89,215	53,254	36,906	(3,751)
Tsingtao Brewery Import Export S.A.R.L	2008	26,861	23,770	67,405	66
	2007	35,337	32,107	93,404	339
Zhaoshang Logistics	2008	73,574	26,600	87,210	4,386
	2007	47,084	14,777	77,981	3,513

11 Financial instruments by category — Group and Company

	Group		Company	
	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Assets as per balance sheets				
Available-for-sale financial assets <i>(Note 13)</i>	10,085	20,223	7,055	12,195
Derivative financial instruments <i>(Note 22)</i>	1,763	—	1,763	—
Trade and other receivables excluding prepayments <i>(Note 15 and 16)</i>	219,833	308,459	102,850	177,872
Cash and cash equivalents <i>(Note 17)</i>	2,381,044	1,314,643	1,408,380	689,459
Total	2,612,725	1,643,325	1,520,048	879,526
Liabilities as per balance sheets				
Borrowings excluding finance lease liabilities <i>(Note 21)</i>	1,569,990	1,072,166	1,409,698	545,230
Finance lease liabilities <i>(Note 21)</i>	7,026	8,291	—	—
Derivative financial instruments <i>(Note 22)</i>	—	22,801	—	22,801
Trade and other payables <i>(Note 25 and 27)</i>	3,611,167	3,253,100	1,068,298	761,620
Total	5,188,183	4,356,358	2,477,996	1,329,651

Notes to the Consolidated Financial Statements

12 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference 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 customers. Only certain long-term overseas distributors with good credit history and certain domestic distributors are granted credit terms ranging from three to six months.

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

	Group		Company	
	2008	2007	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash on hand	741	1,023	185	236
State-owned banks in the PRC	1,281,327	890,079	884,882	598,228
Listed commercial banks in the PRC	852,933	301,286	392,324	68,226
Foreign invested banks	1,790	2,181	—	—
Other domestic banks in the PRC	244,253	120,074	130,989	22,769
	<u>2,381,044</u>	<u>1,314,643</u>	<u>1,408,380</u>	<u>689,459</u>

All banks deposits are with respectable banks. None of the bank deposits is considered as exposure to major credit risk.

13 Available-for-sale financial assets — Group and Company

	Group		Company	
	2008	2007	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balances as at year beginning	20,223	—	12,195	16,504
Additions	—	6,601	—	—
Fair value (loss)/gain charged/credited to equity	(10,138)	13,622	(5,140)	(4,309)
Balances as at year end	<u>10,085</u>	<u>20,223</u>	<u>7,055</u>	<u>12,195</u>
Including:				
Listed securities				
— Equity securities — PRC	<u>4,416</u>	<u>14,554</u>	<u>2,370</u>	<u>7,810</u>

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

Notes to the Consolidated Financial Statements

14 Inventories

	Group		Company	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials, packaging materials and auxiliary materials	2,210,611	1,796,609	499,166	299,956
Work-in-progress	279,098	233,496	54,548	44,004
Finished goods	266,628	157,149	89,984	67,102
Inventories, net	2,756,337	2,187,254	643,698	411,062

The cost of inventories recognised as expense and included in cost of goods sold amounted to approximately RMB7,530,045,000 (2007: RMB6,244,784,000).

The write-back inventory provision was 0.01% of the inventory balance as of 31 December 2008.

15 Trade receivables and bills receivables

(a) Trade receivables — Group

	As at 31 December	
	2008	2007
	RMB'000	RMB'000
Amounts due from associates (<i>Notes 40(b)</i>)	45,320	45,518
Receivables due from distributors	285,539	283,534
	330,859	329,052
Less: provision for impairment of receivables	(249,406)	(234,853)
	81,453	94,199

Notes to the Consolidated Financial Statements

15 Trade receivables and bills receivables (Continued)

(a) Trade receivables — Group (Continued)

At 31 December 2008 and 2007, the aging analysis of trade receivables were as follows:

	31 December 2008			31 December 2007		
	Amount	Provision for impairment of receivable	Balance after provision	Amount	Provision for impairment of receivable	Balance after provision
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Less than 1 year	80,843	(835)	80,008	91,382	(443)	90,939
1 to less than 2 years	681	(209)	472	3,835	(987)	2,848
2 to less than 3 years	3,828	(3,828)	—	3,302	(3,156)	146
Over 3 years	245,507	(244,534)	973	230,533	(230,267)	266
Total	330,859	(249,406)	81,453	329,052	(234,853)	94,199

(b) Trade receivables — Company

	As at 31 December	
	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Trade receivables — third parties	64,596	64,442
Receivables from related parties (<i>Note 40(b)</i>)	45,320	41,659
	109,916	106,101
Less: provision for impairment	(77,322)	(61,984)
	32,594	44,117

Notes to the Consolidated Financial Statements

15 Trade receivables and bills receivables *(Continued)*

(b) Trade receivables — Company *(Continued)*

At 31 December 2008 and 2007, the aging analysis of trade receivables were as follows:

	31 December 2008			31 December 2007		
	Amount RMB'000	Provision for impairment of receivable RMB'000	Balance after provision RMB'000	Amount RMB'000	Provision for impairment of receivable RMB'000	Balance after provision RMB'000
Less than 1 year	32,594	(5)	32,589	43,631	(14)	43,617
1 to less than 2 years	352	(347)	5	—	—	—
2 to less than 3 years	—	—	—	—	—	—
Over 3 years	76,970	(76,970)	—	62,470	(61,970)	500
Total	109,916	(77,322)	32,594	106,101	(61,984)	44,117

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 receivables balances since the Group has a large number of customers which are nationally dispersed.

The net book value of accounts receivables approximated to its fair value as at 31 December 2008.

The Group makes specific impairment provision against its doubtful trade receivables 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 less than six months past due are not considered as impaired. As of 31 December 2008, trade receivables of RMB78,855,000 (2007: RMB87,810,000) were past due within a period of 6 months. These relate to a number of independent customers for whom there is no recent history of default.

Notes to the Consolidated Financial Statements

15 Trade receivables and bills receivables (Continued)

As of 31 December 2008, trade receivables of RMB251,477,000(2007: RMB241,242,000) were impaired. The amount of the provision was RMB249,406,000 as of 31 December 2008(2007: RMB234,853,000). The individually impaired receivables mainly relate to distributors who are in 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:

	2008 RMB'000	2007 RMB'000
Up to 6 months	31	298
6 months to less than 1 year	1,430	3,274
1 year to less than 2 year	681	3,835
2 years to less than 3 year	3,828	3,302
Over 3 years	245,507	230,533
Total	251,477	241,242

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

	2008 RMB'000	2007 RMB'000
At 1 January	234,853	238,342
Provision for receivable impairment	15,060	4,869
Receivables written off during the year as uncollectible	(507)	(8,358)
At 31 December	249,406	234,853

The creations 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 Trade receivables and bills receivables *(Continued)*

(c) Bill receivable — Group and Company

As of 31 December 2008, the aging of the bill receivables is all within 6 months.

16 Deposits, prepayment and other receivables

(a) Group

	As at 31 December	
	2008 RMB'000	2007 RMB'000
Other receivables — third parties	211,825	278,026
Receivables from related parties	2,187	11,275
	214,012	289,301
Deposits, prepayment — third parties	221,284	862,482
Deposits, prepayment from related parties	4,173	—
	439,469	1,151,783
Less: provision for impairment	(75,632)	(75,041)
	363,837	1,076,742

At 31 December 2008 and 2007, the aging analysis of deposits, prepayment and other receivables were as follows:

	31 December 2008			31 December 2007		
	Amount RMB'000	Provision For impairment of receivable RMB'000	Balance after provision RMB'000	Amount RMB'000	Provision For impairment of receivable RMB'000	Balance after provision RMB'000
Less than 1 year	325,825	(749)	325,076	1,054,388	(418)	1,053,970
1 to less than 2 years	25,470	(993)	24,477	13,772	(2,328)	11,444
2 to less than 3 years	4,686	(1,978)	2,708	13,099	(7,341)	5,758
Over 3 years	83,488	(71,912)	11,576	70,524	(64,954)	5,570
Total	439,469	(75,632)	363,837	1,151,783	(75,041)	1,076,742

Notes to the Consolidated Financial Statements

16 Deposits, prepayment and other receivables *(Continued)*

(a) Group *(Continued)*

At 31 December 2008 and 2007, deposits, prepayment and other receivables represent the followings:

	As at 31 December	
	2008 RMB'000	2007 RMB'000
Prepayment for purchase of raw materials	225,456	774,359
Prepayment for purchase of equity interests held by a minority owner in a subsidiary	—	88,123
Prepayment of land use rights	17,992	46,129
Guarantee deposits	24,635	41,420
Others	171,386	201,752
	439,469	1,151,783
Less: provision for impairment	(75,632)	(75,041)
	363,837	1,076,742

(b) Company

	As at 31 December	
	2008 RMB'000	2007 RMB'000
Other receivables — third parties	96,730	161,989
Deposits, prepayment — third parties	9,941	159,505
	106,671	321,494
Less: provision for impairment	(26,474)	(28,234)
	80,197	293,260

Notes to the Consolidated Financial Statements

16 Deposits, prepayment and other receivables (Continued)

(b) Company (Continued)

At 31 December 2008 and 2007, the aging analysis of deposits, prepayment and other receivables were as follows:

	Amount RMB'000	Provision For impairment of receivable RMB'000	Balance after provision RMB'000	Amount RMB'000	Provision For impairment of receivable RMB'000	Balance after provision RMB'000
Less than 1 year	36,861	—	36,861	209,894	(32)	209,862
1 to less than 2 years	2,650	—	2,650	80,709	(111)	80,598
2 to less than 3 years	40,585	(100)	40,485	1,110	(505)	605
Over 3 years	26,575	(26,374)	201	29,781	(27,586)	2,195
Total	106,671	(26,474)	80,197	321,494	(28,234)	293,260

17 Cash and cash equivalents — Group and Company

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Cash at bank and on hand	2,380,044	1,284,643	1,408,380	689,459
Short-term bank deposits	1,000	30,000	—	—
	2,381,044	1,314,643	1,408,380	689,459

18 Income tax recoverable — Group and Company

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Income tax recoverable	55,276	—	45,979	—

As at 31 December 2008, the balance of Income tax recoverable represents the current tax assets of the Group that could not be offset against current tax liabilities for the entities do not have legally enforceable right to make a single net payment.

Notes to the Consolidated Financial Statements

19 Share capital — Group and Company

As at 31 December 2008, the authorised registered share capital of the Company was RMB1,308,219,178 (as at 31 December 2007: RMB1,308,219,178) of RMB1 each.

	31 December 2008		31 December 2007	
	<i>RMB'000</i>	<i>Number of shares ('000)</i>	<i>RMB'000</i>	<i>Number of shares ('000)</i>
PRC public shares subject to restriction	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") (Note 41(a))	655,069	655,069	655,069	655,069
	1,308,219	1,308,219	1,308,219	1,308,219

As at 31 December 2008, all issued share capital had been fully paid up.

Notes to the Consolidated Financial Statements

20 Other reserves

(a) Group

	Share premium RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000 (note a)	Cumulative translation adjustments RMB'000	Total RMB'000
Balance at 1 January 2007, as previous reported	3,058,231	65,753	669,637	3,005	3,796,626
Opening adjustments for the accounting policy change	—	—	(236,203)	—	(236,203)
Balance at 1 January 2007, as restated	3,058,231	65,753	433,434	3,005	3,560,423
Profit appropriation to surplus reserve (note a)	—	—	61,785	—	61,785
Fair value gain on of available-for-sale financial assets	—	13,007	—	—	13,007
Deferred income tax liabilities for available-for-sale financial assets	—	(3,252)	—	—	(3,252)
Translation difference	—	—	—	898	898
Balance at 31 December 2007	3,058,231	75,508	495,219	3,903	3,632,861
Profit appropriation to surplus reserve (note a)	—	—	40,889	—	40,889
Fair value loss on available-for-sale financial assets	—	(9,794)	—	—	(9,794)
Deferred income tax liabilities for available-for-sale financial assets	—	2,449	—	—	2,449
Equity component of convertible bonds, net of transaction costs (note c)	—	380,490	—	—	380,490
Deferred tax arising on initially stating the convertible bonds at fair value (note 23 (ii))	—	(97,426)	—	—	(97,426)
Acquisition of minority interests in subsidiaries	—	(115,442)	—	—	(115,442)
Translation difference	—	—	—	156	156
Others	—	874	—	—	874
Balance at 31 December 2008	3,058,231	236,659	536,108	4,059	3,835,057

Notes to the Consolidated Financial Statements

20 Other reserves (Continued)

(b) Company

	Share premium RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000 (note a)	Total RMB'000
Balance at 1 January 2007	3,058,231	50,283	433,074	3,541,588
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	3,609,216
Profit appropriation to surplus reserve	—	—	40,889	40,889
Fair value loss on available-for-sale financial assets	—	(5,440)	—	(5,440)
Deferred income tax liabilities for available- for-sale financial assets	—	1,360	—	1,360
Equity component of convertible bonds, net of transaction costs (note c)	—	380,490	—	380,490
Deferred tax arising on initially stating the convertible bonds at fair value (note 23(ii))	—	(97,426)	—	(97,426)
Balance at 31 December 2008	3,058,231	334,750	536,108	3,929,089

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). These reserves are not distributable as cash dividends.

(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.

Notes to the Consolidated Financial Statements

20 Other reserves (Continued)

- (c) The equity component of convertible bonds, net of transaction costs is as follows:

	<i>RMB'000</i>
Equity component of convertible bonds (Notes 21)	389,702
Less: transaction costs	(9,212)
	<u>380,490</u>

21 Borrowings — Group and Company

	Group		Company	
	2008	2007	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current				
Bank borrowings (a)	15,868	90,854	—	—
Convertible bond (b)	1,137,179	—	1,137,179	—
Finance lease liabilities (c)	4,461	5,726	—	—
	<u>1,157,508</u>	<u>96,580</u>	<u>1,137,179</u>	<u>—</u>
Current				
Bank borrowings (a)	416,943	981,312	272,519	545,230
Finance lease liabilities (c)	2,565	2,565	—	—
	<u>419,508</u>	<u>983,877</u>	<u>272,519</u>	<u>545,230</u>
Total borrowings	<u>1,577,016</u>	<u>1,080,457</u>	<u>1,409,698</u>	<u>545,230</u>

Notes to the Consolidated Financial Statements

21 Borrowings — Group and Company (Continued)

(a) Bank borrowings

At 31 December 2008, the Group's borrowings were repayable as follows:

	Group					
	31 December 2008			31 December 2007		
	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	414,907	2,036	416,943	971,096	10,216	981,312
— Between 1 and 5 years	—	7,899	7,899	—	80,076	80,076
— Over 5 years	—	7,969	7,969	—	10,778	10,778
	414,907	17,904	432,811	971,096	101,070	1,072,166
Less: Portion due within 1 year	(414,907)	(2,036)	(416,943)	(971,096)	(10,216)	(981,312)
Long-term portion	—	15,868	15,868	—	90,854	90,854
			Company			
			2008		2007	
			RMB'000		RMB'000	
Bank loans, repayable within 1 year			272,519		545,230	

The effective interest rates at the balance sheet date were as follows:

	2008			2007		
	RMB	HK\$	US\$	RMB	HK\$	US\$
Bank borrowings — Group	5.28%	3.89%	6.12%	3.35%	5.02%	6.10%
Bank borrowings — Company	6.11%	—	6.12%	5.99%	—	5.98%

As at 31 December 2008, loans of the Group amounting to approximately RMB6,464,000 (2007: RMB7,787,000) and RMB11,440,000 (2007: RMB14,284,000) were guaranteed by the Beijing Development and Reform Committee and the Beijing Branch of Bank of China, respectively.

Notes to the Consolidated Financial Statements

21 Borrowings — Group and Company (Continued)

(a) Bank borrowings (Continued)

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

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	239,800	623,977	170,000	180,000
Hong Kong dollars	72,588	60,888	—	—
US dollars	102,519	365,230	102,519	365,230
Euros	11,440	14,284	—	—
Danish Krone	6,464	7,787	—	—
	432,811	1,072,166	272,519	545,230

As at 31 December 2008, the Group had aggregate unutilised short term loan facilities of approximately RMB700,000,000 (2007: RMB1,400,000,000). All are expiring within a year with floating interest rates to be charged on the amount to be drawn down.

(b) Convertible bond

The Company issued 15,000,000 units of 0.8% coupon convertible bonds with attached warrants subscription rights at a par value of RMB1,500,000,000 on 2 April 2008. The bonds will mature 6 years from the issue date at their nominal value of RMB1,500,000,000 with the interest paid once a year. The holders of the bonds have warrants subscription rights to subscribe newly issued A shares of the Company at the rate of 7 shares per bond. The values of the liability component and the equity conversion option embedded in the bond offer were determined at the date of issuance of the bonds.

The fair value of the liability component, included in non-current borrowings, was calculated using a market interest rate for a non-convertible bond in the market with equivalent terms. The residual amount, representing the carrying value of the bonds after deduction of the fair value of the liability component, represents fair value of the equity conversion option, is included in shareholders' equity under other reserves (Note 20), net of income tax effects.

The convertible bond recognised in the balance sheet is calculated as follows:

	RMB'000
Face value of the convertible bond issued on 2 April 2008	1,500,000
Equity component (note 20(c))	(389,702)
Transaction costs attributable to liability component	(26,245)
Liability component on initial recognition at 2 April 2008	1,084,053
Interest expenses	53,126
Interest paid	—
Liability component at 31 December 2008	1,137,179

The fair value of the liability component of the convertible bond at 31 December 2008 amounted to approximately RMB1,137,179,000. The fair value is calculated using cash flow discounted at the rate of 6.1%.

Notes to the Consolidated Financial Statements

21 Borrowings — Group and Company (Continued)

(c) Finance lease liabilities

	As at 31 December	
	2008 RMB'000	2007 RMB'000
Less than 1 year	2,565	2,565
1 to less than 2 years	2,565	2,565
2 to less than 3 years	2,565	2,565
Over 3 years	640	3,205
	8,335	10,900
Less: Portion due within 1 year	(2,565)	(2,565)
Finance lease liabilities	5,770	8,335
Less: Unearned finance income	(1,309)	(2,609)
	4,461	5,726

22 Derivative financial instruments — Group and Company

	As at 31 December 2008		As at 31 December 2007	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Forward foreign exchange contracts	1,763	—	—	22,801

According to the accounting policy as described in Note 2.9, these derivative instruments were remeasured at their fair value as at 31 December 2008. The revaluation loss of these contracts held at year end which remained at open position was approximately RMB24,563,000 and it had been charged to the consolidated income statement.

Notes to the Consolidated Financial Statements

23 Deferred income tax — Group and Company

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxed levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets:				
— Deferred tax assets to be recovered after more than 12 months	—	14,493	—	327
— Deferred tax assets to be recovered within 12 months	94,930	160,290	11,796	120,098
	94,930	174,783	11,796	120,425
Deferred tax liabilities:				
— Deferred tax liabilities to be recovered after more than 12 months	12,289	16,174	—	1,828
— Deferred tax assets to be recovered within 12 months	828	861	—	—
	13,117	17,035	—	1,828
Deferred tax assets (net)	81,813	157,748	11,796	118,597

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 20% to 25% (2007: 18% to 25%).

Notes to the Consolidated Financial Statements

23 Deferred income tax — Group and Company (Continued)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(i) Deferred tax assets

	Group						Total RMB'000
	Fair value adjustment on depreciation of fixed assets RMB'000	Advertising expenses not tax deductible in current year RMB'000	Impairment provision RMB'000	Accruals not tax deductible in current year RMB'000	Loss on derivative financial instruments RMB'000	Deferred government grants RMB'000	
At 1 January 2007	3,789	3,687	9,395	53,380	562	—	70,813
(Credited)/charged to the income statement	(1,608)	35,171	3,057	58,712	5,138	3,500	103,970
At 31 December 2007	2,181	38,858	12,452	112,092	5,700	3,500	174,783
(Credited)/charged to the income statement	(140)	(38,858)	(248)	50,810	(5,700)	8,202	14,066
At 31 December 2008	2,041	—	12,204	162,902	—	11,702	188,849

	Company					Total RMB'000
	Advertising expenses not tax deductible in current year RMB'000	Impairment provision RMB'000	Accruals not tax deductible in current year RMB'000	Loss on derivative financial instruments RMB'000	Deferred government grants RMB'000	
At 1 January 2007	3,687	3,824	33,490	562	—	41,563
(Credited)/charged to the income statement	35,171	(3,496)	42,049	5,138	—	78,862
At 31 December 2007	38,858	328	75,539	5,700	—	120,425
(Credited)/charged to the income statement	(38,858)	358	27,634	(5,700)	1,800	(14,766)
At 31 December 2008	—	686	103,173	—	1,800	105,659

Notes to the Consolidated Financial Statements

23 Deferred income tax — Group and Company (Continued)

(ii) Deferred tax liabilities

	Group				Total RMB'000
	Fair value adjustment on depreciation RMB'000	Gain on AFS financial assets RMB'000	Gain on derivative financial instruments RMB'000	Convertible bonds RMB'000	
At 1 January 2007	16,448	—	—	—	16,448
Credited to the income statement	(2,819)	—	—	—	(2,819)
Charged to equity	—	3,406	—	—	3,406
At 31 December 2007	13,629	3,406	—	—	17,035
(Credited)/charged to the income statement	(860)	—	441	(4,471)	(4,890)
(Credited)/charged to equity	—	(2,535)	—	97,426	94,891
At 31 December 2008	12,769	871	441	92,955	107,036

	Company				Total RMB'000
	Gain on AFS financial assets RMB'000	Gain on derivative financial instruments RMB'000	Convertible bonds RMB'000		
At 1 January 2007	—	—	—		—
Charged to equity	1,828	—	—		1,828
At 31 December 2007	1,828	—	—		1,828
(Credited)/charged to the income statement	—	441	(4,471)		(4,030)
(Credited)/charged to equity	(1,361)	—	97,426		96,065
At 31 December 2008	467	441	92,955		93,863

Notes to the Consolidated Financial Statements

23 Deferred income tax — Group and Company (Continued)

As at 31 December 2008, 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.

The Group had unrecognised deferred tax assets aggregated to approximately RMB220,685,000 (2007: RMB253,496,000) as at 31 December 2008, mainly attributable to accumulated tax losses of certain subsidiaries of approximately RMB1,015,898,000 (2007: RMB1,013,983,000), which expires in the period from 2009 to 2013, fair value adjustments made on depreciation of fixed assets of approximately RMB25,219,000 (2007: RMB29,038,000), provision for realisation losses and impairment losses of receivable balances, inventories and fixed assets of approximately RMB260,127,000 (2007: RMB224,935,000). 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.

24 Deferred government grants

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

25 Trade payables

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	1,208,379	1,080,803	356,985	188,918

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

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year	1,184,724	1,057,195	354,932	186,723
1 to less than 2 years	5,357	7,379	254	417
2 to less than 3 years	4,609	8,891	44	632
Over 3 years	13,689	7,338	1,755	1,146
	1,208,379	1,080,803	356,985	188,918

Notes to the Consolidated Financial Statements

26 Bills payable

All bills payable balances of the Group as at 31 December 2008 are with the maturity of less than six months. Approximately RMB8,016,000 (2007: RMB16,116,000) of bank deposits of the Group denominated in Renminbi had been pledged for the issuance of these bills, and approximately RMB26,530,000 of the bills issued by the subsidiaries as at 31 December 2008 (2007: RMB19,396,000) 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.

27 Accruals and other payables

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

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Accruals for marketing and advertising expenses	723,061	532,727	325,886	272,174
Guarantee deposits for recycled bottles	587,242	525,144	44,309	44,687
Accrued payroll and other staff costs	294,865	165,743	74,860	28,266
Payable to vendors of construction in progress and fixed assets	223,188	241,453	20,225	28,459
VAT and other duties and taxes	218,727	236,991	58,983	65,318
Others	343,727	470,239	187,050	133,798
	2,390,810	2,172,297	711,313	572,702

28 Deposits and advance from customers

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Deposits and advance from customers	340,759	482,882	152,944	374,158

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

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Less than 1 year	331,437	474,676	149,745	371,990
1 to less than 2 years	1,269	682	1,094	85
2 to less than 3 years	833	643	57	549
Over 3 years	7,220	6,881	2,048	1,534
	340,759	482,882	152,944	374,158

Notes to the Consolidated Financial Statements

29 Other gains — net

	2008 RMB'000	2007 RMB'000
Derivative instruments:		
— foreign exchange forward contracts not qualified for hedge accounting	24,563	(19,052)
— realised loss on foreign exchange forward contracts	(25,781)	(3,905)
Interest income	30,051	24,224
Government grants (i)	137,936	96,202
	<u>166,769</u>	<u>97,469</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.

30 Other operating loss — net

	2008 RMB'000	2007 RMB'000
Impairment provision against property, plant and equipment (“PP&E”) (Note 7(a))	162,467	141,008
Gain on disposal of PP&E	18,721	(1,137)
Disposal of sundry materials and others	(63,305)	(76,776)
	<u>117,883</u>	<u>63,095</u>

31 Expenses by nature

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

	2008 RMB'000	2007 RMB'000
Changes in inventories of finished goods and work in progress	(155,081)	(55,040)
Raw materials and consumables used	7,685,126	6,299,824
Employee benefit expenses (Note 32)	1,667,857	1,269,392
Depreciation, amortisation and impairment charges (Notes 6, 7 and 8)	735,622	669,215
Transportation expenses	583,004	464,261
Advertising costs	514,651	525,327
Auditors' remuneration	6,930	6,930
Utilities	677,802	383,890
Other expenses	2,935,580	2,993,161
	<u>14,651,491</u>	<u>12,556,960</u>
Total cost of sales, distribution costs and administrative expenses		

Notes to the Consolidated Financial Statements

32 Employee benefit expenses

	2008 RMB'000	2007 RMB'000
Wages and salaries	1,143,451	964,857
Social security costs	164,329	94,242
Pension costs — defined contribution plans	145,334	110,646
Staff employment medical benefits	5,419	11,074
Termination benefits	101,252	—
Others	108,072	88,573
	1,667,857	1,269,392

(a) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31 December 2008 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**	—	—	595	9	604
Mr. Jin Zhiguo	—	—	1,109	29	1,138
Mr. Sun Mingbo	—	—	764	29	793
Mr. Sun Yuguo	—	—	546	29	575
Mr. Liu Yingdi	—	—	536	29	565
Mr. Wang Fan*	—	—	398	22	420
Mr. Mark F Schumm	30	—	—	—	30
Mr. Stephen J Burrows	30	—	—	—	30
Mr. Chu Zhengang**	40	—	—	—	40
Mr. Fu Yang	80	—	—	—	80
Ms. Li Yan	80	—	—	—	80
Mr. Poon Chiu Kwok	80	—	—	—	80
Ms. Wang shuwen*	40	—	—	—	40
	380	—	3,948	147	4,475

* Appointed on 10 June 2008

** Resigned on 10 June 2008

Notes to the Consolidated Financial Statements

32 Employee benefit expenses (Continued)

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

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. Liu Yingdi	—	—	415	28	443
Mr. Sun Mingbo	—	—	371	28	399
Mr. Sun Yuguo	—	—	361	28	389
Mr. Stephen J Burrows	30	—	—	—	30
Mr. Mark F Schumm	30	—	—	—	30
Mr. Chu Zhengang	80	—	—	—	80
Mr. Fu Yang	80	—	—	—	80
Ms. Li Yan	80	—	—	—	80
Mr. Poon Chiu Kwok	80	—	—	—	80
	<u>380</u>	<u>—</u>	<u>2,231</u>	<u>128</u>	<u>2,739</u>

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2007: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2007: two) individuals during the year are as follows:

	2008 RMB'000	2007 RMB'000
Basic salaries and allowances	2,188	878
Social security contributions	<u>78</u>	<u>45</u>
	<u>2,266</u>	<u>923</u>

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
Emolument bands (in HK dollar)		
Below HK\$1,000,000	2	2
Above HK\$1,000,000	<u>1</u>	<u>—</u>

Notes to the Consolidated Financial Statements

32 Employee benefit expenses *(Continued)*

(c) Supervisory committee members' emoluments

The emoluments of the seven (2007: six) existing and former committee members are as follows:

	2008 RMB'000	2007 RMB'000
Basic salaries and allowances	664	383
Social security contributions	89	56
	<u>753</u>	<u>439</u>

33 Finance costs — net

	2008 RMB'000	2007 RMB'000
Interest expense:		
— Bank borrowings	44,558	39,426
— Convertible bond	53,126	—
Net foreign exchange translation gains	(26,973)	(24,417)
Finance costs	<u>70,711</u>	<u>15,009</u>

34 Taxation

(a) Income tax expense

	2008 RMB'000	2007 RMB'000
Current income tax		
— Hong Kong profits tax (i)	5,258	5,456
— PRC corporate income tax (ii)	388,015	515,145
Deferred income tax (Note 23)	(18,956)	(106,789)
	<u>374,317</u>	<u>413,812</u>

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year.

Notes to the Consolidated Financial Statements

34 Taxation (Continued)

(a) Income tax expense (Continued)

(ii) PRC corporate income tax ("CIT")

CIT 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.

On 16 March 2007, the 10th National Peoples Congress of PRC approved the PRC Corporate Income Tax Law ("CIT Law"), being effective on 1 January 2008. Applicable income tax rate of entities within the Group is subject to 25% from 1 January 2008 except that 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.

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 was subject to CIT at 15%, which was 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 were required to immediately rectify the expired preferential tax treatments adopted by the Company and take appropriate action on the differences of income taxes collected in prior years arising therefore in accordance with the applicable rules and provisions under the promulgated Law on Tax Collection and Administration of the PRC.

On 15 April 2008, the Company was informed by the governing local tax bureau that the applicable CIT rate for the year ended 31 December 2007 was adjusted from 15% to 33%. The PRC CIT for the year ended 31 December 2007 of the Company was hence provided at 33% 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 CIT exposure in prior years had been made in the financial statements.

Huanan Sales Company, Huanan Holding Company, Shenzhen Asahi, Dongnan Sales Company and Xiamen Company were established in Shenzhen and Xiamen Special Economic Zones for the PRC where they conduct their operations and they were subject to CIT rate at a lower preferential tax rate of 15% in prior years. Under the CIT Law, the CIT rate applicable to these subsidiaries will be gradually increased to 25% in a 5-year period from 2008 to 2012 and the applicable CIT rate in this year for them is 18%.

Notes to the Consolidated Financial Statements

34 Taxation (Continued)

(a) Income tax expense (Continued)

(ii) PRC corporate income tax ("CIT") (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 CIT 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. 2008 is the fifth profitable year of Xiamen Company, the third profitable year of Songjiang Company, the second profitable year of Changsha Company and Fuzhou Company and the first profitable year of Yulin Company. Accordingly, CIT expenses for Xiamen Company was provided at a reduced rate of 9% based on the CIT rate of 18%, CIT expenses for Songjiang Company was provided at a reduced rate of 12.5% based on the CIT rate of 25%. While Changsha Company, Fuzhou Company and Yulin 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. According to CIT Law and related regulations, those which have not enjoyed preferential taxation owing to non-profit will have its preferential period effective from the year 2008.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2008 RMB'000	2007 RMB'000
Profit before tax	1,108,089	992,580
Tax calculated at domestic tax rates applicable to profits in the respective countries	248,968	187,934
Tax effects of:		
Effect of change in applicable tax rate due to the New CIT Law	—	(7,382)
Income not subject to tax	(13,223)	(25,525)
Expenses not deductible for tax purposes	38,645	37,629
Utilisation of previously unrecognised tax losses	(42,273)	(19,323)
Tax losses for which no deferred income tax assets was recognised in current year	142,200	240,479
Tax charge	374,317	413,812

Notes to the Consolidated Financial Statements

34 Taxation (Continued)

(a) Income tax expense (Continued)

(ii) PRC corporate income tax ("CIT") (Continued)

The income tax charged/(credited) to equity during the year is as follows:

	2008 RMB'000	2007 RMB'000
Deferred tax:		
Convertible bond equity component (Note 21(b))	(4,471)	—

(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.

(d) Withholding Tax

According to Circular Guoshuihan [2008] No. 897 "Notice on the issue about withholding Corporate Income Tax on the dividends paid by Chinese resident enterprises to overseas non-resident enterprises H-share holders" issued by State Administration of Taxation on 6 November 2008, where a Chinese resident enterprise pays dividends for the year of 2008 or any year thereafter to its H-share holders which are overseas non-resident enterprises, it shall withhold the corporate income tax on the basis of 10% of the dividends. In accordance with this circular, the Company would withhold the corporate income tax with tax rate of 10% when it pays dividends for the year of 2008 or any year thereafter.

Notes to the Consolidated Financial Statements

35 Earnings per share — basic and diluted

Basic 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	
	2008	2007
Profit attributable to share holders of the Company (<i>RMB'000</i>)	699,554	538,911
Number of ordinary shares in issue (<i>thousands</i>)	1,308,219	1,308,219
Basic earnings per share (<i>RMB per share</i>)	0.535	0.412

As mentioned in Note 21(b), the Company issued convertible bonds with attached warrants subscription rights. Though the contingently issuable shares of the Company due to the exercise of the warrants subscription rights by the bonds holders may potentially dilute basic earnings per share in the future, the exercise price of those rights is higher than the average share price of the Company for the period and therefore, they were not included in the calculation of diluted earnings per share for the period.

The diluted earnings per share information was the same as basic for 2008 and 2007 as there were no dilutive potential ordinary shares as of 31 December 2008 and 2007.

36 Dividends

	Year ended 31 December	
	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Proposed final dividend of RMB0.25 (2007: RMB0.22) per share	327,055	287,808

The dividends paid during the year ended 31 December 2008 were final dividends of 2007 at RMB287,808,000 (RMB0.22 per share) (2007: final dividend for 2006 at RMB287,808,000) (RMB0.22 per share). At the board of directors meeting held on 8 April 2009, the directors proposed a final dividend of RMB0.22 and a final special dividend of RMB0.03 in respect of 2008 per share, amounting to an aggregate amount of RMB327,055,000. 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

37 Cash generated from operations

Reconciliation of profit for the year to net cash inflow from operation

	2008 RMB'000	2007 RMB'000
Profit before income tax for the year	1,108,089	992,580
Adjustment for:		
— Share of gain from associates	(23)	(283)
— Income from waiver of payable balances	(2,028)	—
— Interest income (Note 29)	(30,051)	(24,224)
— Net exchange gains (Note 33)	(26,973)	(24,417)
— Depreciation (Note 7)	523,559	505,187
— Loss/(gain) on disposal of PP&E	11,121	(11,494)
— Impairment loss on PP&E (Note 7)	162,468	141,008
— Amortisation of intangible assets and leasehold land (Note 6, 8)	32,971	23,020
— Fair value losses/(gain) on derivative financial instruments (Note 29)	(1,218)	22,957
— Interest expenses (Note 33)	97,684	39,426
	1,875,599	1,663,760
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation)		
— Inventories	(556,913)	(569,206)
— Trade receivables	12,746	6,981
— Bills receivable	28,239	7,685
— Deposits, prepayments and other receivables	484,775	(660,939)
— Trade payables	127,576	286,128
— Accruals and other payables	300,153	356,171
— Bills payable	(60,285)	(42,849)
— Deposits and advance from customers	(142,123)	291,220
— Taxes payable	(18,264)	55,852
— Pledged bank deposits	7,800	(742)
Cash generated from operations	2,059,303	1,394,061

Notes to the Consolidated Financial Statements

37 Cash generated from operations *(Continued)*

In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Net book value (<i>Note 7</i>)	17,866	32,927
(Loss)/profit on disposal of PP&E	<u>(11,121)</u>	<u>1,137</u>
Proceeds from disposal of PP&E	<u>6,745</u>	<u>34,064</u>

38 Contingencies

(a) Group and Company

As described in Note 34(a)(ii), 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 these financial statements.

(b) Group

As at 31 December 2008, the Group had provided guarantee of RMB20,000,000 in favor of an associate of the Group for its bank loans.

39 Commitments

(a) Capital and other commitments

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	
2008 <i>RMB'000</i>	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
<u>1,355,272</u>	<u>1,853,617</u>	<u>883,164</u>	<u>393,146</u>

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

39 Commitments *(Continued)*

(b) Operating lease

As at 31 December 2008, the Group had future aggregate minimum lease payments under non-cancelable operating leases of land and buildings as follows:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Not later than one year	<u>712</u>	<u>23</u>

40 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.

The following is a list of the related parties as at 31 December 2008:

TB Group Company	Shareholder of the Company
InBev S.A.	Shareholder of the Company
Anheuser-Busch Company, Inc. ("A-B Company")	Former shareholder of the Company
Tsingtao Brewery Real Estate Company	Same directors and shareholder with the Company
Construction Company <i>(i)</i>	Same directors and shareholder with the Company
Tsingtao Brewery Guangzhou Sales Company	Associate
Tsingtao Brewery Beijing Sales Company	Associate
Liaoning Shenqing	Associate
Asahi Beverage	Associate
Tsingtao Brewery Import Export S.A.R.L	Associate
Zhaoshang Logistics	Associate
Equipment Manufacture	Jointly controlled entity

- (i) In March 2008, Construction Company became a subsidiary of the Company's subsidiary and ceased to be a related party of the Group since then.

Notes to the Consolidated Financial Statements

40 Related party transactions (Continued)

(a) The following major transactions were carried out with related parties:

	2008 RMB'000	2007 RMB'000
Purchases from related companies		
— Associates	649	1,296
Sales to related companies		
— Associates	350,108	268,510
— Cultural Communication Company	—	2,873
	350,108	271,383
Construction services provided to the Group		
— Associates	4,555	—
— Construction Company	—	43,336
	4,555	43,336
Logistics services provided to the Group (including paid on behalf)		
— Associates	289,624	280,509
Guarantee provided in favour of the an associate of the Group		
— Asahi Beverage	20,000	22,000
Guarantee provided for the Group's bank loans		
— TB Group Company	2,000	2,000
Interest paid to		
— TB Group Company	3,209	3,520
Purchase of a subsidiary from its substantial shareholder		
— TB Group Company	2,490	5,290
Purchase of minority interest from its substantial shareholder		
— TB Group Company	95,050	—

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

40 Related party transactions (Continued)

(b) As at 31 December 2008, the Group had the following significant balances maintained with related parties:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Included in				
Amount due from subsidiaries	—	—	262,890	237,434
Trade receivable and other long-term assets accounts				
— Associates	15,215	30,413	15,215	30,413
Loans to subsidiaries (i)	—	—	1,218,383	2,704,878
Deposits, prepayment and other receivables				
— Associates	6,360	11,275	—	969
Trade payables				
— Associates	47	50	—	—
— Subsidiaries	—	—	116,822	50,676
Other payables and long-term payables				
— Subsidiaries	—	—	74,747	80,953
— TB Group Company	20,307	—	307	—
— A-B Company (ii)	107,890	109,569	—	—
— Associates	5,403	18,088	5,403	515
— Other related parties	—	31,657	—	14,180
Sales deposits				
— Subsidiaries	—	—	3,395	—
— Associates	2,202	6,156	2,202	6,156
Short-term loans from				
— TB Group Company	55,000	70,000	—	—

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.

- (i) As at 31 December 2008, the Company had extended certain advances and loans, amounting to approximately RMB1,218,383,000 (2007: RMB2,704,878,000) 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 A-B Company that Hong Kong Company borrowed a loan of USD\$15,000,000 (equivalent to approximately RMB107,890,000 (the "Loan") from A-B Company. The Loan is interest-bearing at 1% per annum, unsecured and repayable within 5 years. During the year, the loan expired on 29 December and was extended for the period from 19 December 2008 to 18 December 2009 with a 4.5% interest bearing rate per annum. The Company has undertaken to guarantee the repayment of the Loan.

Notes to the Consolidated Financial Statements

40 Related party transactions *(Continued)*

(c) Key management compensation

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Basic salaries, allowances and benefits-in-kind	8,355	5,302
Retirement fund contributions	501	485
	8,856	5,787

Key management personnel are those persons, in total 16 (2007: 15) persons, having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and other senior management personnel.

41 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 2008:

(a) Equity transactions

On 23 January 2009, InBev S.A. entered an agreement with Asahi Breweries, Ltd. (“Asahi Breweries”) to sell its H share interest of the Company amounted to 19.99% to Asahi Breweries through its fully-owned subsidiary. After the transfer, InBev S.A. and Asahi Breweries will hold approximately 7.01% and 19.9% H share of the Company respectively. The transactions is still in the approval process by the ministry of Commerce of the People’s Republic of China and other related governmental administrants authorities.

(b) Associates

According to the Board Resolutions passed on 28 October 2008, the Company entered an agreement with Yantai Brewery Brewery Co., Ltd (“Yantai Brewery Group”) and Asahi-Itochu Brewery Co., Ltd, a subsidiary of Asahi Group, on 9 November 2008 to acquire 37% share of interest of Yantai Brewery (Asahi) Co., Ltd (Yantai Asahi) from Yantai Brewery Brewery and 2% share of interest from Asahi Group with a total consideration of RMB214,500,000. The related procedures have been completed in March 2009 and after the completion, Yantai Asahi has become a 39% owned associate of the Company.

(c) Acquisition of minority interest of a subsidiary

According to the Board Resolutions passed on 21 April 2008, Hong Kong Company, a wholly owned subsidiary of the Company, entered an agreement with Carlsberg Brewery (Hong Kong) Co., Ltd (“Carlsberg Hong Kong”) on 9 September 2008, to acquire 25% share of minority interest of Songjiang Company with a total consideration of RMB51,250,000. The related procedures have been completed in March 2009 and after the completion, Songjiang Company became a wholly owned subsidiary 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 2008 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 minor differences in the reported balances of assets, liabilities and net profit of the Group. The financial effects of the differences between PRC GAAP and HKFRS are summarised and explained in the following table:

Impact on the consolidated net assets:

	As at 31 December	
	2008 RMB'000	2007 RMB'000
Net assets as per accounts prepared under PRC GAAP	6,082,238	5,509,185
HKFRS adjustments	—	—
Net assets attributable to the Company's shareholders as per financial statements prepared under HKFRS	6,082,238	5,509,185

Impact on the consolidated net profit:

	Year ended 31 December	
	2008 RMB'000	2007 RMB'000
Net profit attributable to shareholders of the Company under PRC GAAP	699,554	558,142
HKFRS adjustments:		
Additional depreciation charges arising from differences in the accounting of assets valuation under PRC GAAP and HKFRS	—	(18,434)
Others	—	(797)
Profit attributable to shareholders of the Company under HKFRS	699,554	538,911



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2008

ANNUAL REPORT

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TSINGTAO BREWERY CO., LTD.