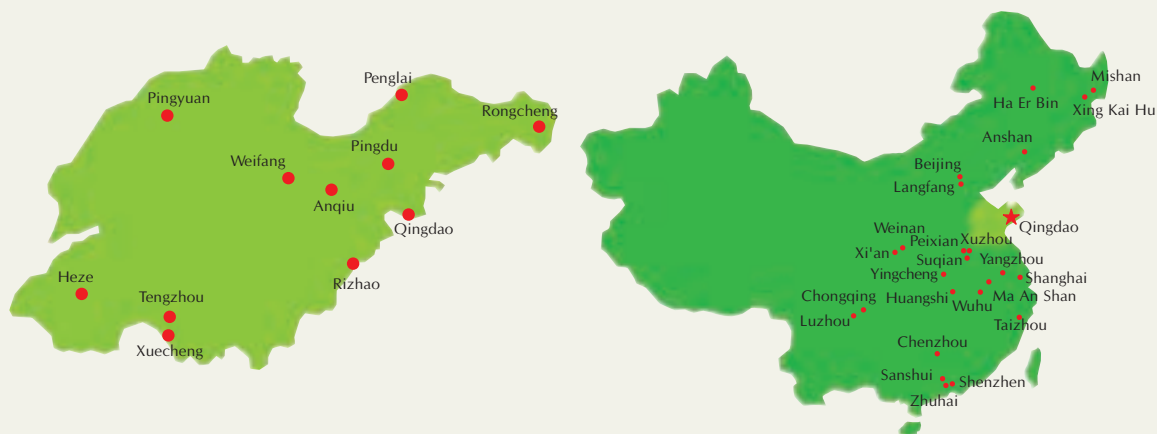


# MANAGEMENT DISCUSSION AND ANALYSIS

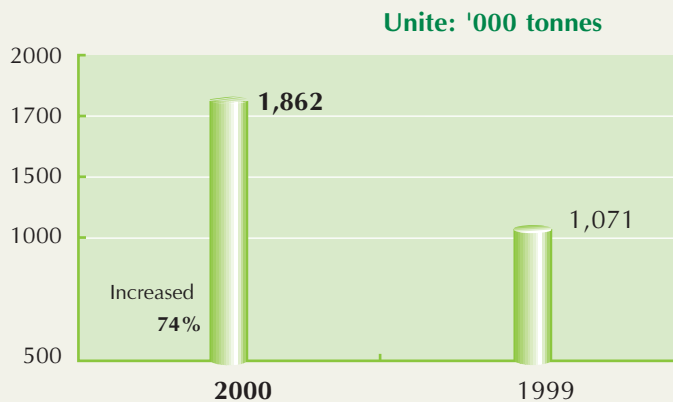
## I、 Positioning of Tsingtao in the national market

Other than Tsingtao's operation base, the Group owns 38 beer production enterprises through out the country.



## II、 Production

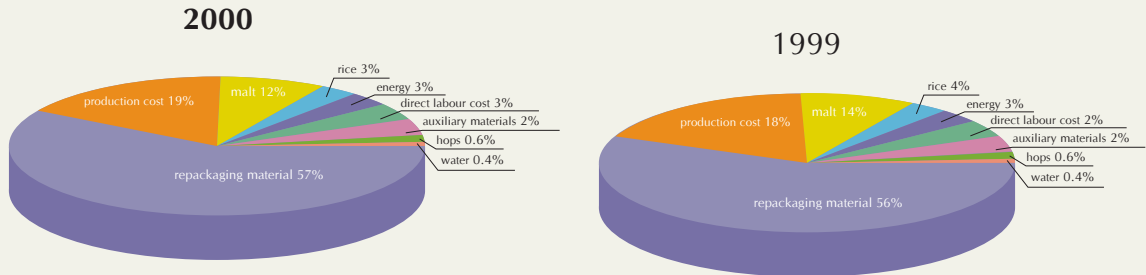
Total Production in 2000: 1,862('000 tonnes) ;  
 Total Production in 1999: 1,071('000 tonnes) ;  
 Increased: 74% °



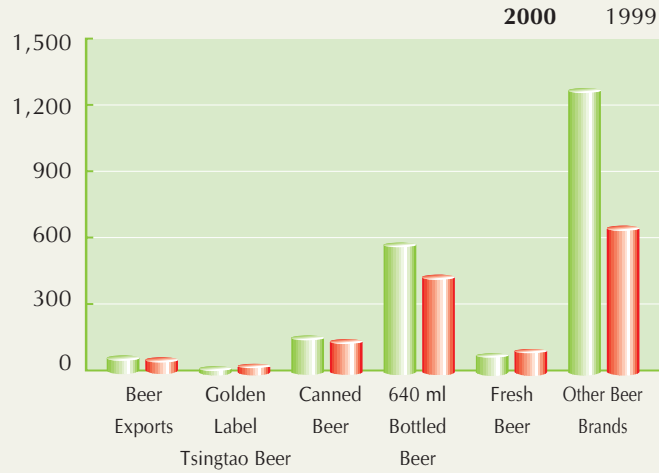
## III、 Beer Production in Different Regions of China in 2000 ('000 tonnes)

	2000	1999
Northeastern China	86	38
Northern China	248	0
Shandong	903	675
Eastern China	222	147
Central China	44	46
Southern China	154	48
Northwestern China	183	117
Southwestern China	22	0
<b>Total</b>	<b>1,862</b>	<b>1,071</b>

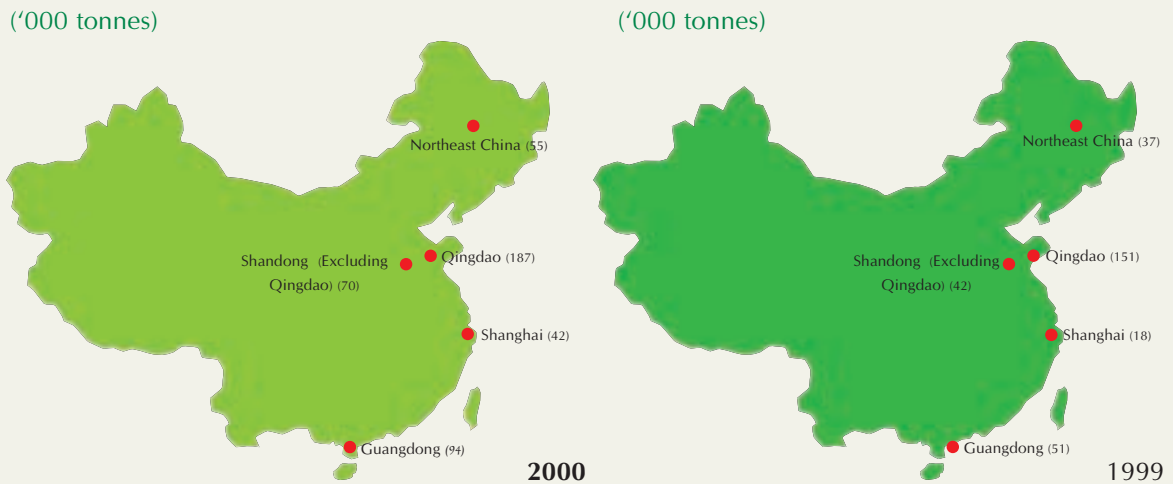
IV、 Production cost structure of Tsingtao beer (%)



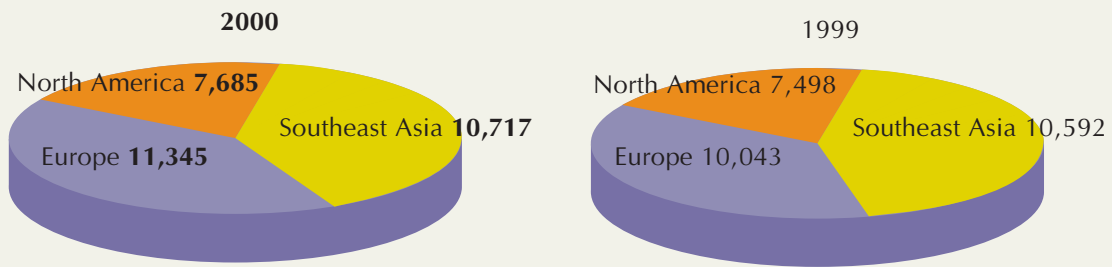
V、 Product Mix ('000 tonnes)



VI、 Sales in Five Major domestic Markets ('000 tonnes)



VII, Exports Sales by Market (tonnes)



VIII, China Beer Market ('000 tonnes)

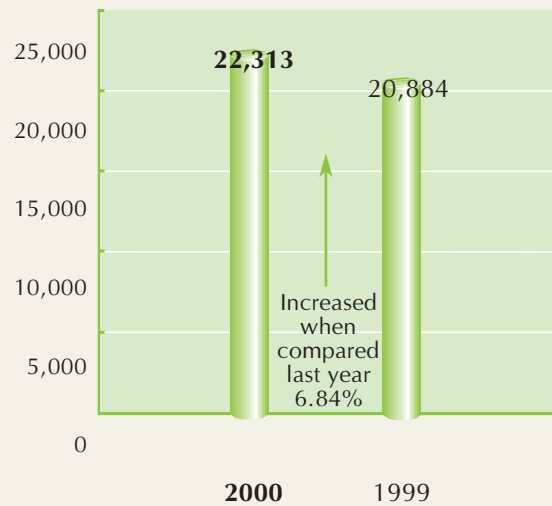
IX, Conditions of the beer industry in the PRC in Year 2000

The quantity of production and sales of the Beer Industry grew steadily while the production and consumption have regional limits.

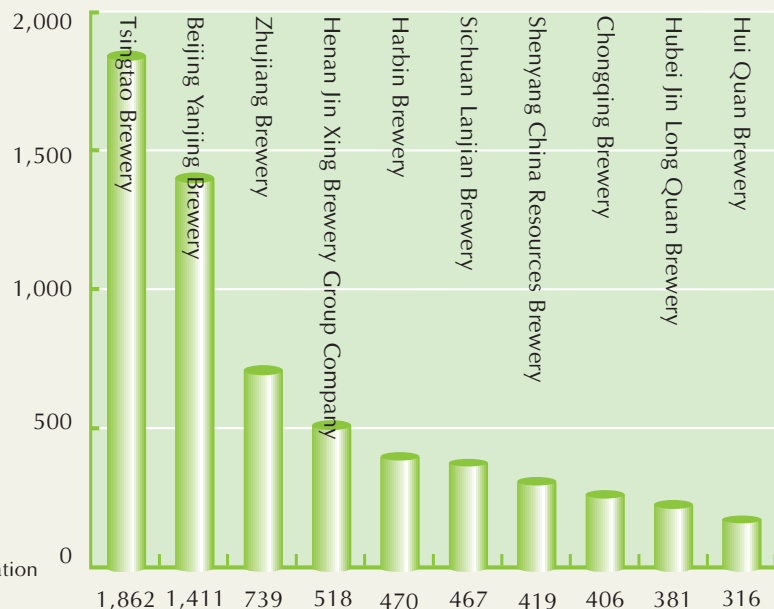
Merger and acquisition among large enterprises has become a major trend.

The level of intensiveness has been increasing gradually and certain dominant enterprises such as Tsingtao Brewery have been absorbing most of the market shares.

The national industrial policy encouraged the development of products that consume low quantity of grains. The prospects of the beer industry are therefore optimistic.



X, PRC Top Ten Breweries by Output ('000 tonnes)



Source: Beer Sub-Committee under the Association of Brewery Industry of PRC

### XI Major business initiatives of Tsingtao Brewery in Year 2000

Increase operation scale successfully. The production and sales volume exceed 1.8million tons, further strengthening the leadership of Tsingtao Brewery in the industry.

Actively implementing the strategy of brand promotion. A total of 14 enterprises were acquired, basically completed the strategic positioning around China.

Further enhancement of sales network. The number of sales offices in the network increased to 49 and electronic networking technology was introduced.

The system of the "business development division" has gained initial success, which was proved by the improved management of subsidiaries and a higher sales volume.

### XII Business Initiatives to be taken in Year 2001

Properly slowdown the pace of expansion. Improve the management and technological level of existing enterprises and perform system integration.

Raise RMB787million by issuing 100million A

shares. The proceeds will be used to acquire the interests in beer enterprises in Shanghai and Beijing held by foreign parties and to implement technological improvement for existing operations.

Further improve the management system of "business development division" and enhance the economic performance of subsidiaries.

Take advantage of the strong brandname, high technology and marketing strategies. The aim is to enhance economic efficiency by expanding the production scale.

Reach the production and sales target of 2.6million tons and strive to become one of the ten largest beer enterprises in the world.

