

# REPORT OF THE DIRECTORS

The Board of Directors hereby presents the Company's Report of the Directors and audited financial reports for the financial year ended 31st December, 2000. The Board of Directors firmly believes that the information presented in this Report should not contain any material oversights, false accounts, nor serious misrepresentation. The Board is also jointly and severally responsible for the authenticity, accuracy and completeness of the report contents. We wish all shareholders an enjoyable reading.

## I. Principal Activities

The Company is principally engaged in the production and distribution of beer products. The subsidiaries and associated companies are principally engaged in the production and domestic trading of beer products.

The Group's turnover and profit are substantially derived from the production and distribution of beer.

The Group's turnover by geographical markets for the year ended 31st December, 2000 are as follows:

	<u>2000</u>	<u>1999</u>
	<b>RMB '000</b>	RMB '000
Domestic Market	<b>3,611,508</b>	2,299,670
Overseas, Hong Kong and Macau areas	<u>154,751</u>	<u>145,766</u>
Total	<u><b>3,766,259</b></u>	<u>2,445,436</u>

## II. Share Capital

Shareholding structure

No changes in share capital during the report period

Share capital structure as at 31st December, 2000 is as follows:

## REPORT OF THE DIRECTORS (CONT'D)

(Unit '000 shares, nominal value: RMB 1 each)

Class of shares	Beginning of year	Increase/ Decrease	End of year
(1) Shares not traded on market			
1. Promoter shares (state-owned shares)	399,820	0	399,820
2. Legal person shares	53,330	0	53,330
Total unlisted shares	453,150	0	453,150
(2) Shares traded on market			
1. PRC listed Renminbi-denominated ordinary shares (A shares)	100,000	0	100,000
2. Overseas listed foreign shares(H shares)	346,850	0	346,850
Total listed shares	446,850	0	446,850
(3) Total shares	900,000	0	900,000

### III. Results and profit distribution

The results of the Group for the financial year ended 31st December, 2000 are set out in the consolidated profit and loss account on page 33.

The Directors recommend a final dividend of RMB 0.1 per share for the year ended 31 December 2000.

## REPORT OF THE DIRECTORS (CONT'D)

### IV. Shareholdings

1. Total number of shareholders on the register of shareholders of the Company as at December 31st, 2000:76,394
2. Shareholdings of the top ten shareholders of the Company as at December 31st , 2000

Shareholders	Class of shares	Number of Shares held	Percentage of the total Share Capital (%)	Increase/ (Decrease)
Qingdao State-owned Assets Administration Bureau	A	399,820,000	44.42	0
HKSCC Nominees Limited	H	331,030,048	36.78	1,978,200
Bank of China, Shandong Province Branch	A	29,250,000	3.25	-
Construction Bank of China, Qingdao Branch	A	19,080,000	2.12	-
Qingdao Huaqing Financial Service Company Limited	A	5,000,000	0.56	-
Po Sang Bank Limited	H	3,472,500	0.39	-
Hong Kong and Shanghai Bank Nominees Limited A/C 14	H	1,200,000	0.13	-
The Hongkong and Shanghai Banking Corporation Limited	H	1,099,699	0.12	-
Zhang Zeng Long	A	890,000	0.10	-
Tai He Fund	A	618,100	0.07	-

Except for the above-mentioned shareholders, the Company has not been notified of any shareholding which is required to be disclosed under the <Securities (Disclosure of Interests) Ordinance> of Hong Kong or relevant PRC laws and regulations.

3. Share Option  
There are no provisions regarding share option under the Company's Articles of Association.

### V. Shareholdings and Salary of Directors, Supervisors and Senior Management

The interest in the shares of the Company of the Directors, Supervisors and their associates and senior management which are required to be disclosed under the provisions of the Implementing Rules (Trial) on Disclosure of Information by Share-Issuing Companies promulgated by the China Securities Regulatory Commission and the Securities (Disclosure of Interests) Ordinance of Hong Kong are as follows:

## REPORT OF THE DIRECTORS (CONT'D)

Name	Position	No. of shares held at the beginning of year	No. of shares held at the end of year
Li Gui Rong	Chairman	—	—
Peng Zuo Yi	Vice-Chairman and General Manager	—	—
Liu Ying Di	Director and Deputy General Manager	5,000	5,000
Sun Yu Guo	Director and Deputy General Manager	—	—
Qi Feng	Non-Executive	—	—
Chu Zhen Gang	Non-Executive	—	—
Yu Fu Zhong	Independent Director	—	—
Wu Hai Hua	Independent Director	—	—
Larry L.K. Kwok	Independent Director	—	—
Wu Yu Ting	Chairman of Supervisory Committee	—	—
Jiang Hong	Supervisor	—	—
Yu Jia Ping	Supervisor	—	—
Liu An Tong	Supervisor	—	—
Pan Gui Rong	Supervisor	—	—
Liu Qing Yuan	Supervisor	—	—
Teng An Gong	Chairman of Labour Union	—	—
Liu Cheng Qiang	Deputy General Manager	5,000	5,000
Fan Wei	Chief Engineer	3,882	3,882
Yan Xu	Deputy General Manager	—	—
Sun Ming Bo	Deputy General Manager	1,261	1,261
Zhang Xue Ju	Deputy General Manager and Secretary to the Board	—	—
Yuan Lu	Secretary to the Board	—	—

On Nov. 23, 2000, Mr. Cao Xiang Dong, supervisor elected by workers' representatives has resigned because of his position change. Mr. Yu Jia Ping was elected by the workers' representatives as supervisor of the Company's Third Supervisory Committee. On March 23, 2000, Mr. Larry L.K. Kwok resigned from the position of Independent Director.

Among the Directors, Supervisors and senior management, four people have annual salary less than RMB 60,000. Ten people have annual salary ranging from RMB60,000 to RMB120,000. Qi Feng, Chu Zhen Gang, Yu Fu Zhong, Wu Hai Hua, Larry L.K. Kwok, Liu An Tong, Pan Gui Rong, Liu Qing Yuan, all are not on the Company's payroll.

## REPORT OF THE DIRECTORS (CONT'D)

### VI. Directors and Supervisors' rights to acquire shares

Save as disclosed above, none of the Directors, Supervisors and their associates and senior management has any interests in the equity or debt securities of the Company or any of its associated corporations, or had been granted or exercised any right to subscribe for the shares or debentures of the Company.

### VII. Meetings of the Board of Directors:

1. On April 17, 2000, the Company held the third meeting of the Third Board of Directors to consider and approve the resolutions on the annual report (audited) and the profit appropriation scheme of 1999.
2. On April 22, 2000, the Company held an extraordinary meeting of the Third Board of Directors. The Board considered and approved the acquisition plan for Xuzhou Huifu Brewery .
3. On May 18, 2000, the Company held an extraordinary meeting of the Third Board of Directors. The Board considered and approved the resolution on the acquisition of the assets of the bankrupted Hebei Langfang Brewery.
4. On July 11, 2000, the Company held an extraordinary meeting of the Third Board of Directors. The Board considered and approved the investment plan to set up Tsingtao Brewery (Anshan) Co., Ltd.
5. On August 8, 2000, the Company held an extraordinary meeting of the Third Board of Directors. The Board considered and approved the resolution that the Company would acquire 75% of the equity interest of Carlsbrew (Shanghai) Brewery Co., Ltd.
6. On August 17, 2000, the Company held an extraordinary meeting of the Third Board of Directors. The Board considered and approved the resolutions that the Company would acquire 62.64% of the equity interest of Beijing Asia Shuanghesheng Five Stars Beer Co., Ltd. and 54% of the equity interest of Beijing Three Ring Asia Pacific Beer Co., Ltd.
7. On August 18, 2000, the Company held an extraordinary meeting of the Third Board of Directors. The Board considered and approved the acquisition of bankrupted Heilongjiang Longquan Brewery Co., Ltd.; acquisition of the assets of Dianjiang Brewery Co., Ltd.; acquisition of the assets of original Lubao Brewery Co., Ltd.
8. On August 30, 2000, the Company held the fourth meeting of Third Board of Directors. The Board considered and approved the Company's interim report of 2000 (audited) and assets exchange scheme with Tsingtao Brewery Group Co., Ltd. (related party transactions).
9. On September 18, 2000, the Company held fifth meeting of Third Board of Directors. The Board considered and approved the Company's application for additional issue of 100 million A shares; the employment plan for the raised proceeds from this additional issue and the employment of the funds raised last time.
10. On Nov. 10, 2000, the Company held an extraordinary meeting of Third Board of Directors. The Board considered and approved the acquisition of brewing assets of Zhejiang Hai'erbo Spirited Products Co., Ltd.
11. On Dec. 4, 2000, the Company held an extraordinary meeting of Third Board of Directors. The Board considered and approved the acquisition of brewing assets of Heilongjiang A'cheng Yu Quan Brewery Co., Ltd.
12. On Dec. 7, 2000, the Company held an extraordinary meeting of Third Board of Directors. The Board considered and approved the acquisition of Doumen Nanxing Malt Co., Ltd. and setting up of a new company.
13. On Dec. 20, 2000, the Company held an extraordinary meeting of Third Board of Directors. The Board considered and approved the establishment of a new joint venture, Tsingtao Brewery (Luzhou) Company Limited with Sichuan Huoju Chemical Factory.
14. On Dec. 28, 2000, the Company held an extraordinary meeting of Third Board of Directors. The Board considered and approved a Debt Transfer Agreement ( connected transaction ) with Tsingtao Brewery Group Co., Ltd., whereby the Company shall transfer a portion of its account receivables to Tsingtao Brewery Group Co., Ltd.

### VIII. Annual General Meeting

1. On the morning of June 27th, 2000, the Company held its 1999 Annual General Meeting at the meet