

## 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

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ing room of Tsingtao Brewery No. 1 Factory. Shareholders representing 781,938,948 shares, or approximately 86.88% of the total issued share capital of the Company, attended the meeting. A quorum was constituted in accordance with the Articles of Association of the Company.

The Annual General Meeting considered and approved the work report of the Board of Directors for 1999, the work report of the Supervisory Committee for 1999; the audited financial report for 1999; plans for the distribution of profit for 1999; and the re-appointment of Arthur Andersen Hua Qiang Certified Public Accountants as the Company's auditors in the PRC and of Arthur Andersen & Co as the Company's international auditors for 2000. The Board of Directors was authorised to determine the auditors' remuneration; approved by a special resolution were the granting of a new issue and repurchase mandates for the Board of Directors. The number of new H Shares issue shall not exceed 20% of the issued H shares and the repurchase shall not exceed 10% of the issued H shares. On the same date, the Company held the PRC Shareholders' Extraordinary Meeting and the Foreign Shareholders' Extraordinary Meeting. Approved at the meetings were the granting of repurchase mandate for the Board of Directors. The number of the repurchase shall not exceed 10% of the issued H shares.

2. On Nov. 6, 2000, the Company held an extraordinary meeting at the conference room of Tsingtao Brewery No.1 factory. The meeting approved special resolution on 100 million additional A shares issue; funds employment scheme raised from this additional issue; sharing the profits brought forward at the issuing year by both new and old shareholders; the Mandate to grant the Board of Directors the rights to deal with additional A shares issue; the Mandate term will be one year from the executed date of the Mandate; the employment of funds raised last time.

### IX. Code of Best Practice

The Board of Directors confirms that the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the List-

ing of Securities on the Stock Exchange of Hong Kong Limited throughout the 12-month period from January 1st, 2000 to December 31st, 2000.

### X. Directors' and Supervisors' interest in contracts

None of the Directors and Supervisors was materially in any contract entered into by the Company or any of its subsidiaries during the year.

In accordance with Articles 94 and 112 of the Company's Articles of Association, all Directors and Supervisors appointed on June 24th, 1999 shall hold office for a term of 3 years starting from that date. Service contract has been entered into between the Company and those newly appointed Directors or Supervisors. The Directors or Supervisors has not entered into any service contract with the Company or any of its subsidiaries during the year which is not terminable by the Company or such subsidiaries within the year without payment of compensation (other than statutory compensation).

### XI. Major suppliers and customers during the year

1. Major suppliers of the Company during the year

The largest suppliers of the Company during the year was Canada Qinghua International Trade Development Corp., which accounted for 11.5 % of the total purchases of the Company and the five largest suppliers of the Company during the year accounted for 36.9% of the total purchases of the Company.

2. Major customers of the Company during the year

The largest customers of the Company during the year was Taizhou Liquor Development Co.,Ltd. which accounted for 2.1% of the total sales of the Company and the five largest customers of the Company during the year accounted for less than 30% of the total sales of the Company.

During the year, none of the Directors, Supervisors or their associates or shareholders holding more than

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5% of the Company's share capital had an interest in any of the five largest suppliers and customers of the Company.

### **XII. Purchase, sales and redemption of shares**

During the period under review, neither of the Company nor any of its subsidiaries had purchased, redeemed or sold any of the listed securities of the company.

### **XIII. Principal subsidiaries and associated companies**

The particulars of the Company's subsidiaries and associated companies are set out in Notes 14 and 15 to the accompanying financial statements.

### **XIV. Fixed assets**

Details of the movement in fixed assets during the year are set out in Note 10 to the accompanying financial statements.

### **XV. Details of loans**

Details of bank borrowings as at December 31st, 2000 are set out in Note 18 to the accompanying financial statements.

### **XVI. Other matters to be reported**

1. The summarized 2000 annual report of the Company was published on April 19th, 2001 in Chinese and English in "Shanghai Securities Journal", the "China Securities Journal" in China and "Wen Wei Pao"; "Hong Kong iMail" in Hong Kong respectively.
2. The 2000 Annual General Meeting will be convened at our Company on June 8, 2001. The notice convening this meeting will be dispatched to H shareholders of the Company as soon as practicable.

### **XVII. Auditors**

During the year, Messrs. Arthur Andersen & Co. was appointed as auditors of the Company and have audited the accompanying financial statements.

Resolutions will be submitted at the forthcoming Annual General Meeting of the Company to re-appoint Arthur Andersen • Hua Qiang Certified Public Accountants and Arthur Andersen & Co. respectively as the Company's PRC auditors and the Company's auditors outside PRC. On behalf of the Board

**Li Gui Rong**

Chairman

Qingdao, People's Republic of China,

April 18th, 2001