

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**(Prepared in accordance with Generally Accepted Accounting Principles in Hong Kong)***(Amounts expressed in RMB unless otherwise stated)*

- i. In January 2000, the Company and China Railway Construction Company Railroad Transportation Division ("Railroad Division") and Hunanzixing Municipal People's Government entered into an agreement to establish Tsingtao Brewery (Chenzhou) Company Limited ("Chenzhou Company"). Pursuant to the agreement, the Company injected cash totalling approximately RMB18,330,000 in return for a 70% equity interest in Chenzhou Company. The Railroad Division injected the assets of Zixing Brewery in return for the remaining 30% equity interest in Chenzhou Company. Chenzhou Company will also enjoy certain financial incentives granted by the local municipal government.
- ii. In January 2000, the Company and Tsingtao Brewery Group Company Limited ("Group Co.") contributed RMB3,500,000 and RMB1,500,000 respectively to establish Tsingtao Brewery (Weifang) Company Limited ("Weifang Company"), the Company obtains a 70% equity interest. Subsequently, Weifang Company entered into agreement with Weifang Brewery Liquidation Committee and Weifang Municipal People's Government to acquire all the assets and the 50-year land use right of Weifang Brewery for cash of approximately RMB2,931,000, assumption of bank loans of approximately RMB19,688,000 and the taking over of the existing employees of Weifang Brewery. In addition, Weifang Company will also enjoy certain financial incentives granted by the local municipal government.
- iii. In November 1999, the Company reached an agreement with Peixian State Owned Assets Operation Company ("Peixian Operation Company") and Peixian Municipal People's Government to establish Tsingtao Brewery (Xuzhou) Company Limited ("Xuzhou Company"). Pursuant to the agreement, the Company and Peixian Operation Company invested cash of RMB6,000,000 and RMB4,000,000 respectively to obtain a 60% and 40% equity interest in Xuzhou Company respectively. Xuzhou Company then signed a management agreement with Xuzhou Jinboh Brewery Plant ("Jinboh") Liquidation Committee to temporarily manage and utilize the assets of Jinboh. In March 2000, the Company, Jinboh Brewery Liquidation Committee and Peixian Municipal People's Government entered into an acquisition agreement for the Company to acquire all assets, except for the pledged assets, originally owned by Jinboh Brewery for cash consideration of approximately RMB8,205,000 and the taking over of the existing employees of Jinboh. Pursuant to the agreement with Peixian Operation Company, it was agreed among the parties that the registered capital of Xuzhou Company would be increased from RMB10,000,000 to RMB72,118,000. The Company then contributed the acquired assets of Jinboh, additional cash of approximately RMB11,757,000, and certain intangible assets into Xuzhou Company. Together with the RMB6,000,000 previously injected, the Company will own 66% of Xuzhou Company. Peixian Operation Company contributed all the pledged assets of Jinboh to obtain the remaining 34% equity interest in Xuzhou Company. As at 31st December, 2000, the application for increase in share capital was not yet approved. Xuzhou Company will also enjoy certain financial incentives granted by the local municipal government.
- iv. In April 2000, the Company and the Group Co. contributed RMB4,500,000 and RMB500,000 respectively to establish Tsingtao Brewery (Xuzhou Pangcheng) Company Limited ("Pangcheng Company"). At the same time, the Company reached an agreement with Xuzhou Huifu Group Limited ("Huifu") and Xuzhou Municipal People's Government. Pursuant to the agreement, the Company acquired all assets related to beer production of the original Huifu for cash of RMB16,000,000 and the taking over of the existing employees of Huifu. The Company then injected all of the assets acquired to Pangcheng Company. Furthermore, Pangcheng Company will enjoy certain financial incentives granted by the local municipal government.
- v. In May 2000, the Company and the Group Co. contributed RMB9,500,000 and RMB500,000 respectively to establish Tsingtao Brewery (Langfang) Company Limited ("Langfang Company"). Subsequently, Langfang Company reached an agreement with Langfang Brewery and Langfang Municipal People's Government to acquire the fixed assets of Langfang Brewery and the 50-year land use right for cash of RMB4,000,000 and the taking over of existing employees of Langfang Brewery. Furthermore, Langfang Company will enjoy certain financial incentives granted by the local municipal government.
- vi. In May 2000, Tengzhou Company and Xuecheng Company contributed RMB350,000 and RMB150,000 respectively

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to establish Tsingtao Brewery (Taierzhuang) Malt Company Limited ("Taierzhuang Company"). Subsequently, Taierzhuang Company reached an agreement with Taierzhuang Malt Plant Liquidation Committee ("Taierzhuang Liquidation Committee") and Taierzhuang Municipal People's Government to acquire all of the assets of Taierzhuang Malt Plant and the 50-year land use right for cash of RMB1,300,000 and the taking over of the existing employees of the original malt plant. Furthermore, Taierzhuang Company will enjoy certain financial incentives granted by the local municipal government.

- vii. In June 2000, Xi'an Company entered into an equity transfer agreement with the original shareholders of Weinan Qin Li Brewery ("Qin Li"). Pursuant to the agreement, Xi'an Company acquired a 72% equity interest in Qin Li from the original shareholders for cash consideration of RMB20,000,000. Subsequently, Xi'an Company and the 28% minority shareholder of Qin Li contributed their share of all of the assets and liabilities of Qin Li and established Tsingtao Brewery (Weinan) Company Limited ("Weinan Company"). Furthermore, Weinan Company will enjoy certain financial incentives granted by the local municipal government.
- viii. In July 2000, the Company, Anshan City Light Industry State Owned Operations Centre ("Light Industry Co") and Anshan Municipal People's Government entered into an agreement to establish Tsingtao Brewery (Anshan) Company Limited ("Anshan Company"). Pursuant to the agreement, the Company contributed cash of RMB20,000,000 and intangible assets of RMB10,000,000 in return for a 60% equity interest in Anshan Company. Light Industry Co injected assets of the original Anshan Brewery for the remaining 40% equity interest in Anshan Company. Anshan Company will also enjoy certain financial incentives granted by the local municipal government.
- ix. In June 2000, the Company and the Group Co. contributed cash of RMB2,850,000 and RMB150,000 respectively to establish Tsingtao Brewery (No. 5) Company Limited ("No. 5) Company"). In August 2000, the Company reached an agreement with the Group Co., under which the Company acquired a 56.21% ownership in the beer production assets and liabilities originally owned by Laoshan Brewery from Group Co. in exchange for certain aged accounts receivable balances at their book value of approximately RMB29,619,000. Subsequently, the Company and the Group Co. injected both their ownership into TB (No. 5) Company. As at December 31, 2000, the additional capital injection was not yet formally completed.
- x. In August 2000, the Company reached an agreement with Carlsberg Brewery Hong Kong Limited ("Carlsberg HK") to acquire a 75% equity interest in Carlsberg Brewery (Shanghai) Limited ("Carlsberg Shanghai") for cash of RMB153,750,000. The name of Carlsberg Shanghai would be changed to Tsingtao Brewery Shanghai Songjiang Company Limited ("Songjiang Company") after the transaction is completed. Moreover, pursuant to a supplemental memorandum signed between the Company and Carlsberg HK, except for certain specified liabilities that will be settled by Carlsberg HK or the existing current assets of Carlsberg Shanghai, all other liabilities of Carlsberg Shanghai would be settled or waived before completion of the transaction. In addition, Carlsberg HK, has the option of requiring the Company to acquire the remaining 25% equity interest in Songjiang Company within 10 years, for consideration of RMB51,125,000.
- xi. In September 2000, the Company and the Group Co. contributed RMB19,000,000 and RMB1,000,000 respectively to establish Tsingtao Brewery (Mishan) Company Limited ("Mishan Company"). Subsequently, Mishan Company reached an agreement with Heilongjiang Longquan Beer Liquidation Committee and Mishan Municipal People's Government. Pursuant to the agreement, Mishan Company acquired all fixed assets related to beer production and the 50-year land use right of the original Longquan Beer for cash of RMB9,880,000 and the taking over of the existing employees of the Longquan Brewery. Furthermore, Mishan Company will enjoy certain financial incentives granted by the local municipal government.
- xii. In September 2000, the Company and Group Co. contributed RMB6,650,000 and RMB350,000 respectively to establish Tsingtao Brewery (Chongqing) Company Limited ("Chongqing Company"). Subsequently, Chongqing Company entered into an agreement with Dianjiang Brewery Company Limited ("Dianjiang") and Chongqing Municipal People's Government to acquire all the fixed

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- assets and the 50-year land use right of Dianjiang for cash of RMB7,000,000, assumption of liabilities of approximately RMB50,326,000 and the taking over of the existing employees of Dianjiang. In addition, Chongqing Company will also enjoy certain financial incentives granted by the local municipal government.
- xiii. In September 2000, the Company entered into an agreement with Shouguang Municipal People's Government and various bankers of Shandong Lubao Brewery Company Limited ("Lubao") to acquire from the bankers the fixed assets and land use right originally owned by Lubao for RMB70,000,000. Subsequently, the Company and Shandong Weifang Lanzai Brewery Company Limited entered into an agreement to establish Tsingtao Brewery (Shouguang) Company Limited ("Shouguang Company"). Pursuant to the agreement, the Company injected the fixed assets and land use right acquired and the unsettled consideration of RMB10,000,000 in return for a 99% equity interest in Shouguang Company. Shouguang Company will also enjoy certain financial incentives granted by the local municipal government.
- xiv. In December 2000, the Company and the Group Co. contributed RMB9,500,000 and RMB500,000 respectively to establish Tsingtao Brewery (Taizhou) Company Limited ("Taizhou Company"). Subsequently, Taizhou Company reached an agreement with Zhejiang Haierbo Brewery Company Limited ("Haierbo") to acquire the latter's brewing-related fixed assets and current assets and the 50-year land use right for cash of approximately RMB15,800,000, assumption of Haierbo's liabilities of approximately RMB35,160,000 and the taking over of the existing employees of Haierbo. Furthermore, Taizhou Company will enjoy certain financial incentives granted by the local municipal government.
- xv. In December 2000, the Company and the Group Co. contributed RMB20,900,000 and RMB1,100,000 respectively to establish Tsingtao Brewery (Haerbin) Company Limited ("Haerbin Company"). Subsequently, Haerbin Company reached an agreement with Acheng Jinyuan Asset Management Company Limited ("Jinyuan") and Acheng Municipal People's Government to acquire all of the assets originally owned by liquidated Heilongjiang Yuquan Brewery Company ("Yuquan") and Haerbin Jindu Brewery Company Limited ("Jindu") for cash of RMB80,000,000 and the taking over of the existing employees of Yuquan and Jindu. Furthermore, Haerbin Company will enjoy certain financial incentives granted by the local municipal government.
- xvi. Huadong Holding was jointly established by the Company and the Group Co. during the year. The equity interests in Shanghai Company, Wuhu Company and Maanshan Company held by the Company were transferred to Huadong Holding for cash consideration equivalent to the Company's share of the net asset of respective investees as at the date of transferral.
- xvii. These companies were regional sales subsidiaries established by the Company or its subsidiaries during the year.
- xviii. In September 2000, the Company disposed of certain portion of its equity interest in Shanghai Tsingtao Brewery Sales Company Limited ("Shanghai Sales Company"), to the employees. Since the Company still retains the power to govern the financial and operating policies over Shanghai Sales Company, the operating results and financial statements of Shanghai Sales have been included in consolidated financial statements.