

**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)

**22. RESERVES****a. Group**

	Share premium	Statutory public reserve	Statutory public welfare fund	Capital reserve	Cumulative translation adjustment	Unappropriated profits (accumulated losses)	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
As at 31st December, 1998	1,236,097	76,301	56,535	56,972	—	45,478	1,471,383
Profit attributable to shareholders	—	—	—	—	—	40,659	40,659
Dividends (Note 8)	—	—	—	—	—	(90,000)	(90,000)
Profit appropriation to statutory surplus reserve - Company (i)	—	8,984	—	—	—	(8,984)	—
Profit appropriation to statutory surplus reserve - subsidiaries (i)	—	3,524	—	—	—	(3,524)	—
Profit appropriation to statutory public welfare fund -Company (i)	—	—	8,984	—	—	(8,984)	—
Profit appropriation to statutory public welfare fund -subsidiaries (i)	—	—	3,524	—	—	(3,524)	—
Acquisition of staff quarters (i)	—	4,752	(4,752)	—	—	—	—
Decrease in capital reserve arising from adjustment in net asset value of a subsidiary acquired in the prior year	—	—	—	(13,935)	—	—	(13,935)
Capital reserves arising from the acquisition of subsidiaries/additional investment in subsidiaries	—	—	—	161	—	—	161
As at 31st December, 1999	1,236,097	93,561	64,291	43,198	—	(28,879)	1,408,268
Transfer from statutory surplus reserve	—	(682)	—	—	—	682	—
Transfer from statutory surplus public welfare fund	—	—	(682)	—	—	682	—
Profit attributable to shareholders	—	—	—	—	—	61,991	61,991
Dividends (Note 8)	—	—	—	—	—	(100,000)	(100,000)
Profit appropriation to statutory surplus reserve - Company (i)	—	9,630	—	—	—	(9,630)	—
Profit appropriation to statutory surplus reserve - subsidiaries (i)	—	4,590	—	—	—	(4,590)	—
Profit appropriation to statutory public welfare fund -Company (i)	—	—	9,630	—	—	(9,630)	—
Profit appropriation to statutory public welfare fund -subsidiaries (i)	—	—	4,590	—	—	(4,590)	—
Cumulative translation difference	—	—	—	—	(9)	—	(9)
As at 31st December, 2000	1,236,097	107,099	77,829	43,198	(9)	(93,964)	1,370,250

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**b. Company**

	Share premium	Statutory surplus reserve	Statutory public welfare fund	Unappropri- ated profits	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
As at 31st December, 1998	1,236,097	73,929	55,611	59,223	1,424,860
Profit attributable to shareholders	—	—	—	86,663	86,663
Dividends (Note 8)	—	—	—	(90,000)	(90,000)
Profit appropriation to statutory surplus reserve (i)	—	8,984	—	(8,984)	—
Profit appropriation to public statutory welfare fund (i)	—	—	8,984	(8,984)	—
Acquisition of staff quarters (i)	—	4,752	(4,752)	—	—
As at 31st December, 1999	1,236,097	87,665	59,843	37,918	1,421,523
Transfer from statutory surplus reserve	—	(682)	—	682	—
Transfer from statutory public welfare fund	—	—	(682)	682	—
Profit attributable to shareholders	—	—	—	98,426	98,426
Dividend (Note 8)	—	—	—	(100,000)	(100,000)
Profit appropriation to statutory surplus reserve (i)	—	9,630	—	(9,630)	—
Profit appropriation to public statutory welfare fund (i)	—	—	9,630	(9,630)	—
As at 31st December, 2000	1,236,097	96,613	68,791	18,448	1,419,949

**(i) Statutory reserves**

According to the Articles of Association of the Company, when distributing net profit of each year, the Company shall set aside 10% of its net profit after taxation for the statutory surplus reserve (except where the reserve balance has reached 50% of the Company's paid-up share capital), and for the statutory public welfare fund at a percentage determined by the directors. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

The directors have resolved that the statutory public welfare fund is to be utilised to build or acquire capital items, such as dormitories and other facilities for the Company's employees, and cannot be used to pay for staff welfare expenses. Title to these capital items will remain with the Company.

Pursuant to document Cai Hui Zi 1995 [14] issued by the State Ministry of Finance, when the Company purchases staff quarters, a transfer of the amount used to

purchase such quarters should be made from the statutory public welfare fund to the statutory surplus reserve.

**(ii) Basis for profit distribution and appropriation**

In accordance with the Company's Articles of Association and a document (Cai Hui Zi 1995 [31]) issued by the State Ministry of Finance, appropriation to statutory surplus reserves, statutory public welfare fund and discretionary surplus reserves should be based on the financial statements prepared in accordance with PRC accounting standards and regulations. In the current year, the appropriations to reserves were made pursuant to the requirements stated in the document. In accordance with the Company's Articles of Association, the Group declares dividends based on the lower of retained earnings as reported in accordance with the PRC accounting standards and regulations and that reported in accordance with the accounting principles generally accepted in Hong Kong after deduction of the current year's appropriation to the statutory reserves. The unappropriated profit available for distribution to shareholders as at 31st December, 2000 was RMB18,448,000 (1999: RMB37,918,000).

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

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*(Amounts expressed in RMB unless otherwise stated)***23. PENSIONS AND RETIREMENT FUNDS CONTRIBUTION**

Pursuant to the Temporary Regulations on Municipal Enterprise Employee Pensions and Retirement Protection for Qingdao which became effective since 1st October, 1994, the Company has provided a government-sponsored defined contribution retirement scheme for its full-time employees. The Company and the employees are required to contribute 25.5% and 3% to 8% of the employees' average salary respectively to the scheme, and the Company has no further obligation for actual pension payments or post-retirement benefits beyond the annual contributions. The state sponsored retirement plan is responsible for the entire pension obligations payable to retired employees. During the year ended 31st December, 2000, the Group's contributions were approximately RMB27,590,000(1999 - RMB19,598,000).

On 1st December, 2000 a subsidiary, Tsingtao Brewery (Hong Kong) Trading Company Limited, operating in Hong Kong, established a defined contribution mandatory provident fund in accordance with Mandatory Provident Fund legislation of the Government of Hong Kong Special Administrative Region. It makes monthly contributions to the scheme based on 5% of the employees' basic salaries with the maximum amount of contribution by both the subsidiary and the employees limited to \$12,000 per annum per employee. During the year ended 31st December, 2000, the subsidiary had made contributions of approximately HKD15,800 (1999: Nil). The assets of the fund are held separately from those of the subsidiary and are managed by independent professional fund managers.

**24. CONTINGENT LIABILITY**

Pursuant to related policies for housing reform issued by the State Council and Qingdao Municipal Government in 1998, allocation of living quarters as staff housing welfare was terminated. Instead, qualified employees are to be compensated in the form of monetary housing subsidies. In this respect, the Group and the Company is in the process of studying the requirements of the policies issued by the authorities and will formulate a plan for such monetary housing subsidies. The financial impact of the plan will be reflected in the financial statements of the relevant year when the plan is formulated and approved by relevant authorities.

As at 31st December, 2000, no formal plan has yet been developed by the Group and the Company. Moreover, the Group and the Company has not announced any plans to their employees in respect of such housing subsidies. After seeking legal advice, the Directors are of the opinion that the Group and the Company had no obligation to make any payment or provision for such monetary housing subsidies as at 31st December, 2000.

The Ministry of Finance issued Document Caiqi [2000] No. 295 on 6th September, 2000 which became effective on the same date, announcing the accounting treatment in relation to such housing reform. The Company's Board of Directors has evaluated the policies referred to in the document and believes that except for the impact of the above mentioned monetary housing subsidies which could not be reasonably estimated, other related policies will not have a material impact on the Group and the Company.

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**25. COMMITMENT**

As at 31st December, 2000, the Group and the Company have commitments as follows:

**a. Capital commitments**

The Group's and the Company's capital commitments which were authorised but not contracted and provided for were as follows:

	Group		Company	
	2000 RMB'000	1999 RMB'000	2000 RMB'000	1999 RMB'000
Construction projects	<b>68,000</b>	—	—	—

The Group's and the Company's capital commitments which were contracted but not provided for are as follows:

	Group		Company	
	2000 RMB'000	1999 RMB'000	2000 RMB'000	1999 RMB'000
Construction projects	<b>160,191</b>	81,087	<b>17,136</b>	20,777
Investments and acquisitions	<b>316,610</b>	74,811	<b>316,610</b>	74,871
Total	<b>476,801</b>	155,898	<b>333,746</b>	95,648

**b. Rental commitments**

Operating lease commitments of the Group and the Company as at 31st December, 2000 were amounted to approximately RMB936,000 and RMB836,000 (1999: Group and Company—RMB7,149,000 and RMB5,662,000) respectively. The amount payable in the next twelve

months by the Group and the Company, amounting to approximately RMB936,000 and RMB836,000 (1999: Group and Company—RMB6,050,000 and RMB4,563,000) respectively, analysed according to the period in which the leases expire, is as follows:

	Group		Company	
	2000 RMB'000	1999 RMB'000	2000 RMB'000	1999 RMB'000
Expiring in the first year	<b>936</b>	5,867	<b>836</b>	4,380
Expiring in the second to fifth years	—	—	—	—
Expiring after the fifth years	—	183	—	183
Total	<b>936</b>	6,050	<b>836</b>	4,563