



青島啤酒股份有限公司
TSINGTAO BREWERY CO., LTD.

(Stock Code 股份代號 : 168)



激情成就梦想
Passion, dreams & success

2007
INTERIM REPORT
中期報告

CONTENTS

	<i>Page</i>
Condensed Consolidated Interim Financial Information (unaudited) (Prepared in accordance with Hong Kong Financial Reporting Standards)	2
Management Discussion and Analysis	29
Significant Events	31
Purchase, Sale or Redemption of the Company's Listed Securities	32
Changes in Share Capital and Shareholdings of Principal Shareholders	32
Shareholdings of Directors, Supervisors and Chief Executive	35
Model Code	35
Compliance with the <i>Code on Corporate Governance Practices</i> and Other Corporate Governance Matters	35
Review of the Unaudited Interim Report	36
Company Information	37

TSINGTAO BREWERY COMPANY LIMITED
CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2007

		30 June	31 December
		2007	2006
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	
ASSETS			
Non-current assets			
Property, plant and equipment	7	5,205,250	5,098,594
Leasehold land and land use rights	6	666,860	676,759
Prepayment for land use rights		17,442	17,442
Intangible assets	8	224,679	232,493
Interest in associates		33,842	18,576
Deferred income tax assets		71,029	70,813
Other long-term assets		11,393	27,258
Total non-current assets		6,230,495	6,141,935
Current assets			
Inventories	9	1,791,815	1,641,319
Trade receivables	10	100,102	101,180
Bills receivable		22,858	44,979
Deposits, prepayments and other receivables		535,830	415,803
Pledged bank deposits		21,385	19,524
Cash and cash equivalents	16	2,262,578	1,213,243
Total current assets		4,734,568	3,436,048
Total assets		10,965,063	9,577,983
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	11	1,308,219	1,308,219
Other reserves	12	3,604,723	3,796,626
Retained earnings			
— Proposed final dividend		—	287,808
— Others		395,265	(145,224)
		5,308,207	5,247,429
Minority interests		475,217	452,294
Total equity		5,783,424	5,699,723

TSINGTAO BREWERY COMPANY LIMITED
CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Cont'd)

AS AT 30 JUNE 2007

		30 June	31 December
		2007	2006
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	
LIABILITIES			
Non-current liabilities			
Borrowings	<i>13</i>	103,214	53,259
Derivative financial instruments	<i>14</i>	6,265	3,749
Deferred income tax liabilities		16,602	16,448
Long-term loan due to a shareholder		116,905	117,131
Finance lease liabilities		9,617	—
Other financial liabilities		31,800	31,800
		<hr/>	<hr/>
Total non-current liabilities		284,403	222,387
Current liabilities			
Trade payables	<i>15</i>	988,970	794,675
Bills payable	<i>16</i>	384,138	250,117
Accruals and other payables		2,332,138	1,766,404
Deposits and advance from customers		185,513	191,662
Taxes payable		92,753	51,106
Dividends payable	<i>22</i>	287,808	—
Borrowings	<i>13</i>	621,470	599,745
Current portion of long-term bank loans	<i>13</i>	1,882	2,164
Current portion of finance lease liabilities		2,564	—
		<hr/>	<hr/>
Total current liabilities		4,897,236	3,655,873
		<hr/>	<hr/>
Total liabilities		5,181,639	3,878,260
		<hr/>	<hr/>
Total equity and liabilities		10,965,063	9,577,983
		<hr/> <hr/>	<hr/> <hr/>
Net current liabilities		(162,668)	(219,825)
		<hr/> <hr/>	<hr/> <hr/>
Total assets less current liabilities		6,067,827	5,922,110
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 7 to 27 form an integral part of these condensed interim financial information.

TSINGTAO BREWERY COMPANY LIMITED
CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Note	Six months ended 30 June	
		2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Sales	4	6,833,519	5,767,651
Cost of goods sold	18	(4,688,514)	(3,963,369)
Gross profit		2,145,005	1,804,282
Other gains (net)		47,520	42,345
Selling and marketing costs	17	(1,336,273)	(1,066,409)
Administrative expenses	18	(270,816)	(372,563)
Other operating loss	18	(40,232)	(35,103)
Operating profit		545,204	372,552
Finance costs	19	(11,416)	(16,020)
Share of gain/(loss) of associates		404	(575)
Profit before income tax		534,192	355,957
Income tax expense	20	(151,252)	(112,978)
Profit for the half-year		382,940	242,979
Attributable to:			
— Shareholders of the Company		347,573	212,743
— Minority interests		35,367	30,236
		382,940	242,979
Earnings per share for profit attributable to the Shareholders of the Company during the period (expressed in RMB per share)		RMB per share	RMB per share
— Basic and diluted	21	0.266	0.163
Dividends	22	287,808	209,315

The notes on pages 7 to 27 form an integral part of these condensed interim financial information.

TSINGTAO BREWERY COMPANY LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

(Unaudited)

	Attributable to shareholders of the Company						Total equity
	Share capital	Other reserves (Note 12)	Proposed Final dividends	(Accumulated	Total	Minority interests	
				Retained earnings			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2006, as previously reported	1,308,219	3,673,572	209,315	(234,716)	4,956,390	576,686	5,533,076
Opening adjustments for the accounting policy change (note 3)	—	(209,576)	—	209,576	—	—	—
Balance at 1 January 2006, as restated	1,308,219	3,463,996	209,315	(25,140)	4,956,390	576,686	5,533,076
Adjustments to appropriations	—	37,492	—	(37,492)	—	—	—
Dividends declared	—	—	(209,315)	—	(209,315)	(53,541)	(262,856)
Profit for the period	—	—	—	212,743	212,743	30,236	242,979
Translation difference	—	720	—	—	720	—	720
Others	—	—	—	—	—	(647)	(647)
Balance at 30 June 2006, as restated	1,308,219	3,502,208	—	150,111	4,960,538	552,734	5,513,272
Balance at 1 January 2007, as previously reported	1,308,219	3,796,626	287,808	(145,224)	5,247,429	452,294	5,699,723
Opening adjustments for the accounting policy change (note 3)	—	(236,203)	—	236,203	—	—	—
Balance at 1 January 2007, as restated	1,308,219	3,560,423	287,808	90,979	5,247,429	452,294	5,699,723
Adjustments to appropriations	—	43,287	—	(43,287)	—	—	—
Dividends declared	—	—	(287,808)	—	(287,808)	(29,009)	(316,817)
Profit for the period	—	—	—	347,573	347,573	35,367	382,940
Capital contribution from minority shareholders	—	—	—	—	—	15,703	15,703
Translation difference	—	1,013	—	—	1,013	—	1,013
Others	—	—	—	—	—	862	862
Balance at 30 June 2007	1,308,219	3,604,723	—	395,265	5,308,207	475,217	5,783,424

The notes on pages 7 to 27 form an integral part of these condensed interim financial information.

TSINGTAO BREWERY COMPANY LIMITED
CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Six months ended 30 June	
	2007	2006
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Cash flows from operating activities		
Cash generated from operations	1,484,621	1,384,669
Income tax paid	(112,587)	(126,369)
Interest received	9,440	8,630
Cash generated from operating activities — net	1,381,474	1,266,930
Cash flows from investing activities		
Purchase of property, plant and equipment, construction-in-progress and intangible assets	(385,969)	(350,018)
Proceeds from sales of property, plant and equipment	8,826	4,545
Proceeds from sales of leasehold land and land use rights	12,000	—
Decrease/(increase) in short-term bank deposits and pledged bank deposits	(1,861)	52,479
Dividend received	—	4,915
Cash received/(paid) from derivative financial instruments	(75)	2,987
Cash flows from investing activities — net	(367,079)	(285,092)
	1,014,395	981,838
Cash flows from financing activities		
Proceeds from borrowings	318,947	231,142
Repayment of borrowings	(236,877)	(428,905)
Contribution from minority shareholders	—	15,703
Interest paid	(17,169)	(22,571)
Dividends paid to minority shareholders	(28,432)	(54,321)
Cash flows from financing activities — net	36,469	(258,952)
Net increase in cash and cash equivalents	1,050,864	722,886
Cash and cash equivalents at the start of period	1,213,243	1,248,291
Exchange (losses)/gains on cash and cash equivalents	(1,529)	889
Cash and cash equivalents at the end of period	2,262,578	1,972,066

The notes on pages 7 to 27 form an integral part of these condensed interim financial information.

TSINGTAO BREWERY COMPANY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. GENERAL INFORMATION

Tsingtao Brewery Company Limited (the “Company”) was established in the People’s Republic of China (the “PRC”) on 16 June 1993. It obtained a business license as a Sino-foreign joint stock company on 27 December 1995. Its H shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 15 July 1993 and its A shares have been listed on the Shanghai Stock Exchange since 27 August 1993.

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the production and distribution of beer products. The Company’s registered address is Tsingtao Beer Tower, May Fourth Square, Hong Kong Zhong Road, Qingdao, the PRC.

These condensed consolidated financial information was approved for issue by the Board of Directors on 27 August 2007.

The English names of some of the companies referred to in the financial statements represent unofficial translation of their registered Chinese names by management and these English names have not been legally adopted by these entities.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2007 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006 as described in the annual financial statements for the year ended 31 December 2006, except the accounting policy for the determination of the surplus reserve in consolidated balance sheet and statement of changes in equity as disclosed below:

During the period ended 30 June 2007, the Group changed its policy for reserve appropriation that share of profits from subsidiaries after reserve appropriations would not be subject to reserve appropriation at Company level. As a result of such change, the Group restated its reserve balances of prior years retroactively.

The effect of such change in current period is shown below:

	As at 30 June 2007 RMB’000 (Unaudited)
Increase in retained earnings brought forward	236,203
Decrease in surplus reserve	(236,203)
	<u>236,203</u>

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2007.

- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group has followed the requirements of this interpretation note.

3. ACCOUNTING POLICIES (CONT'D)

- HKFRS 7, “Financial instruments: Disclosures”, effective for annual periods beginning on or after 1 January 2007. HKAS 1, “Amendments to capital disclosures”, effect for annual periods beginning on or after 1 January 2007. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1.

The following interpretations have been published that are mandatory for financial year ending 31 December 2007 but are not relevant to the Group’s operations:

- HK(IFRIC)-Int 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1 May 2006). HK(IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments — where the identifiable consideration received is less than the fair value of the equity instruments issued — to establish whether or not they fall within the scope of HKFRS 2. Management do not expect this interpretation to have any impact on the Group;
- HK(IFRIC)-Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). HK(IFRIC)-Int 7 provides guidance on how to apply requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional Currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC)-Int 7 is not relevant to the Group’s operations; and
- HK(IFRIC)-Int 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006). HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment if required. As none of the group entities have changed the terms of their contracts, HK(IFRIC)-Int 9 is not relevant to the Group’s operations.

The following new standards, amendment to the standards and interpretation have been issued but are not effective for 2007 and have not been early adopted:

- HK(IFRIC)-Int 11 — IFRS2, Group and Treasury Share Transaction (effective for annual periods beginning on or after 1 March 2007). IFRIC-Int 11 provides guidance on the how to apply requirements of IFRS 2 when involving the equity instruments of the parent or subsidiaries and when involving the purchase of the entity’s own equity instrument from third parties. HK(IFRIC)-Int 11 does not have material impact on the Group’s operation;
- HK(IFRIC)-Int 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008) which gives guidance on the accounting by operation for public-to-private service concession arrangement. As the Group does not engage into such operations, HK(IFRIC)-Int 12 is not relevant to the Group’s operation;
- HKFRS8, Operating Segments (effective for annual periods beginning on or after 1 January 2009) supersedes HKAS 14, Segment Reporting and requires the reporting of financial and descriptive information about an entity’s reportable segments on the basis of internal reports that are regularly reviewed by its management. The Group is still in the process to assess the impact of HKFRS 8. The Group will apply HKFRS 8 from 1 January 2009; and
- Amendment to HKAS 23, “Borrowing costs” (effective for annual periods beginning on or after 1 January 2009). The revised HKAS 23 requires management to capitalize borrowing costs attributable to qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use or sale. The Group is still in the process to assess the impact of HKAS 23, however currently the directors are of the view that the revised HKAS 23 will not have material impact to the Group as the Group has already adopted the alternative approach under existing HKAS 23 which is similar to the revised HKAS 23. The group will apply HKAS 23 from 1 January 2009.

4. SEGMENT INFORMATION

(a) Primary reporting format — geographical segment

The Group's operating activities are mainly conducted in the PRC. An analysis by geographical segment is as follows:

	(Unaudited)						
	Six months ended 30 June 2007						
	Qingdao Region <i>RMB'000</i>	Other Shandong Regions <i>RMB'000</i>	Huabei Region <i>RMB'000</i>	Huanan Region <i>RMB'000</i>	Overseas <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
	<i>(Note a)</i>						
Turnover							
External sales	2,686,654	531,298	1,429,490	2,010,281	175,796	—	6,833,519
Inter-segment sales	86,749	559,190	97,380	21,239	78,668	(843,226)	—
	<u>2,773,403</u>	<u>1,090,488</u>	<u>1,526,870</u>	<u>2,031,520</u>	<u>254,464</u>	<u>(843,226)</u>	<u>6,833,519</u>
Results							
Segment results	<u>203,800</u>	<u>38,683</u>	<u>21,299</u>	<u>256,910</u>	<u>51,056</u>	<u>—</u>	<u>571,748</u>
Unallocated expenses, net							(26,544)
Operating profit							545,204
Finance costs							(11,416)
Share of loss of associates	404	—	—	—	—	—	404
Profit before income tax							534,192
Income tax expense							(151,252)
Profit for the half-year							<u>382,940</u>
Other information							
Depreciation	57,517	27,642	61,760	103,825	352	—	251,096
Amortisation	1,646	1,478	4,262	3,355	219	—	10,960
Property, plant and equipment impairment losses	—	—	50,000	206	—	—	50,206

4. SEGMENT INFORMATION (CONT'D)

(a) Primary reporting format — geographical segment (Cont'd)

	(Unaudited)						Consolidated
	Six months ended 30 June 2006						
	Qingdao Region <i>RMB'000</i>	Other Shandong Regions <i>RMB'000</i>	Huabei Region <i>RMB'000</i>	Huanan Region <i>RMB'000</i>	Overseas <i>RMB'000</i> <i>(Note a)</i>	Eliminations <i>RMB'000</i>	<i>RMB'000</i>
Turnover							
External sales	2,009,333	537,198	1,435,848	1,634,137	151,135	—	5,767,651
Inter-segment sales	77,854	342,315	51,358	18,289	—	(489,816)	—
	<u>2,087,187</u>	<u>879,513</u>	<u>1,487,206</u>	<u>1,652,426</u>	<u>151,135</u>	<u>(489,816)</u>	<u>5,767,651</u>
Results							
Segment results	<u>239,611</u>	<u>13,923</u>	<u>52,845</u>	<u>99,668</u>	<u>42,027</u>	<u>—</u>	<u>448,074</u>
Unallocated expenses, net							(75,522)
Operating profit							372,552
Finance costs							(16,020)
Share of losses of associates	(575)	—	—	—	—	—	(575)
Profit before income tax							355,957
Income tax expense							(112,978)
Profit for the half-year							<u>242,979</u>
Other information							
Depreciation	37,836	38,903	54,552	118,400	340	—	250,031
Amortisation	2,825	1,583	3,757	5,186	—	—	13,351
Property, plant and equipment impairment losses	<u>5,260</u>	<u>16,525</u>	<u>14,442</u>	<u>21,496</u>	<u>—</u>	<u>—</u>	<u>57,723</u>

4. SEGMENT INFORMATION (CONT'D)

(a) Primary reporting format — geographical segment (Cont'd)

(Unaudited)							
As at 30 June 2007							
	Qingdao Region <i>RMB'000</i>	Other Shandong Regions <i>RMB'000</i>	Huabei Region <i>RMB'000</i>	Huanan Region <i>RMB'000</i>	Overseas <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
<i>(Note a)</i>							
Assets							
Segment assets	6,170,454	1,507,427	2,395,994	5,122,698	—	(5,424,834)	9,771,739
Interests in associates	33,842	—	—	—	—	—	33,842
Unallocated assets							<u>1,159,482</u>
							<u>10,965,063</u>
Liabilities							
Segment liabilities	1,140,701	355,801	782,161	2,576,777	—	(1,340,652)	3,514,788
Unallocated liabilities							<u>1,666,851</u>
							<u>5,181,639</u>
Capital expenditure	<u>83,162</u>	<u>200,181</u>	<u>69,195</u>	<u>134,198</u>	<u>563</u>	<u>—</u>	<u>487,299</u>
As at 31 Dec 2006							
	Qingdao Region <i>RMB'000</i>	Other Shandong Regions <i>RMB'000</i>	Huabei Region <i>RMB'000</i>	Huanan Region <i>RMB'000</i>	Overseas <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
<i>(Note a)</i>							
Assets							
Segment assets	5,812,330	1,696,896	2,226,120	5,116,957	—	(6,224,860)	8,627,443
Interests in associates	18,576	—	—	—	—	—	18,576
Unallocated assets							<u>931,964</u>
							<u>9,577,983</u>
Liabilities							
Segment liabilities	703,127	712,130	793,028	2,579,692	—	(1,964,206)	2,823,771
Unallocated liabilities							<u>1,054,489</u>
							<u>3,878,260</u>
Capital expenditure							
— for the six months ended							
30 June 2006	<u>68,711</u>	<u>17,087</u>	<u>217,059</u>	<u>51,462</u>	<u>1,257</u>	<u>—</u>	<u>355,576</u>

Note a: The segment represents sales of goods to regions (including Hong Kong) out of the PRC through the Group's overseas subsidiary or the Group's PRC branches and subsidiaries established for overseas sales. Separable segment assets and liabilities are insignificant to the Group as a whole.

(b) Secondary reporting format — business segment

The Group is mainly engaged in the production and distribution of beer products. Accordingly, no analysis of business segment information is provided.

5. CAPITAL EXPENDITURE

	Tangible and intangible assets <i>RMB'000</i> (Unaudited)
Six months ended 30 June 2006	
Opening net book amount at 1 January 2006	6,303,649
Additions	355,576
Disposals	(20,366)
Depreciation and amortisation	(263,382)
Impairment	(57,723)
	<u>6,317,754</u>
Closing net book amount at 30 June 2006	
Six months ended 30 June 2007	
Opening net book amount at 1 January 2007	6,007,846
Additions	487,299
Disposals	(78,093)
Depreciation and amortisation	(262,056)
Impairment	(58,207)
	<u>6,096,789</u>
Closing net book amount at 30 June 2007	

6. LEASEHOLD LAND AND LAND USE RIGHTS

	As at	
	30 June 2007 <i>RMB'000</i> (Unaudited)	31 December 2006 <i>RMB'000</i>
Opening	676,759	660,197
Additions	194	40,876
Amortisation	(8,353)	(22,438)
Disposals	(1,740)	(1,876)
	<u>666,860</u>	<u>676,759</u>

As at 30 June 2007, the operating facilities of certain subsidiaries of the Group were located on parcels of allocated land ("Allocated Lands") owned by certain local municipal governments. The carrying values of the associated buildings and facilities constructed thereon were approximately RMB96,155,000 (31 December 2006: RMB97,945,000). The Company's directors consider that there is no significant adverse impact on the operations of the Group and accordingly, no provision for impairment loss is considered necessary.

7. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment are as follows:

	Plant and buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Construction -in-progress RMB'000	Total RMB'000
At 1 January 2006						
Cost	2,841,258	5,454,156	396,518	283,916	107,016	9,082,864
Accumulated depreciation and impairment	(706,968)	(2,703,301)	(224,926)	(183,705)	—	(3,818,900)
Net book amount	<u>2,134,290</u>	<u>2,750,855</u>	<u>171,592</u>	<u>100,211</u>	<u>107,016</u>	<u>5,263,964</u>
Year ended 31 December 2006						
Opening net book amount	2,134,290	2,750,855	171,592	100,211	107,016	5,263,964
Additions	46,734	100,314	20,265	23,734	350,445	541,492
Transfers	31,117	195,098	883	1,942	(229,040)	—
Disposals	(10,158)	(13,247)	(4,991)	(1,198)	—	(29,594)
Depreciation	(76,087)	(366,719)	(32,738)	(38,036)	—	(513,580)
Impairment charges	(33,494)	(125,508)	(4,686)	—	—	(163,688)
Closing net book amount	<u>2,092,402</u>	<u>2,540,793</u>	<u>150,325</u>	<u>86,653</u>	<u>228,421</u>	<u>5,098,594</u>
At 31 December 2006						
Cost	2,907,372	5,675,937	395,100	298,462	228,421	9,505,292
Accumulated depreciation and impairment	(814,970)	(3,135,144)	(244,775)	(211,809)	—	(4,406,698)
Net book amount	<u>2,092,402</u>	<u>2,540,793</u>	<u>150,325</u>	<u>86,653</u>	<u>228,421</u>	<u>5,098,594</u>
At 1 January 2007						
Opening net book amount	2,092,402	2,540,793	150,325	86,653	228,421	5,098,594
Additions (Unaudited)	23,246	46,612	16,336	15,157	382,961	484,312
Transfers (Unaudited)	47,721	126,523	2,636	8,357	(185,237)	—
Disposals (Unaudited)	(18,547)	(9,856)	(1,975)	(26)	(45,949)	(76,353)
Depreciation (Unaudited)	(38,910)	(179,291)	(15,451)	(17,445)	—	(251,097)
Impairment charges (note a) (Unaudited)	—	(50,204)	—	(2)	—	(50,206)
Closing net book amount (Unaudited)	<u>2,105,912</u>	<u>2,474,577</u>	<u>151,871</u>	<u>92,694</u>	<u>380,196</u>	<u>5,205,250</u>
At 30 June 2007						
Cost (Unaudited)	2,969,478	5,783,574	400,859	315,398	380,196	9,849,505
Accumulated depreciation and impairment (Unaudited)	(863,566)	(3,308,997)	(248,988)	(222,704)	—	(4,644,255)
Net book amount (Unaudited)	<u>2,105,912</u>	<u>2,474,577</u>	<u>151,871</u>	<u>92,694</u>	<u>380,196</u>	<u>5,205,250</u>

As at 30 June 2007, approximately RMB39,586,000 (31 December 2006: RMB35,800,000) of machinery had been pledged as security for RMB20,000,000 bank loans of the Group (31 December 2006: RMB16,000,000) (Note 13).

As at 30 June 2007, ownership certificates of certain buildings (“Building Ownership Certificates”) for certain buildings of the Group with respective carrying values of approximately RMB272,152,000 (31 December 2006: RMB296,443,000) had not yet been obtained. After consultation made with the Company’s legal adviser, the Company’s directors consider that there is no legal restriction for the Group to apply for and obtain the Buildings Ownership Certificates and Land Certificate and there will not be any significant adverse impact on the operations of the Group. Accordingly, no provision for fixed assets impairment is considered necessary.

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Machinery includes the following amounts where the Group is a lessee under a finance lease:

	As at	
	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000
Cost — capitalised finance leases	12,823	—
Accumulated depreciation	(73)	—
Net book amount	<u>12,750</u>	<u>—</u>

The Group has entered into lease arrangements for the machinery which have substantially transferred all the risks and rewards of ownership of these equipment to the Group. Accordingly, the lease is classified as a finance lease and it was capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Note a: The directors of the Company performed impairment assessment on the carrying value of certain fixed assets of the Group with impairment indicators as at 30 June 2007. As a result of such an assessment, an impairment loss of approximately RMB50,000,000 relating to fixed assets of one of the subsidiaries of the Company, Tsingtao Brewery (Gansu) Nongken Company Limited which operates in an un-mature economy environment, had been recognised due to the decrease in market demand of the products.

8. INTANGIBLE ASSETS

The movements in intangible assets are as follows:

	Goodwill RMB'000	Trademarks (i) RMB'000	Technology know-how (ii) RMB'000	Software and Others RMB'000	Total RMB'000
At 1 January 2006					
Cost	320,228	107,778	18,629	37,886	484,521
Accumulated amortisation	(46,350)	(36,763)	(12,442)	(9,478)	(105,033)
Net book amount	273,878	71,015	6,187	28,408	379,488
Year ended 31 December 2006					
Opening net book amount	273,878	71,015	6,187	28,408	379,488
Additions	—	7,314	—	4,136	11,450
Amortisation	—	(2,914)	(1,863)	(2,607)	(7,384)
Impairment charge	(151,061)	—	—	—	(151,061)
Closing net book amount	122,817	75,415	4,324	29,937	232,493
At December 2006					
Cost	320,228	115,092	18,629	42,022	495,971
Accumulated amortisation	(197,411)	(39,677)	(14,305)	(12,085)	(263,478)
Net book amount	122,817	75,415	4,324	29,937	232,493
Six months ended 30 June 2007					
Opening net book amount	122,817	75,415	4,324	29,937	232,493
Additions (Unaudited)	—	—	—	2,793	2,793
Amortisation (Unaudited)	—	(207)	(931)	(1,468)	(2,606)
Impairment charge (Unaudited)	—	(8,001)	—	—	(8,001)
Closing net book amount (Unaudited)	122,817	67,207	3,393	31,262	224,679
At 30 June 2007					
Cost (Unaudited)	320,228	107,091	18,629	44,815	490,763
Accumulated amortisation and impairment loss (Unaudited)	(197,411)	(39,884)	(15,236)	(13,553)	(266,084)
Net book amount (Unaudited)	122,817	67,207	3,393	31,262	224,679

(i) Trademarks

Trademarks mainly include the “TSINGTAO BEER” trademark which was injected by the founding shareholders into the Company on 16 June 1993 as their capital contributions. The recorded value of the trademark was assessed based on the results of a valuation approved by the State-Owned Assets Administration Bureau of the PRC.

Before 31 December 2006, the trademark has been amortised over a period of 40 years which was its registration period with the State Administration for Industry & Commerce (“SAIC”).

During the period, the directors undertook a review of the estimated useful life of the trademark according to the Group’s accounting policy. After taking into consideration various factors including the Group’s long-term business strategy, the economic benefits that the trademark can bring to the Group, and the lack of any foreseeable legal limitation imposed on the period over which the asset can generate cash inflows to the Group (the renewal of the registration with SAIC upon expiry will be certain at minimum cost), the directors conclude that the trademark has indefinite useful life. Accordingly, it is not subject to amortisation from the beginning of current period but it will be subject to annual impairment assessment. This change in accounting estimate has increased the profit before the tax of the Group for the six months ended 30 June 2007 by approximately RMB1,250,000.

8. INTANGIBLE ASSETS (CONT'D)

(i) Trademarks (Cont'd)

Other trademarks were acquired as a result of acquisitions of certain subsidiaries. They are amortised over their estimated useful lives ranging from 5 to 10 years. The costs of these intangible assets were recognised according to their fair value at the respective dates of acquisition.

(ii) Technology known-how

Technology know-how was injected by a minority shareholder of a subsidiary into that subsidiary during its re-organisation. It was recorded at a value agreed among all the shareholders of that subsidiary and is amortised over an expected period of inflow of economic benefits of 10 years.

9. INVENTORIES

	As at	
	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000
Raw materials, packaging materials and auxiliary materials	1,430,772	1,356,430
Work-in-progress	231,225	198,506
Finished goods	185,143	139,070
	<u>1,847,140</u>	<u>1,694,006</u>
<i>Less: Write-down of inventories to net realisable value</i>	<u>(55,325)</u>	<u>(52,687)</u>
Inventories, net	<u><u>1,791,815</u></u>	<u><u>1,641,319</u></u>

The Group reversed approximately RMB3,146,000 of inventory provision set up in previous years during the period. The reversal has been included as a reduction of cost of goods sold in the income statement.

10. TRADE RECEIVABLES

	As at	
	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000
Trade receivables — third parties	303,718	268,184
Receivables from related parties	35,321	83,530
	<u>339,039</u>	<u>351,714</u>
<i>Less: provision for impairment of receivables</i>	<u>(238,937)</u>	<u>(250,534)</u>
	<u><u>100,102</u></u>	<u><u>101,180</u></u>

10. TRADE RECEIVABLES (CONT'D)

The aging analysis of trade receivables is as follows:

	30 June 2007			31 December 2006		
	Provision for		Balance after provision	Provision for		Balance after provision
	Amount	bad debts		Amount	bad debts	
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	(Unaudited)			
Less than 1 year	107,042	(9,286)	97,756	99,349	(2,743)	96,606
1 to less than 2 years	2,146	(1,328)	818	3,338	(2,021)	1,317
2 to less than 3 years	10,625	(10,367)	258	10,578	(10,346)	232
Over 3 years	219,226	(217,956)	1,270	238,449	(235,424)	3,025
Total	<u>339,039</u>	<u>(238,937)</u>	<u>100,102</u>	<u>351,714</u>	<u>(250,534)</u>	<u>101,180</u>

The majority of the Group's domestic sales are transacted at cash on delivery terms. For export sales outside of the PRC, they are mainly covered by letter of credit. Credit is only granted to customers with good credit history. There is no concentration of credit risk with respect to the trade receivable balances since the Group has a large number of customers which are nationally dispersed.

The net book value of accounts receivable approximates its fair value as at 30 June 2007.

The Group makes specific bad debt provision against the doubtful trade receivable balances which are determined based on the credit history of the customers and the evidence of whether a portion or the full amount of the outstanding balance is uncollectible.

11. SHARE CAPITAL

As at 30 June 2007, the authorised registered share capital was RMB1,308,219,178 (31 December 2006: RMB1,308,219,178) of RMB1 each.

	30 June 2007		31 December 2006	
	<i>RMB'000</i>	Number of <i>shares('000)</i>	<i>RMB'000</i>	Number of <i>shares('000)</i>
PRC public shares subject to restriction (a)	417,395	417,395	417,395	417,395
PRC public shares ("A Shares")	235,755	235,755	235,755	235,755
Overseas public shares ("H Shares")	655,069	655,069	655,069	655,069
	<u>1,308,219</u>	<u>1,308,219</u>	<u>1,308,219</u>	<u>1,308,219</u>

As at 30 June 2007, all issued share capital had been fully paid up.

- (a) According to the shareholding restructuring scheme approved in an A shares shareholders meeting in October 2006, the shareholders of the State shares and PRC legal person shares (collectively defined as the "Non Public Shares") offered to the A share shareholders 35,755,495 shares of their shares and a cash consideration of RMB48,000,000 in return for the conversion of the Non Public Shares into A shares, subject to certain disposal restrictions imposed that the shareholders of the Non Public Shares shareholders will not sell the shares which gain liquidity within a period of five years. In addition, the Non Public Shares shareholders, being the Principal Shareholders of the Company, also undertake to appropriate 70% of the available profit of the Company as dividends for a period of 3 years.

Following the completion of the above transactions, Qingdao State Assets Supervision and Administration Committee transferred its equity interests held in the Company to its wholly owned subsidiary, Tsingtao Beer Group Company ("TB Group Company") and TB Group Company became the substantial shareholder of the Company.

12. OTHER RESERVES

	(Unaudited)					
	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Surplus reserve <i>RMB'000</i> <i>Note (a)</i>	Public welfare fund <i>RMB'000</i>	Cumulative translation adjustments <i>RMB'000</i>	Other reserves <i>RMB'000</i>
Balance at 1 January 2006, as previously reported	3,058,231	17,252	329,147	269,923	(981)	3,673,572
Opening adjustments for the accounting policy change (<i>note 3</i>)	—	—	(209,576)	—	—	(209,576)
Balance at 1 January 2006, as restated	3,058,231	17,252	119,571	269,923	(981)	3,463,996
Adjustments to appropriations	—	—	37,492	—	—	37,492
Transfer (Unaudited)	—	—	269,923	(269,923)	—	—
Translation difference (Unaudited)	—	—	—	—	720	720
Balance at 30 June 2006 (Restated)	3,058,231	17,252	426,986	—	(261)	3,502,208
Balance at 1 January 2007, as previously reported	3,058,231	65,753	669,637	—	3,005	3,796,626
Opening adjustments for the accounting policy change (<i>note 3</i>)	—	—	(236,203)	—	—	(236,203)
Balance at 1 January 2007, as restated	3,058,231	65,753	433,434	—	3,005	3,560,423
Adjustments to appropriations	—	—	43,287	—	—	43,287
Translation difference (Unaudited)	—	—	—	—	1,013	1,013
Balance at 30 June 2007 (Unaudited)	3,058,231	65,753	476,721	—	4,018	3,604,723

Note:

(a) Surplus reserve

According to the Articles of Association of the Company and the Company Law of PRC, the Company has to set aside 10% of its net profit as determined in accordance with the PRC accounting standards and regulations until the reserve balance has reached 50% of the paid-up share capital of the Company. This reserve is not distributable as cash dividends.

On 1 January 2007, the Company adopted the “Accounting Standards for Business Enterprise (2006)” of PRC (“CAS”), with retrospective application in its statutory accounts and the Directors made an additional surplus reserve of approximately RMB43,287,000 as a result.

13. BORROWINGS

	30 June 2007			31 December 2006		
	Short-term bank loans RMB'000 (Unaudited)	Long-term bank loans RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Short-term bank loans RMB'000	Long-term bank loans RMB'000	Total RMB'000
Bank loans						
Repayable:						
— Within 1 year	621,470	1,882	623,352	599,745	2,164	601,909
— Between 2 and 5 years	—	90,708	90,708	—	40,725	40,725
— Over 5 years	—	12,506	12,506	—	12,534	12,534
	<u>621,470</u>	<u>105,096</u>	<u>726,566</u>	<u>599,745</u>	<u>55,423</u>	<u>655,168</u>
Less: Portion due within 1 year	(621,470)	(1,882)	(623,352)	(599,745)	(2,164)	(601,909)
Long-term portion	<u>—</u>	<u>103,214</u>	<u>103,214</u>	<u>—</u>	<u>53,259</u>	<u>53,259</u>

As at 30 June 2007, loans of the Group amounting to approximately RMB15,386,000 and RMB7,710,000 were guaranteed by the Beijing Development and Reform Committee and Bank of China, Beijing branch, respectively.

As at 30 June 2007, approximately RMB1,000,000 (31 December 2006: RMB1,000,000) of the loans of the subsidiaries were guaranteed by the Company.

As at 30 June 2007, approximately RMB20,000,000 (31 December 2006: RMB16,000,000) of the Group's loans were secured by machinery with an aggregate carrying value of approximately RMB39,586,000 (31 December 2006: RMB35,800,000).

The carrying amounts of the borrowings are denominated in the following currencies:

	As at	
	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000
RMB	259,540	200,108
Hong Kong dollar	63,080	41,202
US dollar	380,890	390,435
Euro	15,362	15,411
Danish Krone	7,694	8,012
	<u>726,566</u>	<u>655,168</u>

All the loans of the Group are subject to the market interest rate changes except the loans dominated in Danish Krone and Euro which are interest free.

The effective interest rates at the balance sheet date for the loans dominated in RMB, HK\$ and US\$ were 6.76%, 4.88% and 6.17% per annum, respectively. The directors consider that the carrying amount of these borrowings approximate their respective fair value as at 30 June 2007.

As of 30 June 2007, the Group had aggregate unutilised short term loan facilities of approximately RMB2,100,000,000 (31 December 2006: RMB2,100,000,000). All are expiring within a year with floating interest rates to be charged on the amount to be drawn down.

14. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2007	
	Assets	Liabilities
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Forward foreign exchange contracts - ineffective hedges	—	6,265

In the opinion of directors, the forward contracts are non-speculative in nature and they are used as hedges against the Company's outstanding bank loan balances denominated in US dollars. However, as these instruments are not qualified for hedging accounting under the requirements of HKAS 39, they were recognised at fair value and the fair value change of approximately RMB2,516,000 relating to contracts held and remained at open position as at 30 June 2007 were charged to the income statement as Other gains/loss during the period.

15. TRADE PAYABLES

	As at	
	30 June	31 December
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	
Trade payables	988,970	794,675

The ageing analysis of trade payables (including amounts due to related parties) is as follows:

	As at	
	30 June	31 December
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	
Less than 1 year	964,450	725,458
1 to less than 2 years	913	49,666
2 to less than 3 years	15,513	9,917
Over 3 years (<i>note 25(b)(iii)</i>)	8,094	9,634
	988,970	794,675

16. BILLS PAYABLE

All the bills payable balances of the Group as at 30 June 2007 are of maturity within six months. Approximately RMB18,247,000 (31 December 2006: RMB16,391,000) of the bank deposits of the Group denominated in Renminbi had been pledged for the issuance of these bills, and approximately RMB123,949,000 (31 December 2006: RMB110,850,000) bills issued by the subsidiaries as at 30 June 2007 were guaranteed by the Company.

17. OTHER GAINS — NET

	Six months ended 30 June	
	2007 <i>RMB'000</i> (Unaudited)	2006 <i>RMB'000</i> (Unaudited)
Derivative instruments:		
— foreign exchange forward contracts: transactions not qualifying for hedge accounting	(2,516)	5,139
— realised gain on foreign exchange forward contracts	(75)	2,897
Interest income	9,440	8,630
Government grants*	40,671	25,679
	47,520	42,345

* In connection with the acquisitions of certain subsidiaries of the Group in prior years, the Group entered into various agreements with the relevant municipal governments that these subsidiaries could enjoy certain financial incentives granted by the governments, mainly including financial subsidies determined with reference to the amounts of taxes paid by these subsidiaries.

18. EXPENSES BY NATURE

Expenses included in cost of goods sold, selling and marketing costs and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2007 <i>RMB'000</i> (Unaudited)	2006 <i>RMB'000</i> (Unaudited)
Changes in inventories of finished goods and work in progress	(82,838)	(74,984)
Raw materials and consumables used	3,111,569	2,488,433
Employee benefit expenses	534,298	465,508
Depreciation, amortisation and impairment charges	320,263	321,105
Transportation expenses	208,110	261,690
Advertising costs	248,040	131,234
Utilities	255,340	236,890
Other expenses	1,751,027	1,572,465
Total cost of sales, distribution costs and administrative expenses	6,345,809	5,402,341

19. FINANCE COSTS

	Six months ended 30 June	
	2007 <i>RMB'000</i> (Unaudited)	2006 <i>RMB'000</i> (Unaudited)
Interest on bank loans	20,825	22,571
Net foreign exchange translation gains	(9,409)	(6,551)
	11,416	16,020

20. TAXATION

(a) Income tax expense

	Six months ended 30 June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Current income tax		
— Hong Kong income tax (i)	3,773	1,995
— PRC enterprise income tax (ii)	147,541	123,294
Deferred income tax	(62)	(12,311)
	<u>151,252</u>	<u>112,978</u>

(i) Hong Kong income tax

Hong Kong income tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year.

(ii) PRC enterprise income tax ("EIT")

EIT is provided on the estimated assessable income of the year calculated in accordance with the relevant regulations of the PRC after considering all the available tax benefits from refunds and allowances.

In accordance with an approval document dated 18th April 1994 issued by the State Administration for Taxation ("SAT") of the PRC, net profit earned by the Company is subject to EIT at 15%, which is effective from the date of establishment of the Company and until there is further changes of the relevant laws and regulations. Accordingly, the Company applied 15% EIT rate in preparing the Interim Financial Statements.

Tsingtao Brewery (Xiamen) Company Limited ("Xiamen Company") was approved as enterprises with foreign investment and therefore, it is exempt from EIT for two years starting from the first year of profit-marking after offsetting prior year tax losses, followed by a 50% reduction for the next three consecutive years thereafter. 2007 is the fourth profitable year of Xiamen Company. Accordingly, EIT for Xiamen Company was provided at reduced rates of 7.5%.

Shenzhen Tsingtao Brewery Sales Company Limited, Shenzhen Tsingtao Beer Asahi Company Limited, Huanan Holding Company Limited, Tsingtao Brewery (Zhuhai) Company and Dongnan Sales Company Limited were established in Shenzhen, Zhuhai and Xiamen Special Economic Zones for the PRC where they conduct their operations. Accordingly, they are subject to EIT at a reduced rate of 15%.

Other subsidiaries of the Group which are established and operating in the PRC are subject to EIT at a standard rate of 33% based on their respective assessable income for the period.

On 16 March 2007, the 10th National Peoples Congress of PRC approved the PRC Corporate Income Tax Law ("CIT Law"), being effective on 1 January 2008. The CIT rate of the Company and those subsidiaries without tax preferential treatments will be changed to 25% from then onwards. Detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions for the tax preferential treatments will be issued by the State Council in due course under the new CIT Law. As and when the State Council announces the additional regulations, the Group will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively. In addition, on 5 July 2007, the Company became aware of a notice which was issued by State Administration of Tax ("SAT") in June 2007 (the "Notice") regarding the preferential tax treatment granted to nine state-owned enterprises listed on Hong Kong Stock Exchange in 1993 (including the Company). According to the Notice, the relevant local tax authorities are required to immediately rectify the expired preferential tax treatments adopted by the Company and take appropriate action on the differences of income taxes collected in prior years arising therefore in accordance with the applicable rules and provisions under the Law on Tax Collection and Administration of the PRC. As of the date of approval of these interim financial information, the tax authorities had not yet advised the Company their assessment results on the tax position of the Company. The income tax expense will increase and, the net profit for the period ended 30 June 2007 will decrease by approximately RMB73,289,000 if 33% of EIT rate is applied. Upon finalisation of the assessment with the tax authorities, the Company would make any necessary adjustments to this estimate.

20. TAXATION (CONT'D)

(b) Value-added tax (“VAT”)

According to “the People’s Republic of China Value-added Tax Temporary Regulations” (“VAT Regulations”), the Group is subject to output VAT calculated at 17% of the domestic sales value of tangible goods. In addition, it is subject to a refund of 13% on its export sales of products based on an “exempt, credit, refund” policy enacted. The Group also pays input VAT on its purchases of raw materials and auxiliary materials which is deductible against output VAT on its sales in order to arrive at the net VAT amount payable to the PRC government.

(c) Consumption tax

Beers production, manufacturing consignment and beer product importation activities undertaken by the Group are subject to consumption tax in the PRC. For beer with an ex-factory price (including packaging materials and related deposits) of RMB3,000 or above per ton, the consumption tax is RMB250 per ton. For all other beer sold below that price, the consumption tax is levied at RMB220 per ton.

21. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the half-year, excluding ordinary shares purchased by the Company and held as treasury shares.

	Six months ended 30 June	
	2007 (Unaudited)	2006 (Unaudited)
Profit attributable to share holders of the Company (<i>RMB'000</i>)	348,436	212,743
Weighted average number of ordinary shares in issue (<i>thousands</i>)	1,308,219	1,308,219
Basic earnings per share (<i>RMB per share</i>)	0.266	0.163

The diluted earnings per share information was the same as basic for 2007 and 2006 as there were no dilutive potential ordinary shares as of 30 June 2007 and 2006.

22. DIVIDENDS

During the period, a final dividend for 2006 amounting to RMB287,808,000 (dividends per share: RMB0.22) were approved in Annual General Meeting held on 8 June 2007. The Board of Directors do not recommend the payment of an interim dividend for the period (30 June 2006: nil).

23. CONTINGENCIES

- (a) Pursuant to certain policies for housing reform issued by the State Council and Qingdao Municipal Government in 1998, the policy of allocating staff quarters by the Company as welfare benefits of its employees was terminated. In replacement, qualified employees are to be compensated in the form of monetary housing subsidies. As at 30 June 2007, no formal plan had yet been developed by the Group and no plans had been announced by the Group to their employees in respect of the arrangements. After obtaining the relevant legal advice, the Company's board of directors is of the opinion that the Group had no obligation to make any payment or provision for such monetary housing subsidies as at 30 June 2007 and there is no reasonable basis to accrue for any potential liabilities.
- (b) As at 30 June 2007, the Group had provided guarantee of RMB15,000,000 in favor of an associate of the Group for its bank loans.

24. COMMITMENTS

(a) Capital and other commitments

The Group's commitments relation to construction of fixed assets and other activities which were contracted but not provided for are as follows:

<u>As at</u>	
30 June 2007	31 December 2006
<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)	
<u>1,154,221</u>	<u>981,819</u>

(b) Operating lease and other commitments

As at 30 June 2007, the Group had future aggregate minimum lease payments under non-cancelable operating leases of land and buildings as well as other commitments associated with its operating activities as follows:

<u>As at</u>	
30 June 2007	31 December 2006
<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)	
Not later than one year	
<u>3,248</u>	<u>343</u>

25. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one company has the ability, directly or indirectly, to control the other company or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) The following major transactions were carried out with related parties in the half-year:

	Six months ended 30 June	
	2007 <i>RMB'000</i> (Unaudited)	2006 <i>RMB'000</i> (Unaudited)
Purchases from related companies		
— Associates	45	146
— Tsingtao Beer Construction Co., Ltd. (“TBC”)	—	458
— Tsingtao Beer Advertising Co., Ltd.	67	—
	112	604
Sales to related companies		
— Associates	107,993	132,011
— Tsingtao Beer Industrial Co., Ltd.	—	2,465
— Tsingtao Beer Advertising Co., Ltd.	249	—
	108,242	134,476
Construction services provided to the Group		
— TBC	2,251	1,560
Logistics services provided to the Group (including paid on behalf)		
— Associates	132,345	78,355
Guarantee provided for the Group’s bank loans		
— Tsingtao Beer Group Company	—	4,344
Guarantee provided in favour of the Group’s receivables		
— Tsingtao Beer Group Company	—	35,893
Guarantee provided in favour of an associate of the Group		
— Tsingtao Beer and Asahi Beverage Co Ltd	24,000	24,000
Interest paid to		
— Tsingtao Beer Group Company	1,780	1,634

All the above transactions with related parties were carried out based on terms agreed between the Group and the related companies.

25. RELATED PARTY TRANSACTIONS (CONT'D)

- (b) As at 30 June 2007, the Group had the following significant current account balances maintained with related parties:

	30 June 2007	31 December 2006
	RMB'000	RMB'000
	(Unaudited)	
Included in:		
Trade receivable and other long-term assets accounts		
— Associates	64,984	89,738
— Other related parties	337	337
Deposits, prepayment and other receivables		
— Associates	2,970	5,052
— Other related parties	11,724	11,949
Other payables and long-term payables		
— Anheuser-Busch Companies, Inc (“A-B Company”) (i)	114,233	117,131
— Associates	3,005	378
— Other related parties	19,169	21,243
Sales deposits		
— Associates	147	307
Short-term loans from		
— Tsingtao Beer Group Company	65,000	65,000

- (i) In October 2003, a subsidiary of the Company, Tsingtao Brewery (Hong Kong) Trading Company Limited (“Hong Kong Company”) entered into a loan agreement with A-B Company that Hong Kong Company borrowed a loan of USD\$15,000,000 (equivalent to approximately RMB114,233,000) (the “Loan”) from A-B Company. The Loan is interest-bearing at 1% per annum, unsecured and repayable within 5 years. The Company has undertaken to guarantee the repayment of the Loan.
- (ii) As at 30 June 2007, the Company had extended advances and loans, amounting to approximately RMB2,522,923,000 (31 December 2006: RMB2,759,788,000) to subsidiaries through entrusted loan arrangement made with banks in the PRC.

Except for the balances mentioned in notes (i) and (ii) above, the Group’s current balances maintained with related parties are all unsecured, non-interest bearing and with no fixed repayment terms.

- (iii) The Group had reached a settlement agreement jointly with a customer and a related company (collectively “the Debtors”) in 2001 in connection with an aggregate outstanding receivable balance of RMB105,000,000 (the “Debts”) due from them. TB Group Company had also undertaken to guarantee the repayment of the outstanding balance.

In 2007, one of the Debtors determined to cease business and the outstanding debt due to the Company, as agreed by the Company, was settled through the transfer of equity interests in the debtor by its owner to the Company. The directors of the Company had made an assessment as to the recoverable amount of the Debts based on such arrangements and considered that appropriate impairment loss provision has made in the financial statements as at and for the year ended 31 December 2006. Due to the above changes, the Group also gave its consent for TB Group Company to withdraw its indemnity.

As at 30 June 2007, RMB71,140,120 has been collected in cash or recovered by the transfer of the equity interest as described above, and the remaining outstanding balance of approximately RMB33,900,000 had been fully provided for in prior years.

25. RELATED PARTY TRANSACTIONS (CONT'D)

(c) Key management compensation

	Six months ended 30 June	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Basic salaries, allowances and benefits-in-kind	1,704	1,605
Retirement fund contributions	140	121
	<u>1,844</u>	<u>1,726</u>

Key management personnel are those persons, in total 15 individuals, having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and other senior management.

TSINGTAO BREWERY COMPANY LIMITED
SUPPLEMENTARY INFORMATION

RECONCILIATION OF DIFFERENCES BETWEEN PRC GAAP AND HKFRS

The Group has prepared a separate set of financial information for the period ended 30 June 2007 in accordance with the “*Accounting Standards for Business Enterprise (2006)*” and relevant regulations (“PRC GAAP”) for shareholders of A shares of the Company.

Differences between PRC GAAP and HKFRS give rise to differences in the reported balances of assets, liabilities and net profit of the Group. The financial effects of the material differences between PRC GAAP and HKFRS are summarised and explained in the following table:

Impact on the consolidated net assets:

	As at	
	30 June 2007 (Unaudited)	31 December 2006
Net assets as per accounts prepared under PRC GAAP	5,308,207	5,228,197
HKFRS adjustments:		
Miscellaneous insignificant adjustments	—	19,232
Net assets attributable to the Company’s shareholders as per financial statements prepared under HKFRS	<u>5,308,207</u>	<u>5,247,429</u>

Impact on the consolidated net profit:

	Six months ended 30 June	
	2007 (Unaudited)	2006 (Unaudited)
Net profit under PRC GAAP	366,806	216,851
HKFRS adjustments:		
Additional depreciation charges arising from differences in accounting of assets valuation under PRC GAAP and HKFRS	(18,434)	(366)
Others	(799)	(3,742)
Profit attributable to shareholders of the Company under HKFRS	<u>347,573</u>	<u>212,743</u>

MANAGEMENT DISCUSSION AND ANALYSIS

1. REVIEW OF THE OPERATIONAL RESULTS IN THE FIRST HALF OF 2007

In the first half of 2007, the national beer market continued the trend of rapid growth with beer output reached 187.1 million hl, representing a y-o-y growth of 16.2%. During the reporting period, the accumulated beer sales volume of the Company reached 25.59 million hl, representing a y-o-y growth of 12.4%. Calculated in accordance with the Hong Kong Financial Reporting Standards, sales income reached RMB6,739 million, with a y-o-y growth of 16.9%; the profit attributable to shareholders was RMB348 million with a y-o-y growth of 63.4%. These continued to show a good development trend of increase in profit higher than that of sales income, and increase in sales income higher than that of sales volume.

In the first half of the year, the Company further continued to deepen its organizational reforms and to raise the collaborative ability of value chain under the Company's annual guidelines. The operation efficiency of the factory improved significantly and the major performance indicators realized rapid growth. Through carrying forward the strategic brand development of "1+3" (the main brand of Tsingtao Brewery plus three sub-brands), the Company continued to optimize its brand and product structures and digested the production pressure on the Company caused by rise in the prices of raw materials and packaging materials. The sales volume of the top four brands reached 19.04 million hl, representing a y-o-y growth of 24.6%. Among this, the main brand of Tsingtao Brewery recorded a sales volume of 9.09 million hl, representing a y-o-y growth of 17.9%. The adjustments and optimization of product structure enabled the continuous increase in the Company's revenue from kiloliter beer, realizing an increase of 3.9% in the first half of the year as compared to the same period last year.

The large scale television activity "Tsingtao Brewery And CCTV: Love The Country and Its Cities — Introducing the Famous Cities in China to the World" (青島啤酒CCTV傾國傾城最值得向世界介紹的中國名城) jointly organized by the Company and CCTV was launched in the first half of the year, taking Olympics travel as its main line and the participating cities as the platforms; the activity was aimed at continuously enhancing the value and market influence of the Tsingtao Brewery brand. At the same time, the Company proudly launched its first sport product "歡動" beer during the first half of the year. Built on the concepts of youth, fashion, energy and health and brewed with advanced brewing technology, the product features of low alcohol and low calorie. It is expected that it would become the new market growth point for the Company. The Company implemented a series of Olympics sales and promotional activities based on the marketing theme "Passion and Fervor of the Olympics" in the different regional markets. This further consolidated the international, authentic and classical image of Tsingtao Brewery, continuing to broaden its market influence.

2. MAJOR FINANCIAL ANALYSIS

Expenses for the Period

In the first half of 2007, the sales and marketing expenses of the Group were RMB1.336 billion, representing an increase of RMB270 million from RMB1.066 billion of the corresponding period last year, mainly representing the increase in advertisement expense for Olympic sales and brand promotion and the increased market investment in the reporting period.

In the first half of 2007, the administrative expenses of the Group were RMB271 million, representing a decrease of RMB102 million from RMB373 million of the corresponding period last year, mainly due to (1) hedge-back of the welfare expense balance of approximately RMB46 million during the reporting period; (2) crediting the social insurance expense which had been originally credited into the management expense into the items of relevant costs and sales costs during the reporting period, the affected amount was approximately RMB64 million. Taking off the effects of the above two factors, the administrative expenses in this reporting period was approximate to the corresponding period last year.

During the first half of 2007, the financial expenses of the Group were RMB11.42 million, representing a decrease of RMB4.6 million from RMB16.02 million as compared with the corresponding period last year, mainly due to the exchange gain arising from the appreciation of renminbi.

Liquidity of Assets

In the first half of 2007, the net cash inflow from the operating activities was RMB1.381 billion, representing an increase of RMB115 million as compared to the corresponding period last year. Among this, cash from sales was RMB7.837 billion, representing a growth of RMB764 million as compared with the corresponding period last year, mainly due to the growth in sales in the reporting period; cash payment for merchandizing and receiving workforce was RMB4.492 billion, representing an increase of RMB551 million over the corresponding period last year, mainly due to an increase of merchandizing productive materials caused by a growth in product sales during the reporting period.

Borrowings

In the first half of 2007, in relation to the need to construct plants by Tsingtao Brewery Yulin Company Limited, a subsidiary of the Group under establishment, three loans in the total amount of RMB50 million with a term of five years bearing an interest rate of 5.51% were borrowed from the Xian Lianhulu Branch, Construction Bank of China.

Investments

In the first half of 2007, the Company provided the entire capital of RMB150 million to establish Tsingtao Brewery (Chengdou) Company Limited and increased its funding in its wholly-owned subsidiary, Tsingtao Brewery (Jinan) Company Limited, to RMB120 million, adding its registered capital up to RMB200 million. The above project is expected to be completed and commence production in the first half of 2008 with an increase in annual production capacity of 4 million hl.

Material Acquisitions or Disposals

During the reporting period, there was no material acquisition or disposal of any of the Company's subsidiary and associated company.

Debt to Equity Ratio

As at 30 June 2007, the Group's debt to equity ratio was 1.91% (30 June 2006: 0.46%). The debt to equity ratio is calculated by: the aggregate amount of long term loans divided by the sum of the aggregate amount of long term loans and the interests attributable to the shareholders of the parent company.

Pledge of Assets

As at 30 June 2007, plants and equipment of the Group amounting to approximately RMB39.59 million (31 December 2006: RMB35.80 million) were pledged to secure bank loans of the Group in the amount of RMB20 million (31 December 2006: RMB16 million).

Exchange Risk

Since barley, the raw material used for the Group's major brand production currently, is to a great extent dependent on import, changes in exchange rate will indirectly affect the raw material price and in turn the Group's profitability.

Staff

As at 30 June 2007, the total number of staff was 28,067 persons.

The remuneration policy of the Company was established on the principles of "remuneration shall be determined with reference to position" and "incentive shall be determined with reference to performance", and was in line with market practice. The Company set a reasonable range of the amount of emoluments with reference to market rate and adopted such range in a flexible manner, provided suitable welfare package to its staff in accordance with the relevant laws and regulations of the State. It also focused on staff's progress and development. In addition, the Company provided necessary training to its staff according to the development of the company, the requirement of staff's duties and their personal career development. As at 30 June 2007, the Company did not establish any share option scheme.

Save as disclosed above, other material financial information in the reporting period are set out in notes to the financial statements. The Company did not have any other material changes required to be disclosed pursuant to rule 32 of Appendix 16 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* ("Listing Rules").

3. OUTLOOK FOR THE SECOND HALF OF THE YEAR

In the second half of 2007, the Company will carry through the working principles and foci laid out at the beginning of the year. It will continue to deepen its organizational reform efforts in order to realize the best optimization of collaboration between the Company's headquarters and regional sales companies, and to adjust the product structure continuously with the aim of offsetting the adverse impact of rising production costs. At the same time, it will concentrate its resources to facilitate breakthroughs in the regional markets to ensure the accomplishment of the whole-year operational objectives of the Company.

SIGNIFICANT EVENTS

1. Dividend

The Company will not distribute interim dividends for the 6 months ended on 30 June 2007 pursuant to the provisions in the articles of association of the Company.

2. The Company had not been involved in any material litigation or arbitration during the reporting period.

3. Under the "Entrusted Operation and Management Agreement" and the relevant supplementary agreements entered into between the Company and Tsingtao Brewery Group Company Limited ("TB Group Company"), the Company continued to manage the TB Group Company's 80% stake in Tsingtao Brewery (Yangzhou) Company Limited ("Yangzhou Company") as its custodian in the reporting period, and included it into the consolidation scope of the financial statements. Besides that, the Company has no other custody matter.

4. Tsingtao Brewery No.5 Company Limited ("TB No.5"), a controlling subsidiary of the Company, provided guarantee for the extension of the RMB24 million credit facilities provided by domestic commercial banks to Qingdao Tsingtao Beer Asahi Company Limited, in which TB No.5 has a 40% stake. The guarantee period lasts for 12 months starting from 16 July 2006 to 15 July 2007. Apart from this, all of the guarantees provided by the Company to third parties during the reporting period were made for bank loans and current borrowings for its subsidiaries which have been approved by the Board of Directors of the Company.

5. The State-owned Assets Supervision and Administration Commission of the People's Government of Qingdao ("SASACQ"), the Company's original controlling shareholder, has transferred 399,820,000 state-owned shares of the Company, which were registered under its name, to the TB Group Company at nil consideration. Such transfer has been approved by the State-owned Assets Supervision and Administration Commission of the State Council. The TB Group Company has been granted by the Hong Kong Securities and Futures Commission and the China Securities Regulatory Commission ("CSRC") a waiver from its obligations to make a general offer in relation to the transfer. The procedures of the transfer was completed on 4 April 2007. For details of the transfer, please refer to the announcements published in the People's Republic of China ("PRC") and Hong Kong on 6 February, 27 March and 11 April 2007.

6. On 5 July 2007, the Company noticed in the reports in the news media in relation to the notice issued by the State Administration of Taxation demanding the relevant local tax authorities to immediately rectify the expired favorable income tax policy which was still applied to the nine overseas listed companies listed in 1993. The differences in income tax resulted from the application of the expired favorable income tax policy in the previous years should be dealt with in accordance with the relevant regulations of the "Law of the People's Republic of China Concerning the Administration of Tax Collection". As such, the Company published an announcement on the websites of the stock exchanges in the PRC and Hong Kong and in the PRC newspapers on 6 July 2007. As at the date of this report, the Company has not received the notice of income tax rate adjustment by the tax authorities. Therefore, the Company continues to apply the income tax rate of 15% during this reporting period, which is the same as the last financial year. The Company is also aware that some companies have received notification of tax rate adjustment from the local tax authorities, and the Company will continue to communicate closely with the tax authorities and evaluate the potential financial impact on the Company as a result from this (see possible impacts as set out in the notes to the financial report). The Company will issue further announcement as and when appropriate after the taxation policy becomes clear.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and any of its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the reporting period.

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF PRINCIPAL SHAREHOLDERS

1. CHANGES OF SHARE CAPITAL

There were no changes in the total number of shares during the reporting period.

2. CHANGES OF SHAREHOLDINGS OF PRINCIPAL SHAREHOLDERS

As at 30 June 2007, the total number of shareholders of the Company was 36,087. According to the information publicly available to the Company, and within the knowledge of the Directors of the Company, the Company has complied with the requirements of the *Listing Rules* and maintained a sufficient public float of over 25% of the issued share capital.

(1) Shareholdings of top 10 shareholders

Shareholder's name	Increase/ decrease within the reporting period	Total number of shares held	Percentage (%)	Class of shares
TB Group Company	0	399,820,000	30.56	A-share with sales restriction
HKSCC Nominees Limited	267,000	295,532,373	22.59	H-share
A-B Jade Hong Kong Holding Co., Ltd. ("A-B Hong Kong")	0	261,643,836	20.00	H-share
Law Debenture Trust (Asia) Limited ("Trustee")	0	91,575,342	7.00	H-share
National Social Security Fund 108	—	18,795,479	1.44	A-share
China Jianyin Investment Limited	—	17,574,505	1.35	A-share with sales restriction
National Social Security Fund 103	—	14,010,962	1.07	A-share
National Social Security Fund 102	—	12,241,297	0.94	A-share
銀華富裕主題股票型證券投資基金 (Yinhua Thematic Wealth Equity Fund)	—	10,387,744	0.79	A-share
交銀施羅德精選股票證券投資基金 (Bank of Communications Schroder Select Equity Fund)	—	8,600,000	0.66	A-share

(2) Shareholdings of top 10 shareholders of shares without sales restriction

Shareholder's name	Number of shares held without sales restriction	Class of shares
HKSCC Nominees Limited	295,532,373	H-share
A-B Jade Hong Kong Holding Co., Ltd.	261,643,836	H-share
Law Debenture Trust (Asia) Limited	91,575,342	H-share
National Social Security Fund 108	18,795,479	A-share
National Social Security Fund 103	14,010,962	A-share
National Social Security Fund 102	12,241,297	A-share
銀華富裕主題股票型證券投資基金 (Yinhua Thematic Wealth Equity Fund)	10,387,744	A-share
交銀施羅德精選股票證券投資基金 (Bank of Communications Schroder Select Equity Fund)	8,600,000	A-share
中海能源策略混合型證券投資基金 (Zhonghai Energy Strategy Mixed Securities Fund)	6,999,786	A-share
國投瑞銀核心企業股票型證券投資基金 (UBS SDIC Core Companies Equity Fund)	6,899,764	A-share

Explanation for the connected relationship or acting in concert relationship among the above shareholders

Anheuser-Busch Companies, Inc. ("A-B Company") holds 261,643,836 H-shares through its wholly-owned subsidiary A-B Hong Kong. The Trustee is arranged under the entrusted voting to hold 91,575,342 H-shares, and undertakes such voting right under the written instruction of the TB Group Company, while the financial interests including the dividends, profit distribution and payments delivery of these shares are processed under instructions of A-B Company.

Save as aforesaid, the Company is unaware if there is any other connected relationship among the top 10 shareholders or if they are parties acting in concert.

Note: The H-shares held by HKSCC Nominees Limited were held on behalf of various clients.

(3) Substantial shareholders of H-share

Save as disclosed below, the Directors of the Company are not aware of any persons other than a Director or Supervisor or Chief Executive of the Company or his/her respective associate(s) who, as at 30 June 2007, had an interest or short position in the shares and underlying shares of the Company which was recorded in the register to be kept under section 336 of the *Securities and Futures Ordinance* (Cap. 571, Laws of Hong Kong) (“SFO”):

Name	Nature	Class of shares	Capacity	Note	Number of shares/ underlying shares	As a percentage of the entire issued capital	As a percentage of all H-shares
SASACQ	Long Position	A-share	Corporate	1	399,820,000 A-shares	30.56%	N/A
	Long Position	H-share	Section 317 Agreement	1, 2	353,219,178 H-shares	27.00%	53.92%
A-B Company	Long Position	H-share	Corporate/ Beneficiary of a trust	1, 2	353,219,178 H-shares	27.00%	53.92%
	Long Position	A-share	Section 317 Agreement	1	399,820,000 A-shares	30.56%	N/A

Notes:

- (1) An undertaking agreement (“Undertaking Agreement”) between SASACQ and A-B Company dated 21 October 2002 constitutes an agreement under section 317 of the SFO. For the purposes of the duty of disclosure, in the case of an agreement to which section 317 applies, each party to the agreement is deemed to be interested in any shares comprised in the relevant share capital in which any other party to the agreement is interested apart from the agreement. According to the *Novation Agreement in respect of an Undertaking Agreement dated 21 October 2002* signed between SASACQ, A-B Company and the TB Group Company on 19 April 2007, all rights and obligations of SASACQ under the Undertaking Agreement have been novated to its wholly-owned subsidiary, the TB Group Company. All of the aforesaid A-shares held by SASACQ were also transferred to the TB Group Company on 4 April 2007. For the details of the transfer of shares, please refer to the announcements published in the PRC and Hong Kong on 6 February, 27 March and 11 April 2007.
- (2) The 353,219,178 H-shares which were deemed to be interested by A-B Company were held by its wholly-owned subsidiaries. Of which, 91,575,342 H-shares were allotted to a voting trustee pursuant to the *Voting Trust Agreement*.
- (3) For the latest disclosure of interests filings for the Company’s substantial shareholders, please refer to the “Disclosure of Interests” section on the website of Hong Kong Exchanges and Clearing Limited (“HKEx”) (www.hkex.com.hk).

SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

1. During the reporting period there were some changes in the number of shares held by the following Supervisors and senior management of the Company:

Name	Position	Number of shares held at the beginning of the Year	Reduction of number of shares held during the Period	Number of shares held at the end of the Period	Reason for changes
FAN Wei HUANG	Chief Brewer	4,576	1,100	3,476	Sold through the trading system
Zu Jiang	Supervisor as Staff Representative	9,430	2,330	7,100	Sold through the trading system

Save as aforesaid, there were no changes of the Company's shares held by Directors, Supervisors and senior management of the Company during the reporting period. As at 30 June 2007, Mr. SUN Ming Bo held 1,840 shares of the Company; Mr. LIU Ying Di held 5,894 shares of the Company; Mr. ZHANG Xue Ju held 1,179 shares of the Company; and Mr. CAO Xiang Dong held 2,358 shares of the Company. All shares held by the above persons are listed A-shares.

Save as disclosed above, as at 30 June 2007, none of the Directors, Supervisors, chief executive of the Company and his/her respective associate(s) had any interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (as defined in Part XV of the *SFO*) which were recorded in the register required to be kept under section 352 of the *SFO* or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("*Stock Exchange*") pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* ("*Model Code*") as set out in Appendix 10 of the *Listing Rules*.

The Company and its subsidiaries have not entered into any arrangements during the reporting period to enable any of the Directors, Supervisors and chief executive of the Company to acquire benefits by means of the acquisition of shares of the Company.

For the latest disclosure of interests filing for the Company's Directors and Supervisors, please refer to the "Disclosure of Interests" section on the website of the HKEx (www.hkex.com.hk).

MODEL CODE

The Company has adopted the *Model Code* and the *Administrative Regulations of the Company's Shares held by Directors, Supervisors and Senior Management of the Company and its Changes* formulated by the Company as its codes of conduct and standards in respect of securities transactions by the Directors. Specific enquires were made with all Directors who had confirmed that they had complied with the *Model Code* and its codes of conduct and standards regarding Director's securities transactions at all applicable times during the reporting period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND OTHER CORPORATE GOVERNANCE MATTERS

The Company continued to perfect the corporate governance structure and regulate the Company's operation in strict compliance to the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, and the relevant regulations of the CSRC and the requirements of the listing rules of the Shanghai Stock Exchange and the Stock Exchange. The Company has complied with the code provisions set out in the *Code on Corporate Governance Practices* in Appendix 14 of the *Listing Rules* during the reporting period.

During the reporting period, upholding the principle of seeking truth from facts, the Company has compared the corporate governance situation of the Company pursuant to the requirements of *Notice on the Matters Concerning Carrying out a Special Campaign to Strengthen the Corporate Governance of Listed Companies* by CSRC, and has undertaken critical self-assessment and formulated the Company's *Self-Assessment Report of the Special Activities of Strengthening the Corporate Governance and the Reform Planning* that has been passed at the Fifth Board Provisional Meeting. It was disclosed on 29 June 2007 in the Company's designated newspapers for information disclosure and the websites of the Shanghai Stock Exchange and the HKEx for monitoring and comments by the public. Satisfactory results were achieved. Meanwhile, for the purpose of this special corporate governance activity, the Company has revised the *Administrative System for Information Disclosure of the Company* and the *Administrative Regulations of the Company's Shares held by Directors, Supervisors and Senior Management of the Company and its Changes*.

REVIEW OF THE UNAUDITED INTERIM REPORT

The Audit and Finance Committee of the Board of Directors of the Company has reviewed the unaudited 2007 Interim Report of the Company.

Qingdao, the PRC
27 August 2007

COMPANY INFORMATION

1. Official name of the Company: 青島啤酒股份有限公司
Name in English: TSINGTAO BREWERY COMPANY LIMITED

2. Stock Listing of the Company:
A share: Shanghai Stock Exchange
Stock code: 600600; Stock short name: 青島啤酒
H share: The Stock Exchange of Hong Kong Limited
Stock code: 0168; Stock short name: TSINGTAO BREW

3. Registered address: No.56, Dengzhou Road, Qingdao, Shandong Province,
the People's Republic of China
Office address: Tsingtao Beer Tower, May Fourth Square, Hongkong Zhong Road,
Qingdao, Shandong Province, the People's Republic of China
Postcode: 266071
Website: www.tsingtao.com.cn
E-mail: info@tsingtao.com.cn

4. Legal representative: LI Gui Rong

5. Secretary to the Board of Directors: YUAN Lu
Securities Affairs Representative: ZHANG Rui Xiang
Telephone: 86-532-85713831
Fax: 86-532-85713240
E-mail: secretary@tsingtao.com.cn

6. Designated newspapers for information disclosure: *China Securities Journal; Shanghai Securities News; Securities Times; Hong Kong Wen Wei Po; The Standard*
Websites for Publication of Interim Report: www.sse.com.cn
www.hkex.com.hk
Interim Report Kept At: Secretaries' Office to the Board of Directors of the Company



2007

INTERIM REPORT 中期報告

青島啤酒股份有限公司
TSINGTAO BREWERY CO., LTD.