

PRICE PAYABLE ON APPLICATION

The maximum Offer Price of HK\$1.59 per Share plus 1% brokerage, 0.005% trading fee payable to the Stock Exchange and 0.007% transaction levy payable to the SFC in each case of the Offer Price amounting to a total of HK\$3,212.18 per board lot of 2,000 Offer Shares is payable in full on application.

If the Offer Price, as finally determined in the manner as set out below, is lower than the maximum Offer Price of HK\$1.59 per Share, appropriate refund payments will be made. Further details in this regard are set out in the section headed "How to apply for the Public Offer Shares" of this prospectus.

DETERMINING THE OFFER PRICE

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Placing Shares. Prospective investors will be required to specify the number of Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease at 5:00 p.m. on or about, 21st June, 2002.

The Offer Price will be fixed by agreement between the Company (for itself and on behalf of the Vendor) and Cazenove (on behalf of the Underwriters) at or before the Price Determination Time, which is currently scheduled at 8:00 p.m. on 21st June, 2002 or by the latest 3:00 p.m. on 25th June, 2002. If Cazenove (on behalf of the Underwriters) and the Company (for itself and on behalf of the Vendor) are unable to reach an agreement on the Offer Price by 3:00 p.m. on 25th June, 2002, the Share Offer will not become unconditional and will lapse.

The Offer Price will not be more than HK\$1.59 per Share and is currently expected to be not less than HK\$1.38 per Share. **Prospective investors should be aware that the Offer Price to be determined at or before the Price Determination Time may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

If, based on the level of interest expressed by prospective investors during the book-building process, Cazenove (on behalf of the Underwriters, and with the consent of the Company (for itself and on behalf of the Vendor)) thinks it appropriate (for instance, if the level of interest expressed by prospective investors is below the indicative Offer Price range stated in this prospectus), the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the day which is the latest day for lodging applications under the Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the latest day for lodging applications under the Public Offer cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of such a change. **Applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.** Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offer statistics, as currently set out in the paragraph headed "Summary" of this

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prospectus and any other financial information which may change materially as a result of any such change. **Applicants under the Public Offer should note that, even if the indicative Offer Price is so reduced, in no circumstances can applications be withdrawn once submitted, except where a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which limits the responsibility of that person for this prospectus, in which case applications made may be revoked before the said fifth day.**

In the absence of any notice being published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of a reduction of the indicative Offer Price range in the manner set out above, the Offer Price, if agreed upon with the Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The net proceeds from the issue of the Public Offer Shares and the New Placing Shares to be received by the Company, assuming that the Over-allotment Option is not exercised and an Offer Price of HK\$1.485 per Share (being the mid-point of the stated range of the Offer Price of between HK\$1.38 and HK\$1.59 per Share) and after deducting commissions and expenses, are estimated to be about HK\$270 million.

If the Over-allotment Option is exercised in full and assuming an Offer Price of HK\$1.485 per Share (being the mid-point of the stated range of the Offer Price of between HK\$1.38 and HK\$1.59 per Share), the Company would receive additional net proceeds from the issue of new Shares, after deducting commissions and expenses attributable to the exercise of the Over-allotment Option, of about HK\$46 million.

The Offer Price, level of indication of interest in the Placing, basis of allotment and the results of applications of the Public Offer are expected to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on Tuesday, 25th June, 2002.

CONDITIONS OF THE SHARE OFFER

Acceptance of applications for the Offer Shares in the Share Offer are conditional upon:

(a) **Listing**

the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including Shares which may fall to be issued upon the Capitalisation Issue, the exercise of the Over-allotment Option and any additional Shares up to 10% of the issued share capital of the Company as at the date of listing of the Shares on the Stock Exchange which may be issued pursuant to the exercise of the share option that have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme and the exercise of the conversion right under the Convertible Notes); and

(b) Underwriting Agreements

- (i) the execution and delivery of the Placing Underwriting Agreement in accordance with their terms or otherwise, prior to on or about the date of the Price Determination Agreement; and
- (ii) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming unconditional (which requires, amongst other things, that the Offer Price be agreed by no later than the Price Determination Time and the Price Determination Agreement be entered into) and the obligations under any of the Underwriting Agreements not being terminated in accordance with their terms or otherwise, prior to 8:00 a.m. on 26th June, 2002, being the third Business Date following the date on which the application list closes or, if later, the date on the Business Day before the day on which the Shares commence trading on the Stock Exchange.

If, for any reason, the Price Determination Agreement or the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their respective terms.

If any of the above conditions is not fulfilled (or, where applicable, waived by Cazenove (on behalf of the Underwriters)) on or before 18th July, 2002, the Share Offer will lapse and notice of the lapse will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such event, application monies will be returned, without interest. The terms on which money will be returned are set out in the section headed "Refund of your money" on the Application Forms.

In the meantime, application monies will be held in one or more separate bank account(s) with Bank of China (Hong Kong) Limited, the receiving bank or any other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE SHARE OFFER

The Share Offer comprises 220,000,000 Shares initially being offered by the Company for subscription by way of Placing and Public Offer (assuming the Over-allotment Option is not exercised) and 22,000,000 Shares initially being offered by the Vendor for sale by way of Placing. A total of 217,800,000 Shares, comprising 195,800,000 New Placing Shares and 22,000,000 Sale Shares (made in pursuance of the Provisional Administrative Measures for State-owned Share Reduction), representing an aggregate of 90% of the initial total number of the Offer Shares, will initially be offered under the Placing to professional, institutional and/or other investors in Hong Kong and certain other jurisdictions. A total of 24,200,000 Shares, representing 10% of the initial total number of the Offer Shares, will initially be offered under the Public Offer in Hong Kong.

The sale of initially 22,000,000 Shares by the Vendor is in pursuance of the Provisional Administrative Measures for State-owned Share Reduction. Since the Vendor is a wholly-

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owned subsidiary of Kwok Nea which is ultimately owned by Harbin Municipal Government, it is required to offer for sale such number of Shares held or to be held by it as is equivalent to 10% of the new Shares issued by the Company under the Share Offer. In the event that the Over-allotment Option is exercised in full, the Vendor will offer for sale an additional 3,300,000 Shares. According to the Provisional Administrative Measures for State-owned Share Reduction, the proceeds from the sale will be remitted for social security fund of the State in the PRC.

The number of Shares to be offered under the Public Offer and the Placing are subject to reallocation and, in the case of the Placing only, the Over-allotment Option, as described below.

Investors may apply for Shares under the Public Offer or indicate an interest for Shares under the Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors that received Placing Shares, and to identify and reject indications of interest in the Placing from investors that received Public Offer Shares. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and/or other investors. The Placing will involve selective marketing of the Placing Shares to institutional, professional and/or other investors, which are anticipated to have a sizeable demand for such Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Assuming the Over-allotment Option is not exercised, the Offer Shares will represent 27.5% of the Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue.

If the Over-allotment Option is exercised in full, the Shares comprised in the Share Offer will represent approximately 30.5% of the enlarged issued share capital of the Company immediately after completion of the Share Offer, the Capitalisation Issue and the exercise of the Over-allotment Option.

THE PUBLIC OFFER

Pursuant to the Public Offer, the Company is initially offering 24,200,000 new Shares, representing 10% of the total number of Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised), for subscription to the public in Hong Kong at the Offer Price. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Public Offer Underwriting Agreement.

Allocation of Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by each applicant, but will otherwise be made on a strictly pro rata basis. However, this may involve balloting, which would mean that some applicants may be allotted more Shares than others who have applied for the same number of Public Offer Shares and that applicants who are not successful in the ballot may not receive any Public Offer Shares.

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For allocation purposes only, the Public Offer Shares (after taking into account of any reallocation of Offer Shares between the Placing and the Public Offer referred to below) will be divided equally into two pools: pool A and pool B. The Public Offer Shares in pool A will initially consist of 12,100,000 Shares and will be allocated on an equitable basis to successful applicants who have applied for Public Offer Shares with a total subscription and purchase amount (excluding amounts of brokerage and Stock Exchange trading fee and SFC transaction levy) of HK\$5 million or less. The Public Offer Shares in pool B will initially consist of 12,100,000 Shares and will be allocated on an equitable basis to successful applicants who have applied for Public Offer Shares with a total subscription and purchase amount (excluding amounts of brokerage and Stock Exchange trading fee and SFC transaction levy) of more than HK\$5 million and up to the total value of pool B. Applicants should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools and may only apply for Public Offer Shares in either pool A or pool B.

The Public Offer is open to all members of the public in Hong Kong. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the Application Form submitted by him that he has not taken up any Shares under the Placing nor otherwise participated in the Placing nor has he indicated (nor will he indicate) an interest under the Placing, and such applicant's application will be rejected if the said undertaking and confirmation is breached and/or found to be untrue (as the case may be). The Public Offer will be subject to the conditions stated in the paragraph headed "Conditions of the Share Offer" above. The attention of applicants, including nominees who wish to submit separate applications on behalf of different beneficial owners, is drawn to the information regarding multiple applications contained in the section headed "How to apply for the Public Offer Shares" of this prospectus. Multiple or suspected multiple applications and any application for more than 100% of the Public Offer Shares in either pool A or pool B initially being offered for subscription pursuant to the Public Offer will be rejected at the discretion of the Sponsors (exercisable by them jointly) on behalf of the Company.

THE PLACING

Pursuant to the Placing, the Company is initially offering 195,800,000 new Shares for subscription and the Vendor is initially offering 22,000,000 Sale Shares for sale, these Shares together representing 90% of the total number of Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised). The Placing is fully underwritten by the Placing Underwriters pursuant to the Placing Underwriting Agreement to be entered into on or about 21st June, 2002 subject to the terms and conditions of the Placing Underwriting Agreement.

It is expected that the Placing Underwriters or selling agents nominated by them on behalf of the Company and the Vendor will conditionally place the Placing Shares at the Offer Price with professional, institutional and/or other investors in Hong Kong and certain other jurisdictions. Professional and/or institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares

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and/or other securities and corporate entities which regularly invest in shares and /or other securities. In Hong Kong, retail investors should apply for the Public Offer Shares under the Public Offer, as retail investors applying for the Placing Shares (including applying through banks and/or other institutions) are unlikely to be allocated any Placing Shares. Prospective investors may be required to give an undertaking and confirmation that he has not applied for or taken up any Public Offer Shares.

The Placing is subject to the same conditions as stated in the paragraph headed “Conditions of the Share Offer” above. The total number of Placing Shares to be allotted and issued or transferred pursuant to the Placing may change as a result of the clawback arrangement referred to in the paragraph headed “Reallocation of the Offer Shares between the Public Offer and the Placing” below, exercise of the Over-allotment Option and any reallocation of unsubscribed Shares originally included in the Public Offer.

Allocation of Placing Shares to investors pursuant to the Placing will be effected in accordance with the “book-building” process undertaken by the Placing Underwriters. Final allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further Shares or hold or sell its Shares, after the listing of the Shares on the main board of the Stock Exchange. Such allocation is generally intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base for the benefit of the Company and its shareholders taken as a whole. Investors who have not received Public Offer Shares may receive Shares from the Placing.

Professional and institutional investors may apply for Offer Shares under the Public Offer or receive Offer Shares under the Placing. However, such investor will only receive Offer Shares under either the Public Offer or the Placing, but not both.

REALLOCATION OF THE OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE PLACING

The allocation of Offer Shares (which, for the avoidance of doubt do not include any Shares subject to the Over-allotment Option) between the Public Offer and the Placing is subject to adjustment on the following basis:

- (a) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Shares initially available under the Public Offer, then an additional 48,400,000 Shares, representing approximately 20% of the Shares being offered pursuant to the Share Offer (assuming the Over-allotment Option is not exercised) will be reallocated to the Public Offer from the Placing, so that an aggregate of 72,600,000 Shares will be available under the Public Offer, representing approximately 30% of the Shares being offered pursuant to the Share Offer (assuming the Over-allotment Option is not exercised);
- (b) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Shares initially available under the Public Offer, then an additional 72,600,000 Shares, representing approximately 30% of the Shares being offered pursuant to the Share Offer (assuming the Over-

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allotment Option is not exercised) will be reallocated to the Public Offer from the Placing, so that an aggregate of 96,800,000 Shares will be available under the Public Offer, representing approximately 40% of the Shares being offered pursuant to the Share Offer (assuming Over-allocation Option is not exercised); and

- (c) if the number of Shares validly applied for under the Public Offer represents 100 times or more of the number of Shares initially available under the Public Offer, then an additional 96,800,000 Shares, representing approximately 40% of the Shares initially being offered pursuant to the Share Offer (assuming the Over-allotment Option is not exercised) will be reallocated to the Public Offer from the Placing, so that an aggregate of 121,000,000 Shares will be available under the Public Offer, representing approximately 50% of the Shares being offered pursuant to the Share Offer (assuming the Over-allotment Option is not exercised).

New Placing Shares being offered in the Placing may be re-allocated and made available as additional Public Offer Shares at the discretion of Cazenove (on behalf of the Underwriters) to satisfy valid applications made pursuant to the Public Offer.

If the Public Offer Shares are not fully subscribed for, Cazenove (on behalf of the Underwriters) has the authority (but not an obligation) to re-allocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such proportions as it deems appropriate.

The number of Placing Shares available under the Placing will be correspondingly reduced or increased (as the case may be) as a result of reallocation (if any) described above.

OVER-ALLOTMENT OPTION

Pursuant to the Placing Underwriting Agreement, the Company and the Vendor have granted Cazenove (on behalf of the Underwriters) a right (but not an obligation) to exercise the Over-allotment Option at any time up to 5:00 p.m. on the day which is the 30th day after the date of this prospectus, to require the Company to issue up to an aggregate of 33,000,000 additional Shares and to require the Vendor to sell up to 3,300,000 additional Shares, which together representing an aggregate of 15% of the number of the Offer Shares initially available under the Share Offer. These Shares will be issued or sold (as the case be) at the Offer Price for the purpose of covering over-allocations in the Placing, if any. Any election in respect of the Over-allotment Shares may be exercised in whole or in part and from time to time, provided that in making any one election, Cazenove (on behalf of the Placing Underwriters) shall require the Company to issue and allot and the Vendor to sell such number of Shares in the proportion of 90.9% and 9.1% respectively of the total Shares subject to the Over-allotment Option on that particular election. Cazenove may also cover such over-allocations by, amongst other means, purchasing Shares in the secondary market or through stock borrowing arrangements from holders of Shares as well as by the exercise of the Over-allotment Option either in full or in part or by a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. The Offer Shares will constitute 27.5% of the Company's issued share capital before exercise of the Over-allotment Option and about 30.5% of the enlarged issued

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share capital of the Company immediately following the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable in accordance to the requirements of the Listing Rules.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid or purchase the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial issue prices of the securities. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements.

In Hong Kong, such stabilisation activities on the Stock Exchange are restricted to cases where the underwriters purchase shares in the secondary market genuinely and solely for the purpose of covering over-allocations in the relevant offer. Such transactions, if commenced, may be discontinued at any time. Should stabilising transactions be effected in connection with the distribution of the Offer Shares, they will be done at the sole direction and absolute discretion of Cazenove. The stabilisation price to cover the over-allocation will not normally be higher than the Offer Price. Relevant provisions of the Securities Ordinance prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.

In connection with the Share Offer, Cazenove (on behalf of the Underwriters) may over-allocate up to an aggregate of 36,300,000 additional Shares (such over-allocations may be covered by exercising the Over-allotment Option in full or in part, at any time up to 5:00 p.m. on the day which is the 30th day after the date of this prospectus) and/or by purchasing Shares in the secondary market and/or effect transactions which stabilise or maintain the market price of the Shares at levels other than those which might otherwise prevail but which are not higher than the Offer Price. Any such over-allocation purchase transactions will be made in compliance with all applicable laws, rules and regulations.

In order to facilitate the settlement of such over-allocations, Cazenove may borrow up to 36,300,000 Shares from CEDF (Brewery), equivalent to the maximum number of Shares to be offered on a full exercise of the Over-allotment Option, under a securities lending agreement entered into between Cazenove and CEDF (Brewery). An application on behalf of the Company has been made to the Stock Exchange for a waiver from strict compliance with Rule 10.07(1) of the Listing Rules which restricts the disposal of Shares by the Controlling Shareholders following a new listing, in order to allow CEDF (Brewery) to enter into and perform its obligations under such securities lending agreement on the conditions that:

- such securities lending agreement with CEDF (Brewery) will only be effected by Cazenove for settlement of over-allocations in the Placing;
- the maximum number of Shares borrowed from CEDF (Brewery) will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;

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- no payments or benefits will be made to CEDF (Brewery) in relation to such securities lending agreement; and
- the same number of Shares so borrowed must be returned to CEDF (Brewery) on or before the third business day following the earlier of (i) the last day on which Shares may be issued by the Company pursuant to the Over-allotment Option, or (ii) the day on which the Over-allotment Option is exercised in full and the relevant Over-allotment Shares have been issued.

The securities lending arrangement will be effected in compliance with all applicable laws, rules and regulations.

TRANSFER OF THE SALE SHARES

All transfer of the Sale Shares to placees or their designated person(s) will be effected on the Company's principal register of members in Cayman Islands. Completion of the acknowledgement form in a placing letter shall constitute an irrevocable instruction by the placee(s) that the registration of all the Sale Shares in respect of which the relevant application is accepted shall be removed from the Company's principal register of members in Cayman Islands to the Company's Hong Kong branch register of members prior to the despatch of share certificate(s) to successful placee(s) or their designated person(s) under the Placing.