

FURTHER INFORMATION ABOUT THE COMPANY**Incorporation**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 23rd February, 2001.

The Company has established a principal place of business in Hong Kong at 11th Floor, Worldwide House, 19 Des Voeux Road, Central, Hong Kong and has been registered on 21st May, 2001 as an overseas company in Hong Kong under Part XI of the Companies Ordinance, with Mr. Lo Peter of Flat C, 34th Floor, Block 1, Park Tower, No.1 King's Road, Hong Kong and Mr. Lee Kong Leong of 27th Floor, Block E, Evelyn Tower, 38 Cloudview Road, North Point, Hong Kong appointed as the authorised representatives of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company is incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution which comprises a memorandum of association and articles of association. A summary of various parts of its constitution and certain aspects of the Companies Law is set out in appendix IV to this prospectus.

Changes in share capital of the Company

- (a) As at the date of incorporation of the Company, the Company had an initial authorised share capital of HK\$100,000 divided into 1,000,000 Shares of HK\$0.10 each, of which one subscriber share was allotted and issued nil paid to the initial subscriber and was transferred to CEDF (Brewery) on 26th February, 2001.
- (b) On 26th June, 2001, pursuant to the Corporate Reorganisation, the Company allotted and issued an aggregate of 999,999 Shares credited as fully paid to HBF (BVI) and CEDF (Brewery) and credited as fully paid at par the one share which was allotted nil paid to the subscriber and transferred to CEDF (Brewery) on 26th February, 2001 as consideration for the acquisition by the Company from HBF (BVI) and CEDF (Brewery) their respective equity interests in HBIL (which owned the entire registered capital of HB Company). The Company then became owned as to 48% and 52% by HBF (BVI) and CEDF (Brewery) respectively, being the same proportion as HB Company was previously owned by them beneficially.
- (c) On 3rd June, 2002, the Company increased its authorised share capital from HK\$100,000 to HK\$500,000,000 by the creation of an additional 4,999,000,000 new Shares each ranking pari passu in all respects with its then existing Shares.
- (d) Assuming that the Share Offer becomes unconditional and the Offer Shares are issued but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or the options which have been granted under Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme, the authorised share capital of the Company will be HK\$500,000,000 divided into 5,000,000,000 Shares and the issued share capital of the Company will be HK\$88,000,000 divided into 880,000,000 Shares fully paid or credited as fully paid, with

4,120,000,000 Shares remaining unissued. Apart from the issue of Shares under the Share Offer, the Capitalisation Issue, the Pre-IPO Share Option Scheme, the Share Option Scheme and the Convertible Notes, there is no present intention to issue any part of the authorised but unissued share capital of the Company and, without the prior approval of the members in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as aforesaid, there has been no alteration in the share capital of the Company since the date of its incorporation.

Written resolutions of the shareholders of the Company passed on 3rd June, 2002 and 17th June, 2002

Pursuant to the written resolutions of the shareholders of the Company passed on 3rd June, 2002 and 17th June, 2002:

- (a) the Company approved and adopted its existing articles of association;
- (b) the authorised share capital of the Company was increased from HK\$100,000 to HK\$500,000,000 by the creation of an additional 4,999,000,000 Shares each ranking pari passu in all respects with its then existing Shares;
- (c) conditional on the conditions set out in the section headed “Structure and conditions of the Share Offer” of this prospectus:
 - (i) the Share Offer and the Over-allotment Option was approved and the Directors were authorised to allot and issue the Offer Shares and the Shares which may fall to be issued if the Over-allotment Option is exercised;
 - (ii) the Capitalisation Issue was approved and conditional further upon the share premium account of the Company being credited as a result of the Share Offer, the Directors were authorised to allot and issue 659,000,000 Shares to holders of Shares whose names appear on the register of members of the Company as at the close of business on 3rd June, 2002 in proportion to their then existing shareholdings in the Company (or as such holder(s) of Shares may direct) and an amount of HK\$65,900,000 standing to the credit of the share premium account of the Company be applied to pay up in full at par such Shares, each ranking pari passu in all respects with the then existing issued Shares, and the Directors were authorised to give effect to such capitalisation and distribution (the “Capitalisation Issue”); and
 - (iii) conditional further upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of subscription rights attached to any option granted under the Pre-IPO Share Option Scheme and the Shares Option Scheme the rules of the Pre-IPO Share Option Scheme and the Share Option Scheme were approved and adopted, and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares

pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme and to take all such steps as they consider necessary or desirable to implement the Pre-IPO Share Option Scheme and the Share Option Scheme;

- (d) a general unconditional mandate was given to the Directors to allot, issue and deal with (otherwise than by way of rights issues, an issue of Shares in lieu of the whole or part of the dividend on Shares in accordance with the Articles or pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), on behalf of the Company, Shares or securities convertible into Shares or to make offers or agreements or grant options including warrants which would or might require Shares, with an aggregate nominal value not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles to be held; or
 - (iii) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking or varying such mandate;
- (e) a general unconditional mandate was given to the Directors to exercise all the powers for and on behalf of the Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the Securities and Futures Commission for this purpose, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles to be held; or
 - (iii) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking or varying such mandate;
- (f) the extension of the unconditional general mandate mentioned in sub-paragraph (d) above to include the aggregate nominal amount of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue was approved; and

- (g) the Company approved and adopted the service contracts entered into between the Company and each of Mr. Li Wentao, Mr. Lo Peter, Mr. Fu Hui and Mr. Bao Liusuo, the principal terms of which are set out in the paragraph headed “Particulars of service contracts” of this appendix.

Changes in the corporate structure of the Group

Establishment

In October 1995, HB Company was established as a sino-foreign equity joint venture and was then owned as to 52.0% by HB Holdings, of which the ultimate beneficiary was The New China Hong Kong Group Limited (“NCHK Group”) and as to 48.0% by HBF, a PRC state-owned enterprise. HB Company then had a registered capital of RMB109,000,000 (which was increased to RMB250,000,000 in December 1995), contributed on a pro rata basis by each of its then shareholders in accordance with their respective shareholdings in HB Company. Please refer to the paragraph headed “Further information about the subsidiaries in the PRC” in this appendix to this prospectus for more details. Since the incorporation of HB Company, there have been two major changes in the beneficial ownership of its foreign interest, namely the introduction of the Mitsui Group (as defined below) and the introduction of CEDF and other investors.

Introduction of the Mitsui Group

On 11th June, 1996, NCI Holdings Limited and NCT Limited (both being the wholly-owned subsidiaries of NCHK Group and together, the “NCHK Subsidiaries”) subscribed for 1,402,342 and 763,437 shares in the capital of HB Holdings respectively for an aggregate consideration of US\$2,165,779. On the same day, NCI Holdings Limited also acquired the one subscriber share in the capital of HB Holdings. On 28th October, 1996, NCI Holdings Limited and NCT Limited subscribed for another 1,627,957 and 886,263 shares in the capital of HB Holdings respectively for an aggregate consideration of US\$2,514,220. The NCHK Subsidiaries then in turn sold an aggregate of 1,170,000 shares, representing 25.0% of the enlarged issued share capital of HB Holdings to Mitsui & Co., Ltd. and Mitsui & Company (Hong Kong) Limited (together, the “Mitsui Group”) for an aggregate consideration of US\$1,360,000. Prior to the above share transfers, the Mitsui Group was an independent third party not connected with the chief executives, directors and substantial shareholders of the Company and its subsidiaries and their respective associates. The Directors confirm that, so far as they are aware, the consideration for the above share transfers and subscriptions was arrived at after arms’ length negotiations between the parties thereto with reference to the initial investment cost of the NCHK Group in HB Company. Immediately upon completion of such subscriptions and share transfers, HB Holdings, which then held 52.0% equity interests in HB Company, was then beneficially owned as to 75.0% by NCHK Group and as to 25.0% by the Mitsui Group. Accordingly, the attributable interest in HB Company was then owned as to 48.0% by HBF, as to 39.0% by NCHK Group and as to 13.0% by the Mitsui Group.

Introduction of CEDF and other investors

In August 1998, The New China Hong Kong Brewery Holdings Limited (“NCHK Holdings”), the then immediate holding company holding the one subscriber share, representing the entire issued share capital, of HBGL and also an indirect wholly-owned subsidiary of NCHK Group, subscribed for 14,299,999 new shares in HBGL. NCHK Holdings then in turn sold 2,500,000

shares in HBGL to CEDF (Brewery), then a wholly-owned subsidiary of CEDF, for a cash consideration of US\$2,500,000. At the same time, CEDF (Brewery) further subscribed for 5,500,000 new shares in HBGL for a cash consideration of US\$5,500,000. The Directors confirm that, so far as they are aware, the consideration for the above share transfers and subscription was arrived at after arms' length negotiations between the parties thereto with reference to the projected earnings of HB Company. Immediately upon completion of such share transfers and subscriptions, HBGL, which then indirectly controlled 52.0% of the equity interest in HB Company (by virtue of its interest in 75.0% of the voting rights in HB Holdings), was then held as to approximately 40.4% by CEDF (Brewery) and as to approximately 59.6% by NCHK Holdings. Accordingly, the attributable interest in HB Company was then owned as to 48.0% by HBF, as to approximately 23.2% by NCHK Group (through NCHK Holdings), as to approximately 15.8% by CEDF (Brewery) and as to 13.0% by the Mitsui Group respectively.

On 26th July, 1999, CEDF (Brewery) acquired from NCHK Holdings the entire interest in HBGL for a consideration of US\$8,000,000. The Directors confirm that the consideration for the acquisition was arrived at after arms' length negotiations between CEDF and the liquidators of NCHK Group. As a result, CEDF (Brewery) became the sole shareholder of HBGL and indirectly held 75.0% interest in the shareholding of HB Holdings through a chain of intermediary companies and the attributable interest in HB Company was then owned as to 48.0% by HBF, as to 39.0% by CEDF (Brewery) and as to 13.0% by the Mitsui Group respectively.

On 24th December, 1999, Brewery Investors subscribed for 3,000,000 new shares in CEDF (Brewery), representing approximately 13.2% of the enlarged share capital in CEDF (Brewery), for a consideration of US\$3,000,000. As a result, CEDF (Brewery), which then indirectly control the exercise of 52.0% of the voting rights in HB Company, was then owned as to approximately 13.2% by Brewery Investors and as to approximately 86.8% by CEDF. On 25th December, 1999, HBGL acquired from the Mitsui Group the latter's entire 25.0% shareholding interest in HB Holdings for a total consideration of US\$2,500,000, and at the same time, to simplify the corporate structure, HBGL further acquired from the NCHK Subsidiaries their aggregate 75.0% direct interest in the issued share capital of HB Holdings. The Directors confirm that, so far as they are aware, the consideration of the acquisition was arrived at after arms' length negotiations between the parties thereto with reference to the initial investment cost of the Mitsui Group in HB Company plus a control premium of HB Company as mutually agreed between the parties thereto. HBGL then became the sole shareholder of HB Holdings. As a result of the above transactions, the attributable interest in HB Company was then owned as to 48.0% by HBF, approximately 6.9% by Brewery Investors and approximately 45.1% by CEDF.

Transformed into a WFOE

In October 2000, the 48.0% shareholding interest in HB Company previously held by HBF was transferred to HBF (BVI), a wholly-owned subsidiary of Kwok Nea and whereby HB Company was transformed into a WFOE.

Corporate reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on the Stock Exchange. Following the Corporate Reorganisation, HBIL became the intermediate holding company and the Company became the ultimate holding company of the Group. The Corporate Reorganisation involved the following:

- (a) On 16th March, 2001, each of HBF (BVI) and HB Holdings agreed to transfer all their respective 48% and 52% equity interests in HB Company to HBIL in consideration of and in exchange for HBIL to allot and issue, in the same 48% and 52% ratio, 24,000 and 26,000 shares in the capital of HBIL credited as fully paid to HBF (BVI) and HB Holdings respectively;
- (b) On 26th June, 2001, HBIL allotted and issued 24,000 and 26,000 shares in the capital of HBIL credited as fully paid to HBF (BVI) and CEDF (Brewery) (as directed by HB Holdings) respectively. HBIL then became owned as to 48% by HBF (BVI) and as to 52% by CEDF (Brewery); and
- (c) On 26th June, 2001, each of HBF (BVI) and CEDF (Brewery) transferred all their respective 48% and 52% shareholding in HBIL to the Company in consideration of the Company to (i) allot and issue to HBF (BVI) and to CEDF (Brewery) respectively 480,000 and 519,999 Shares, all credited as fully paid, as may be required for HBF (BVI) and CEDF (Brewery) to maintain their respective effective interests in HB Company immediately before the completion of the Share Offer in the ratio of 48% and 52% and (ii) credit as fully paid at par the one subscriber share of the Company which was first allotted and issued to the subscriber at nil paid and was later transferred to CEDF (Brewery) and the Company then became owned as to 48% by HBF (BVI) and as to 52% by CEDF (Brewery).

Changes in share capital of subsidiaries

The subsidiaries of the Company are referred to in the accountants' report, the text of which is set out in appendix I to this prospectus.

In addition to those mentioned in the section headed "Corporate reorganisation" in this appendix, the following alterations in the share capital of the Company's subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

- (a) HBIL — following its incorporation on 22nd January, 2001, there has been no alteration in its share capital (save and except for the transfer of shareholding as set out in sub-paragraph (c) of the paragraph headed "Corporate Reorganisation" in this appendix);
- (b) HB Company — on 10th October, 2000, HBF transferred its then entire 48% equity interest in HB Company to HBF (BVI), for a consideration of RMB168,321,600;
- (c) HB Hegang — following its establishment on 8th August, 1999, there has been no change in its share capital;

- (d) HB Jilin — following its establishment on 3rd January, 2000, there has been no change in its share capital;
- (e) HB Songjiang — on 20th August, 2001, 亞洲啤酒(中國)投資有限公司 (Asia Brewery (China) Investment Company Limited) transferred its entire 25% equity interests in HB Songjiang to HBIL pursuant to the Songjiang Agreement;
- (f) King Victory — on 22nd December, 2000, Kingway (International) Industry Development Company Limited transferred its entire 10 shares in King Victory to GD Sub; and on 29th June, 2001, GD Sub transferred its entire 10 shares in King Victory to the Company;
- (g) Guangdong Brewery Northern (Holdings) Limited — on 26th October, 2000, Mr. Han Bin transferred such 1 share in Guangdong Brewery Northern (Holdings) Limited to Mr. Ling Naihui (in trust for King Victory); and on 29th June, 2001, Mr. Ling Naihui transferred his 1 share in Guangdong Brewery Northern (Holdings) Limited to Mr. Peter Lo (in trust for King Victory);
- (h) Vanta International Investments Limited — following its establishment on 14th February, 1997, there has been no change in its share capital;
- (i) Union Fortune Limited — there has been no change in its share capital within the two years immediately preceding the date of this prospectus;
- (j) Golden Pacific Line Limited — following its establishment on 21st March, 1997, there has been no change in its share capital;
- (k) Prestige Full — on 26th October, 2000, Mr. Han Bin transferred his 1 share in Prestige Full to Mr. Ling Naihui (in trust for Vanta International Investments Limited); and on 29th June 2001, Mr. Ling Naihui transferred his 1 share in Prestige Full to Mr. Peter Lo (in trust for Vanta International Investments Limited);
- (l) Extra Lucky — on 26th October 2000, Mr. Han Bin transferred his 1 share in Extra Lucky to Mr. Ling Naihui (in trust for Union Fortune Limited); and on 29th June 2001, Mr. Ling Naihui transferred his 1 share in Extra Lucky to Mr. Peter Lo (in trust for Union Fortune Limited);
- (m) Fung Heng — on 26th October, 2000, Mr. Han Bin transferred 1 share in Fung Heng to Mr. Ling Naihiu (in trust for Golden Pacific Line Limited); and on 29th June 2001, Mr. Ling Naihiu transferred 1 share in Fung Heng to Mr. Peter Lo (in trust for Golden Pacific Line Limited);
- (n) Yinpu JV — on 13th May, 1999, Yinpu Brewery Factory transferred 15% interest in Yinpu JV to 深圳粵海實業投資發展有限公司 (Shenzhen Guangdong Industrial Investment Development Limited);
- (o) Mundanjiang JV — there has been no change in the share capital within the two years immediately preceding the date of this prospectus;

- (p) Jiamusi JV — there has been no change in share capital within the two years immediately preceding the date of this prospectus.

Repurchase by the Company of its own Shares

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholder approval*

All proposed repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a specific transaction.

(Note: Pursuant to a written resolution passed by the shareholders of the Company on 3rd June, 2002, a general unconditional mandate (“Buyback Mandate”) was granted to the Directors authorising the repurchase of Shares by the Company on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong for this purpose, up to an aggregate nominal value not exceeding 10% of the aggregate of the total nominal value of the share capital of the Company in issue immediately after the completion of the Capitalisation Issue and the Share Offer (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option), at any time until the conclusion of the next annual general meeting of the Company, the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting, whichever is the earliest.)

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for such purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Any repurchase by the Company may be made out of funds legally permitted to be utilised in this connection, including capital paid up on the Shares to be repurchased, funds otherwise available for dividend or disbursement or out of proceeds of a fresh issue of Shares made for that purpose and in the case of premium payable on repurchase, funds otherwise available or distribution or out of the Company’s share premium account.

(iii) *Shares to be repurchased*

The Listing Rules provide that the shares which are proposed to be repurchased by a company must be fully paid up.

(b) *Reasons for repurchases*

Repurchases of Shares will only be made when the Directors believe that such repurchases will benefit the Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share. The Directors therefore believe that it is in the best interests of the Company and its shareholders for the Directors to have a general authority from shareholders to enable the Company to repurchase Shares in the market.

(c) *Funding of repurchases*

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association, the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares would be made out of capital paid up on the repurchased Shares, funds of the Company which would otherwise be available for dividend or distribution and, in case of the premium payable on such repurchase, from funds of the Company otherwise available for dividend or out of the Company's share premium account.

The Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

(d) *Exercise of the Buyback Mandate*

A maximum of 10% of the issued share capital of the Company at the date of passing of the ordinary resolution approving the repurchase mandate may be repurchased on the Stock Exchange.

Exercise in full of the Buyback Mandate, on the basis of 880,000,000 Shares in issue after the completion of the Capitalisation Issue and the Share Offer (but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option) and on the basis of 916,300,000 Shares in issue after the completion of the Capitalisation Issue and the Share Offer (assuming exercise of the Over-allotment Option in full) could accordingly result in up to 88,000,000 Shares and 91,630,000 Shares respectively being repurchased by the Company during the period prior to the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles to be held; or
- (iii) the revocation, variation or renewal of the Buyback Mandate by an ordinary resolution of the shareholders of the Company in general meeting.

(e) **General**

None of the Directors or, to the best of their knowledge and having made all reasonable enquiries, any of the respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Buyback Mandate is exercised in full.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). Accordingly, a shareholder, or a group of shareholders acting in concert, depending on the level of increase of the shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. The Directors are not aware of any consequences which may arise under the Code if the Buyback Mandate is exercised in full. In the event that the Directors exercise in full the power to repurchase Shares, the shareholding of CEDF (Brewery) and HBF (BVI) would be increased from approximately 72.5% to 80.6% of the issued share capital of the Company. This would result in only approximately 19.4% of the issued shares of the Company being held in public hands. The Directors do not have any present intention to exercise the repurchase mandate to such extent as would give rise to less than 25% of the Company's issued shares being held in public hands.

FURTHER INFORMATION ABOUT THE BUSINESS

Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) an agreement (in Chinese) dated 16th March, 2001 made between HBF (BVI), HB Holdings and HBIL pursuant to which HBF (BVI) and HB Holdings agreed to transfer all their respective 48% and 52% equity interests in HB Company to HBIL in consideration of HBIL to allot and issue credited as fully paid, in the ratio of 48% and 52%, 24,000 and 26,000 shares in the capital of HBIL to HBF (BVI) and HB Holdings respectively;
- (b) a sale and purchase agreement dated 26th June, 2001 made between HBF (BVI), HB Holdings and HBIL pursuant to which HBIL agreed to allot and issue credited as fully paid, in the ratio of 48% and 52%, 24,000 and 26,000 shares in the capital of HBIL to HBF (BVI) and CEDF (Brewery) respectively in consideration of the transfer by HBF (BVI) and HB Holdings of all of their respective 48% and 52% equity interests in HB Company to HBIL;

- (c) a sale and purchase agreement dated 26th June, 2001 made between HBF (BVI), CEDF (Brewery) and the Company pursuant to which the Company agrees (i) to allot and issue to HBF (BVI) and CEDF (Brewery) such number of Shares, all credited as fully paid, as may be required for HBF (BVI) and CEDF (Brewery) to maintain their respective effective interests in HB Company immediately before the completion of the Share Offer in the ratio of 48% and 52% in consideration of the transfer by HBF (BVI) and CEDF (Brewery) of all of their respective 48% and 52% equity interests in HBIL to the Company; and (ii) to credit as fully paid at par the one subscriber share of the Company which was first allotted and issued to the subscriber at nil paid and was later transferred to CEDF (Brewery);
- (d) a loan agreement dated 27th June, 2001 made between the Company, Ka Wah Capital Limited and other banks and financial institutions pursuant to which a term loan facility in the sum of US\$22 million was granted to the Company;
- (e) an agreement dated 29th June, 2001 made between GD Sub, GD Alliance and the Company relating to the acquisition of the entire issued share capital and shareholder's loans of King Victory by the Company in the aggregate amount of HK\$230,000,000;
- (f) a subscription agreement dated 29th October, 2001 entered into between the Company and Shanghai International Shanghai Growth Investment Limited ("SISGI") pursuant to which the Company has agreed to issue convertible note in the principal amount of HK\$14 million to SISGI;
- (g) a subscription agreement dated 29th October, 2001 entered into between the Company and SinoPac Capital Limited pursuant to which the Company has agreed to issue convertible note in the principal amount of HK\$7.8 million to SinoPac Capital Limited;
- (h) an agreement (in Chinese) dated 27th May, 2002 entered into between Yinpu JV and Yinpu Brewery Factory, Jilin Province pursuant to which the parties agree to clarify and amend certain terms of an agreement dated 23rd February, 1997 and entered into by the then joint venture parties of Yinpu JV and a trademark licence agreement dated 14th October, 1999 entered into between Yinpu JV and Yinpu Brewery Factory, Jilin Province;
- (i) a deed of indemnity dated 17th June, 2002 executed by CEDF (Brewery), CEDF, HBF (BVI) and Kwok Nea in favour of the Company and its subsidiaries containing the indemnities referred to in the paragraph headed "Estate duty and tax indemnity" in this appendix;
- (j) a deed of non-competition dated 17th June, 2002 entered into between the Company as covenantee and HBF (BVI), CEDF (Brewery), CEDF, Brewery Investors and Kwok Nea as covenantors pursuant to which each of HBF (BVI), CEDF (Brewery), CEDF, Brewery Investors and Kwok Nea undertakes to the Company, inter alia, that it will not and will procure that its respective associates will not carry on any businesses that may compete, directly or indirectly, with any business carried on from time to time by any member of the Group;







- (k) a deed of indemnity dated 17th June, 2002 entered into between the Company and CEDF (Brewery) pursuant to which CEDF (Brewery) covenants with the Company that, among others, it will indemnify the Company against all losses and expenses incurred by the Company as a result of forfeiture of any of the tenancy of its office in Hong Kong and tenancy agreements in respect of properties leased in the PRC disclosed in the Valuation Report set out in appendix III to this prospectus; and
- (l) the Public Offer Underwriting Agreement.








Intellectual property

As at the Latest Practicable Date, the following intellectual property rights are material to the Group's business:


1. Trademarks

The Group possesses the ownership of the following trademarks which are registered under the names of members of the Group:

Trademark	Place of registration	Class	Principal items covered	Registration number	Expiry date
1. 	PRC	32	Beer	105985	28th February, 2003
2. 	PRC	32	Beer	105986	28th February, 2003
3. 	PRC	32	Beer, soft drink	605164	9th August, 2002
4. 	PRC	32	Beer	310135	9th March, 2008
5. 	PRC	32	Beer	669185	13th December, 2003
6. 	PRC	32	Beer	669186	13th December, 2003

Trademark	Place of registration	Class	Principal items covered	Registration number	Expiry date
7. 	PRC	32	Beer	1324430	13th October, 2009
8. 	PRC	32	Beer	1326802	20th October, 2009
9. 	PRC	32	Beer	1306700	20th August, 2009
10. 	PRC	32	Beer, mineral water, juice	1304107	13th August, 2009
11. 	PRC	32	Beer	129189	28th February, 2003
12. 	PRC	32	Beer	200120	14th October, 2003
13. 	PRC	32	Beer	105252	28th February, 2003

The following trademark is in the process of transfer to the Group:





Trademark	Place of registration	Class	Principal items covered	Registration number	Expiry date
	PRC (note 1)	32	Beer	280249	9th March, 2007


Note:

1. This trademark is in the process of transfer from Mudanjiang Brewery Factory to Mudanjiang JV.

Pursuant to the relevant trademark law in the PRC, the registered owner of a trademark should apply to the relevant PRC government authority for a renewal of the trademark registration within 6 months prior to the expiry of the registration. The registered owner may apply for an extension of the period for submitting renewal application for another 6 months. If no renewal application is submitted during the aforesaid period, the relevant trademark registration will lapse.

As at the Latest Practicable Date, the Group had applied for registration of the following trademarks:

Trademark	Place of application	Class	Principal items covered	Application date
	PRC	32	Beer	5th September, 2001
	PRC	32	Beer	7th June, 2001
	Hong Kong	32	Beer, mineral water	2nd January, 2002
	Hong Kong	16	Paper, printed matter	2nd January, 2002

Pursuant to a trademark licence agreement dated 14th October, 1999 and an agreement dated 27th May, 2002, Yinpu JV has also been licensed to use the “” trademark by Yinpu Brewery Factory.

2. Patents

HB Company is the registered owner of the following patents in the PRC:

Patent No.	Description	Expiry date
1. ZL98339340.0	Beer bottle	12th December, 2008
2. ZL98339341.9	Beer bottle	12th December, 2008
3. ZL98339342.7	Beer bottle	12th December, 2008

3. Registered Designs

Yinpu JV is the registered owner of the following registered designs in the PRC:

	Registered design no.	Description	Expiry date
1.	ZL98339293.5	Bottle label	23rd November, 2008
2.	ZL98339294.3	Bottle label	23rd November, 2008
3.	ZL00310582.2	Bottle label	11th July, 2010
4.	ZL00310584.9	Bottle label	11th July, 2010
5.	ZL00310580.6	Bottle label	11th July, 2010
6.	ZL00310585.7	Bottle label	11th July, 2010
7.	ZL00310579.2	Bottle label	11th July, 2010
8.	ZL00310581.4	Bottle label	11th July, 2010
9.	ZL00310583.0	Bottle label	11th July, 2010
10.	ZL01312181.2	Bottle label	28th February, 2011
11.	ZL01312182.0	Bottle label	28th February, 2010
12.	ZL01312180.4	Bottle label	28th February, 2010

FURTHER INFORMATION ABOUT THE SUBSIDIARIES IN THE PRC**哈爾濱啤酒有限公司 (Harbin Brewing Company Limited)**

Location:	Harbin
Date of establishment:	9th October, 1995
Nature of entity:	Wholly foreign-owned enterprise established in the PRC
Principal scope of business:	Production, distribution, research, development and technical consultancy of beer products
Percentage of equity interest held by the Group:	100%
Total investment:	RMB390,000,000
Registered capital:	RMB250,000,000 (fully paid-up)
Term of operation:	from 9th October, 1995 to 8th October, 2025

哈爾濱啤酒有限公司海倫分公司 (Harbin Brewing Company Limited (Hailun))

Location:	Hailun
Date of set up:	3rd September, 1996
Nature of entity:	Branch of Harbin Brewing Company Limited
Principal scope of business:	Production and distribution of beer
Term of operation:	from 3rd September, 1996 to 8th December, 2015

哈爾濱啤酒(鶴崗)有限公司 (Harbin Brewing (Hegang) Company Limited)

Location:	Hegang
Date of establishment:	8th August, 1999
Nature of entity:	Limited liability company established in the PRC
Principal scope of business:	Production and distribution of beer
Joint venture parties and percentage of their respective capital contribution:	Harbin Brewing Company Limited (95%) 哈爾濱啤酒廠 (Harbin Brewery Factory) (5%)
Registered capital:	RMB10,000,000 (fully paid-up)
Term of operation:	from 8th August, 1999 to 29th December, 2020

吉林哈爾濱啤酒有限公司 (Jilin Harbin Brewing Company Limited)

Location:	Jilin
Date of establishment:	3rd January, 2000
Nature of entity:	Limited liability company established in the PRC
Principal scope of business:	Production, research and technology development of beer
Joint venture parties and percentage of their respective capital contribution:	Harbin Brewing Company Limited (70%) 吉林省國人啤酒有限公司 (Jilin Province Guoren Beer Company Limited) (30%)
Registered capital:	RMB5,000,000 (fully paid-up)
Term of operation:	from 3rd January, 2000 to 2nd January, 2020

哈爾濱啤酒(松江)有限公司 (Harbin Brewing (Songjiang) Company Limited)

Location:	Songjiang
Date of establishment:	25th August, 1994
Nature of entity:	Sino-foreign equity joint venture established in the PRC
Principal scope of business:	Production and distribution of beer
Joint venture parties and percentage of their respective capital contribution:	Harbin Brewing Company Limited (45%) Harbin Brewery Investments Limited (25%) 哈爾濱松江電機廠 Harbin Songjiang Electrical and Mechanical Factory (30%)

Total investment:	RMB65,000,000
Registered capital:	RMB32,500,000 (fully paid-up)
Term of operation:	from 25th August, 1994 to 25th August, 2024
哈爾濱天合生物工程有限公司 (Harbin Tianhe Bio-engineering Company Limited)	
Location:	Harbin
Date of establishment:	6th August, 1997
Nature of entity:	Limited liability company established in the PRC
Principal scope of business:	Brewing waste treatment
Joint venture parties and percentage of their respective capital contribution:	Harbin Brewing Company Limited (52%) 上海天合生物技術有限公司 (Shanghai Tianhe Bio-technology Company Limited) (48%)
Registered capital:	RMB1,750,000 (fully paid-up)
Term of operation:	from 6th August, 1997 to 11th September, 2005
吉林省粵海銀瀑啤酒有限公司 (Jilin GD-Yinpu Beer Co., Ltd.)	
Location:	Jilin
Date of establishment:	21st March, 1997
Nature of entity:	Sino-foreign equity joint venture established in the PRC
Principal scope of business:	Production of beer
Joint venture parties and percentage of their respective capital contribution:	Prestige Full Investment Limited (55%) 深圳粵海實業投資發展有限公司 (Shenzhen Guangdong Industrial Investment Company Limited) (35%) 吉林省銀瀑啤酒廠 (Yinpu Brewery Factory, Jilin Province) (10%)
Total investment:	RMB170,000,000
Registered capital:	RMB68,000,000 (fully paid-up)
Term of operation:	from 21st March, 1997 to 20th March, 2027

牡丹江鏡泊啤酒有限公司 (Mudanjiang Jing Po Brewery Co., Ltd.)

Location:	Mudanjiang
Date of establishment:	28th December, 1995
Nature of entity:	Sino-foreign equity joint venture enterprise established in the PRC
Principal scope of business:	Production of beer
Joint venture parties and percentage of their respective capital contribution:	Extra Lucky Investment Limited (55%) 牡丹江啤酒廠 (Mudanjiang Brewery Factory) (45%)
Total investment:	RMB160,000,000
Registered capital:	RMB64,120,000 (fully paid-up)
Term of operation:	from 28th December, 1995 to 27th December, 2025

佳木斯粵海佳鳳啤酒有限公司 (Jiamusi Yuehai Jiafeng Brewery Co., Ltd.)

Location:	Jiamusi
Date of establishment:	18th March, 1996
Nature of entity:	Sino-foreign equity joint venture established in the PRC
Principal scope of business:	Production and distribution of beer, beverage and by-products
Joint venture parties and percentage of their respective capital contribution:	Fung Heng Investment Limited (60%) 佳木斯啤酒廠 (Jiamusi Brewery Factory) (40%)
Total investment:	US\$8,433,700
Registered capital:	US\$5,984,000 (fully paid-up)
Term of operation:	from 20th March, 1996 to 19th March, 2026

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

Immediately following completion of the Capitalisation Issue and the Share Offer, save as disclosed below, the directors and chief executive of the Company do not have any interests in the equity or debt securities of the company or any associated corporations (within the meaning of the SDI Ordinance) which will have to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they are taken or deemed to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance) once the Shares are listed, or which will be required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to herein once the Shares are listed, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange once the Shares are listed.

As at the date of this prospectus, the following options have been granted or agreed to be granted to certain Directors under the Pre-IPO Share Option Scheme:

Name	Date of the Grant	Residential Address	Number of Shares Subject to Exercise the Option	Exercise Price	Exercise Period
Li Wentao	3rd June, 2002	Flat 151 221 Da Cheng Street Nangang District Harbin City Heilongjiang Province the PRC	8,800,000	Offer Price	(i) option for 4,400,000 Shares exercisable at any time after the 12th month following the listing of Shares on the Stock Exchange ("Listing Date"); and (ii) option for 4,400,000 Shares exercisable at any time after the 24th month following the Listing Date.
Lo Peter	3rd June, 2002	Flat C, 34th Floor Block 1, Park Tower No. 1 King's Road Hong Kong	8,800,000 (note)	Offer Price	(i) option for 4,400,000 Shares exercisable at any time after the 12th month following the Listing Date; and (ii) option for 4,400,000 Shares exercisable at any time after the 24th month following the Listing Date.

Note: Lo Peter also has family interests in respect of the option conditionally granted by the Company to Ho Kar Yin, the spouse of Lo Peter. Upon a full exercise of the option, 1,800,000 Shares will be allotted and issued to Ho Kar Yin. Details of the option granted to Ho Kar Yin are set out under the paragraph headed "Pre-IPO Share Option Scheme" in this appendix.

Name	Date of the Grant	Residential Address	Number of Shares Subject to the Option	Exercise Price	Exercise Period
Fu Hui	3rd June, 2002	532-15 Cai Yi Street Xiangfang District Harbin City Heilongjiang Province the PRC	6,600,000	Offer Price	(i) option for 3,300,000 Shares exercisable at any time after the 12th month following the Listing Date; and (ii) option for 3,300,000 Shares exercisable at any time after the 24th month following the Listing Date.
Au Peter Jeva	3rd June, 2002	Apartment 15 7th Floor No. 9 Mansfield Road The Peak Hong Kong	6,600,000	Offer Price	(i) option for 2,200,000 Shares exercisable at any time after the 15th month following the Listing Date; (ii) option for 2,200,000 Shares exercisable at any time after the 24th month following the Listing Date; and (iii) option for 2,200,000 Shares exercisable at any time after the 36th month following the Listing Date.
Lee Kong Leong	3rd June, 2002	27th Floor, Block E Evelyn Tower 38 Cloudview Road North Point Hong Kong	6,600,000	Offer Price	(i) option for 2,200,000 Shares exercisable at any time after the 15th month following the Listing Date; (ii) option for 2,200,000 Shares exercisable at any time after the 24th month following the Listing Date; and (iii) option for 2,200,000 Shares exercisable at any time after the 36th month following the Listing Date.
Tong Kay Tak Tom	3rd June, 2002	Flat C5, 6th Floor Ventris Place 19 Ventris Road Happy Valley Hong Kong	5,280,000	Offer Price	(i) option for 1,760,000 Shares exercisable at any time after the 12th month following the Listing Date; (ii) option for 1,760,000 Shares exercisable at any time after the 24th month following the Listing Date; and

Name	Date of the Grant	Residential Address	Number of Shares Subject to the Option	Exercise Price	Exercise Period
					(iii) option for 1,760,000 Shares exercisable at any time after the 36th month following the Listing Date.
Tse Kwok Lam	3rd June, 2002	Flat A, 14th Floor Block 21, Baguio Villa 555 Victoria Road Pokfulam Hong Kong	5,280,000	Offer Price	(i) option for 1,760,000 Shares exercisable at any time after the 15th month following the Listing Date; (ii) option for 1,760,000 Shares exercisable at any time after the 24th month following the Listing Date; and (iii) option for 1,760,000 Shares exercisable at any time after the 36th month following the Listing Date.
Bao Liusuo	3rd June, 2002	No. 6 He Gou Street Nangang District Harbin City Heilongjiang Province the PRC	4,500,000	Offer Price	(i) option for 2,250,000 Shares exercisable at any time after the 12th month following the Listing Date; and (ii) option for 2,250,000 Shares exercisable at any time after the 24th month following the Listing Date.
Chen Zhixiong	3rd June, 2002	Flat B, 17th Floor Pak Hee Court Belford Gardens North Point Hong Kong	2,400,000	Offer Price	(i) option for 800,000 Shares exercisable at any time after the 12th month following the Listing Date; and (ii) option for 800,000 Shares exercisable at any time after the 24th month following the Listing Date; and (iii) option for 800,000 Shares exercisable at any time after the 36th month following the Listing Date.

The above options will expire after the 5th year following the Listing Date.

The exercise of the above options granted under the Pre-IPO Share Option Scheme is subject to and conditional upon (1) the Share Offer becoming unconditional and (2) the listing committee of the Stock Exchange granting approval of the listing of the Shares on the Stock Exchange which may be issued pursuant to the exercise of options under the Pre-IPO Share Option Scheme.

So far as the Directors are aware, and taking no account of Shares which may be taken up under the Share Offer, the following persons (not being Directors or chief executive of the Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer (assuming that the Over-allotment Option is not exercised), be directly or indirectly interested in 10% or more of the voting power at general meetings of members of the Group:

Name	Number of shares/ Percentage of interest	Name of company
Harbin Brewery Factory (BVI) Limited	294,800,000 Shares (Note 1)	Harbin Brewery Group Limited
CEDF (Brewery) Holdings Limited	343,200,000 Shares (Note 2)	Harbin Brewery Group Limited
哈爾濱松江電機廠 (Harbin Songjiang Machinery Factory)	30%	哈爾濱啤酒(松江)有限公司 (Harbin Brewing (Songjiang) Company Limited)
吉林省國人啤酒有限公司 (Jilin Province Guoren Beer Company Limited)	30%	吉林哈爾濱啤酒有限公司 (Jilin Harbin Brewing Company Limited)
吉林省銀瀑啤酒廠 (Yinpu Brewery Factory, Jilin Province)	10.0%	吉林省銀瀑啤酒有限公司 (Jilin GD-Yinpu Beer Co., Ltd.)
深圳粵海實業投資發展有限公司 (Shenzhen Guangdong Industrial Investment Company Limited)	35.0%	吉林省銀瀑啤酒有限公司 (Jilin GD-Yinpu Beer Co., Ltd.)
牡丹江啤酒廠 (Mudanjiang Brewery Factory)	45.0%	牡丹江鏡泊啤酒有限公司 (Mudanjiang Jing Po Brewery Co., Ltd.)
佳木斯啤酒廠 (Jiamusi Brewery Factory)	40.0%	佳木斯粵海佳鳳啤酒有限公司 (Jiamusi Yuehai Jiafeng Brewery Co., Ltd.)

Notes:

- (1) Harbin Brewery Factory (BVI) Limited is a wholly-owned subsidiary of Kwok Nea Development Limited.
- (2) CEDF (Brewery) Holdings Limited is owned as to 86.84% by China Enterprise Development Fund Limited and as to 13.16% by Brewery Investors Limited.

Particulars of service contracts

Each of Mr. Li Wentao, Mr. Lo Peter, Mr. Fu Hui and Mr. Bao Liusuo has entered into a service contract with the Company on 3rd June, 2002 for an initial term of three years commencing from 1st June, 2002, unless and until terminated by the Company or by the relevant Director (as the case may be) by giving to the other party twelve/six months' prior notice in writing, which notice period shall not expire at any time during the first year. Mr. Lee Kong Leong and Mr. Au Peter Jeva have not entered into any service contract with the Company.

Under the service contracts, there are sign-on and/or sign-off payments for the respective Directors. The sign-on and sign-off payments refer to incentive and gratuity payments that will be paid to the relevant Directors by the Company when they sign the service contracts and when the service contracts are terminated respectively. The aggregate sign-on and sign-off payments amount to approximately HK\$1.5 million and HK\$9 million respectively. Each of the executive Directors will be entitled to a discretionary bonus provided that the total amount of bonuses payable to all the Directors for such year shall not exceed 10% of the audited consolidated net profit after tax but before extraordinary and exceptional items of the Group (the "Profit") and provided further that the Profit before payment of the total discretionary bonuses payable to all the executive Directors shall exceed HK\$80 million. Each of the executive Directors will also be entitled to all reasonable expenses properly incurred in the course of his employment or in connection with the business of the Company.

Under the present arrangements, the aggregate of the remuneration paid or payable to, and benefits in kind received or receivable by, the Directors for the year ending 31st December, 2002 are estimated to be approximately HK\$5 million (comprising an aggregate of approximately HK\$700,000, HK\$2,590,000, HK\$525,000 and HK\$280,000 to each of Mr. Li Wentao, Mr. Lo Peter, Mr. Fu Hui and Mr. Bao Liusuo respectively, with the balance of approximately HK\$905,000 reserved for other Directors). For the year ended 31st December, 2001, the aggregate of the remuneration paid by the Group to the Directors is approximately HK\$1.7 million.

Personal guarantee

Within two years preceding the date of this prospectus, none of the Directors has provided any personal guarantee as security for any debts and liabilities incurred by any member of the Group.

Disclaimers

Save as disclosed in this prospectus:

- (a) taking no account of the Shares which may be taken up under the Share Offer, none of the Directors or chief executive of the Company has any interest in the equity or debt securities of the Company or any of its associated corporation (within the meaning of the SDI Ordinance) which will have to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which will be taken or deemed to have taken under Section 31 of, or Part I of the Schedule to, the SDI Ordinance) once the Shares are listed, or which will be required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register

referred to therein once the Shares are listed, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules once the Shares are listed;

- (b) none of the Directors or experts referred to in the paragraph headed “Consents of experts” in this appendix has any direct or indirect interest in the promotion of the Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of or leased to any member of the Group, or are proposed to be acquired or disposed of or leased to any member of the Group;
- (c) none of the Directors or experts referred to in the paragraph headed “Consents of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (d) none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of any Shares which may be taken up under the Share Offer, the Directors are not aware of any person (not being a Director or chief executive of the Company) who will, immediately following completion of the Share Offer, be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and
- (f) none of the experts referred to in the paragraph headed “Consents of experts” in this appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group or is an officer or servant, or a partner of or in the employment of an officer or servant of the Group.

Agency fees or commissions received

The Underwriters will receive underwriting commission in accordance with the Underwriting Agreements in respect of all the Shares under the Share Offer underwritten by them, out of which they will pay any sub-underwriting commission. The aggregate underwriting commission payable by the Company in respect of the Share Offer is currently estimated to be approximately \$12.5 million. The Sponsors will also receive an advisory and/or documentation fee and be reimbursed for their expenses, such advisory and documentation fee and expenses, together with the Stock Exchange listing fees, legal and other professional fees, and printing and other expenses relating to the Share Offer, which are estimated to amount in aggregate to approximately HK\$48.7 million, will be payable by the Company and the Vendor in proportion to the number of Shares offered by the Company and the number of Shares sold by the Vendor under the Share Offer. The estimated commission and expenses stated above assume an Offer Price of HK\$1.485 (being the mid-point of the stated range of the Offer Price of between HK\$1.38 and HK\$1.59 per Share) and the Over-allotment Option is not exercised.

Related party transactions

The related party transactions entered into by the members of the Group within the two years immediately preceding the date of this prospectus are referred to in note (h) in section 3 of the accountants' report, the text of which is set out in appendix I to this prospectus.

PRE-IPO SHARE OPTION SCHEME

The purpose of the Pre-IPO Share Option Scheme is to give the participants an opportunity to have a personal stake in the Company and help motivate the participants to optimise their performance and efficiency and attract and retain the participants whose contributions are important to the long-term growth and profitability of the Group. The principal terms of the Pre-IPO Share Option Scheme, approved and amended by written resolutions of the shareholders of the Company dated 3rd June, 2002 and 17th June, 2002 are substantially the same as the terms of the Share Option Scheme except for the following:

- (a) the subscription price per Share shall be the Offer Price; and
- (b) save for the options which have been granted (with details set out below), no further options will be offered or granted, as the right to do so will end upon the listing of Shares on the Stock Exchange.

Application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of and permission to deal in the Shares to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

As at the date of this prospectus, options have been granted to certain Directors, details of which have been disclosed under the paragraph headed "Further information about Directors, management and staff" of this appendix together with the following options that have been granted under the Pre-IPO Share Option Scheme.

Grantee	Date of the Grant	Residential Address	Number of Shares Subject to the Option	Exercise Price	Position in the Company	Exercise Period
Wu Ka Hon Kenneth	3rd June, 2002	Flat B, 14/F Block 2 58A-B Conduit Road Hong Kong	5,280,000	Offer Price	Chief Investment Officer	(i) option for 1,760,000 Shares exercisable at any time after the 12th month following the Listing Date;

Grantee	Date of the Grant	Residential Address	Number of Shares Subject to the Option	Exercise Price	Position in the Company	Exercise Period
						(ii) option for 1,760,000 Shares exercisable at any time after the 24th month following the Listing Date; and
						(iii) option for 1,760,000 Shares exercisable at any time after the 36th month following the Listing Date.
Lam Pong Sui	3rd June, 2002	Room 1213 Lee Hang House Shun Lee Estate Kowloon Hong Kong	4,500,000	Offer Price	Company Secretary and Chief Financial Officer	(i) option for 1,500,000 Shares exercisable at any time after the 12th month following the Listing Date;
						(ii) option for 1,500,000 Shares exercisable at any time after the 24th month following the Listing Date; and
						(iii) option for 1,500,000 Shares exercisable at any time after the 36th month following the Listing Date.

Grantee	Date of the Grant	Residential Address	Number of Shares Subject to the Option	Exercise Price	Position in the Company	Exercise Period
Ho Kar Yin	3rd June, 2002	Flat C, 34th Floor Block 1 Park Tower No. 1 King's Road Hong Kong	1,800,000	Offer Price	Project Manager	<ul style="list-style-type: none"> (i) option for 600,000 Shares exercisable at any time after the 12th month following the Listing Date; (ii) option for 600,000 Shares exercisable at any time after the 24th month following the Listing Date; and (iii) option for 600,000 Shares exercisable at any time after the 36th month following the Listing Date.
Wong Oi Ping	3rd June, 2002	14D, Tower 4 Park Belvedere 188 Ma On Shan Road Shatin New Territories	900,000	Offer Price	Administration Manager	<ul style="list-style-type: none"> (i) option for 300,000 Shares exercisable at any time after the 12th month following the Listing Date; (ii) option for 300,000 Shares exercisable at any time after the 24th month following the Listing Date; and (iii) option for 300,000 Shares exercisable at any time after the 36th month following the Listing Date.

The above options expire after the fifth year following the Listing Date.

The exercise of the options granted under the Pre-IPO Share Option Scheme is subject to and conditional upon (1) the Share Offer becoming unconditional and (2) the listing committee of the Stock Exchange granting approval of the listing of the Shares on the Stock Exchange which may be issued pursuant to the exercise of options under the Pre-IPO Share Option Scheme. Up to the date of the prospectus, a total number of 67,340,000 Shares is subject to options granted under the Pre-IPO Share Option Scheme.

SHARE OPTION SCHEME**Summary of terms**

The following is a summary of the principal terms of the Share Option Scheme, which was conditionally approved by a resolution duly passed by the shareholders of the Company on 17th June, 2002.

(a) *Who may join*

The board of Directors (the “Board”) may, at its discretion, offer employees, including the executive and non-executive Directors, officers, substantial shareholders of the Company (the “Participants”) and its subsidiaries (or their respective associates), options to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below. Upon acceptance of the option, the grantee shall pay HK\$1 to the Company by way of consideration for the grant. The Share Option Scheme will give the Participants an opportunity to have a personal stake in the Company and will help achieve the following objectives: (i) motivate the Participants to optimise their performance and efficiency; and (ii) attract and retain the Participants whose contributions are important to the long-term growth and profitability of the Group.

(b) *Maximum number of Shares*

- (i) Subject to (ii) to (iii) below, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of listing of the Shares on the Stock Exchange (such 10% limit represents 88,000,000 Shares (not taking into account of Shares that may be issued pursuant to the exercise of the Over-allotment Option)). Options lapsed in accordance with the terms of the Share Option Scheme and any other schemes of the Company will not be counted for the purpose of calculating the 10% limit.
- (ii) The Company may seek approval from its shareholders in general meeting for “refreshing” the aforesaid 10% limit under (i) above. However, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company under the limit as “refreshed” must not exceed 10% of the Shares in issue as at the date of approval of the limit. Options previously granted under the Share Option Scheme and any other schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the scheme or exercised options) will not be counted for the purpose of calculating the limit as “refreshed”. The Company must send a circular to its shareholders containing information required under Rules 17.02(2)(d) and the disclaimer required under Rule 17.02(c) of the Listing Rules.
- (iii) The Company may also seek separate approval from its shareholders in general meeting for granting options beyond the aforesaid 10% limit under (i) and (ii) above provided the options in excess of the limit are granted only to

participants specifically identified by the Company before such approval is sought. The Company must send a circular to its shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer under Rule 17.02(4) of the Listing Rules.

- (iv) The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme any other schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other schemes of the Company if this will result in the limit being exceeded.
- (c) *Maximum number of options to any one individual, director, chief executive and substantial shareholder of the Company or any of their respective associates*
- (i) Unless approved by shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue.
 - (ii) Where any further grant of options to a participant would result in the Shares issued and to be issued upon the exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his associates abstaining from voting. The Company must send a circular to its shareholders and the circular must disclose the identity of the participants, the number and terms of the options to be granted (and options previously granted to such participant), the information of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to rule 17.03(9) of the Listing Rules.
 - (iii) Notwithstanding the aforesaid, each grant of options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive Directors (excluding independent non-executive Director who is the grantee).
 - (iv) If any grant to a substantial shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued

and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Share Option Scheme to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the date when an offer is made, in excess of HK\$5 million;

such further grant of options must be approved by shareholders of the Company taken on a poll and with all the interested persons abstaining from voting.

The Company must send a circular to its shareholders containing information required under Rule 17.04(1), (2) and (3) of the Listing Rules.

- (d) *Minimum period to hold an option and performance target before exercise of an option*

The Directors will have the absolute discretion to fix the minimum period for which an option must be held before it can be exercised, and the performance targets that must be achieved before the options can be exercised upon the grant of an option to a participant.

- (e) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (i) the nominal value of the Shares, (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the option on which there were dealings in the Shares on the Stock Exchange (where the Company has been listed for less than 5 trading days, the Offer Price shall be used as the closing price for any business day falling within the period before listing) and (iii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a trading day).

- (f) *Rights are personal to grantee*

An option may not be transferred or assigned and is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. The option shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option (where the grantee is a company, any change of its major shareholder or any substantial change in its management will be deemed to be a sale or transfer of interest as aforesaid). Any breach of the foregoing shall entitle the Company to cancel any outstanding option or part thereof granted to such grantee.

(g) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of adoption of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years after the date of adoption of the Share Option Scheme by shareholders of the Company by resolution at a general meeting.

(h) *Rights on ceasing employment/death*

If the grantee of an option ceases to be an employee of the Company by reason of his or her death, his legal personal representative(s) may exercise the option up to such grantee's entitlement (to the extent not already exercised) within the period of 6 months following his death provided that where any of the events set out in (i), (j) and (k) below occurs prior to his death or within such period of 6 months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out in such paragraphs and provided further that:

- (i) if within a period of 1 year prior to the grantee's death, the grantee had committed any of the acts as specified in (i) below which would have entitled the Company to terminate his employment prior to his death, the Board may at any time forthwith terminate the option of the grantee (to the extent not already exercised) by written notice to his legal personal representative(s); and
- (ii) if the option has been exercised in whole or in part by his or her legal personal representative(s), but Shares have not been allotted, he shall be deemed not to have so exercised such option and the Company shall return to him the amount of the subscription price for the Shares in respect of the purported exercise of such option.

(i) *Rights on dismissal*

If the grantee of an option ceases to be an employee of the Group on the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable on the date of termination of his employment and if the grantee has exercised the option in whole or in part, but Shares have not been allotted to him, the grantee shall be deemed not to have so exercised such option and the Company shall return to the grantee the amount of the subscription price for the Shares in respect of the purported exercise of such option.

(j) *Rights on a general offer by way of takeover and scheme of arrangement or otherwise in like manner*

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the holders of Shares (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or where permitted under (h) above, his legal personal representatives) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 1 month after the date on which the offer becomes or is declared unconditional.

(k) *Rights on a compromise or arrangement*

In the event of a compromise or arrangement between the Company and the holders of Shares or its creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all the grantees (or where permitted under (h) above, his legal personal representatives) on the same day as it gives notice of the meeting to the holders of Shares or its creditors to consider such a compromise or arrangement and the options shall become exercisable on such date until the earlier of 2 months after that date and the date on which such compromise or arrangement is sanctioned by the Court and becomes effective.

(l) *Rights on winding-up*

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(m) *Rights on change of control in major shareholders*

In the event of a change in the control of the major shareholders of the Company, the grantees (or where permitted under (h) above, his legal personal representatives) shall be entitled to exercise the option in full (to the extent not already exercised) (notwithstanding that the option may be subject to a vesting schedule) at any time within 1 month after the aforesaid change in control.

(n) *Exercise of option in certain circumstances*

For the avoidance of doubt, if the grantee (or where permitted under (h) above, his legal representative) shall exercise the option pursuant to paragraphs (h), (j), (k), (l) and (m), the grantee (or his legal representative, as the case may be) may exercise the option (up to the portion that he is entitled to in accordance with the conditions that the option may be subject to when a grant of option was made to him under the Share Option Scheme but if a condition was set on the minimum period for which an Option must be held, such condition will be deemed to have been waived in such circumstance).

(o) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* with the other fully-paid Shares in issue on the date of exercise of the option and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of the exercise of the option other than any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise of the option.

(p) *Effect of alterations to capital*

In the event of any alteration in the capital structure of the Company by way of capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is party and share placement) whilst any option may become or remains exercisable, such corresponding adjustments (if any) shall be made in the aggregate number of Shares in respect of which options may be granted subject to outstanding options so far as unexercised and/or the subscription price per Share of each outstanding option and/or the method or exercise of the option and for adjustment other than pursuant to capitalisation issue, the auditors of the Company or an independent financial adviser shall certify in writing to the Board to be in their opinion fair and reasonable, provided that the adjustment has given a participant the same proportion of the issued share capital as that to which that person was previously entitled. No such adjustments will be made the effect of which would be to enable a Share to be issued at less than its nominal value.

(q) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that any material alteration to its terms and conditions, any change to the terms of options granted (except for changes automatically take effect under the existing terms of the Share Option Scheme) and the matters contained in Rule 17.03 of the Listing Rules shall not be altered to the advantage of the grantees or the prospective grantees without the prior sanction of any ordinary resolution of the Company in general meeting.

The amended term of the Share Option Scheme or the options must still comply with the relevant requirements of Chapter 17 of the Listing Rules. Any change to the authority of the Directors or scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by shareholders of the Company in general meeting.

(r) *Termination of the Share Option Scheme*

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(s) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the 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 fall to be issued pursuant to the exercise of options granted pursuant thereto.

(t) *Present status of the Share Option Scheme*

As at the date of this prospectus, no option has been granted or agreed to be granted pursuant to the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the grant of the listing of and permission to deal in the 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 fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

PARTICULARS OF THE VENDOR

The Vendor is HBF (BVI), a company incorporated in the BVI with limited liability on 25th July, 2000, which is ultimately owned by the Harbin Municipal Government. The registered office and nature of business of the Vendor and details of Sale Shares are as follows:

Address	Nature of business	Sale Shares
P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	investment holding	Initially 22,000,000 Shares (representing 10% of the new Shares issued by the Company under the Share Offer) (if the Over-allotment Option is fully exercised, an additional 3,300,000 Shares will be offered for sale under the Share Offer by the Vendor)

As Kwok Nea, the holding company of HBF (BVI), is ultimately owned by Harbin Municipal Government, it is required in pursuance of the Provisional Administrative Measures for State-owned Share Reduction promulgated by the State Council of the PRC on 12th June, 2001 to offer for sale the Shares equivalent to 10% of the new Shares being issued by the Company pursuant to the Share Offer. Accordingly, the number of Shares held by HBF (BVI) immediately after completion of the Share Offer and the Capitalisation Issue and assuming the Over-allotment Option and conversion rights attached to the Convertible Notes have not been exercised, will be 294,800,000, representing approximately 33.5% of the issued share capital of the Company.

In the event that the Over-allotment Option is exercised in full, HBF (BVI) will offer for sale an additional 3,300,000 Shares and, assuming that there are no other changes in the shareholding of the Company, its shareholding in the Company will be lowered to approximately 31.9%. The Company will make necessary announcement if the Over-allotment Option is exercised.

OTHER INFORMATION

Estate duty, tax and other indemnities

The Controlling Shareholders, CEDF and Kwok Nea (the “Indemnifiers”) have pursuant to document (i) in the section headed “Summary of material contracts” of this appendix jointly and severally given indemnities in connection with, inter alia, Hong Kong estate duty which might be payable by any member of the Group by reason of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong) to any member of the Group on or before the date on which the Share Offer becomes unconditional (the “Relevant Date”). The deed of indemnity also contains indemnities given jointly and severally by the Indemnifiers in respect of taxation resulting from any income, profits or gains earned, accrued or received on or before the Relevant Date (“Taxation”) which might be payable by any member of the Group.

The indemnity for Taxation does not apply in the following circumstances:

- (a) to the extent that provision or reserve has been made for the Taxation in such audited accounts as have been prepared for the company being indemnified as at 31st December, 2001; or
- (b) if it has arisen in and relates to any liability since 31st December, 2001 unless the liability would not have arisen but for some act or omission of, or transactions entered into by the company being indemnified other than in the course of normal day-to-day operations of the Group, on or before the Relevant Date; or
- (c) to the extent that such liability for Taxation arises or is incurred as a result of the imposition of Taxation as a consequence of any retrospective change in the law coming into force after the date of the deed of indemnity or to the extent that such liability for Taxation arises or is increased by an increase in rates of Taxation after the date of the deed of indemnity with retrospective effect.

The Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands, the British Virgin Islands and the PRC is likely to fall on the Group in the Cayman Islands, the British Virgin Islands and the PRC.

The Indemnifiers have pursuant to document k in the paragraph headed “Summary of material contracts” of this appendix also jointly and severally covenanted with the Company (for itself and for the benefit of its subsidiaries) to indemnify each member of the Group against:

- (i) any losses (including the loss of any rental deposits paid), payments, claims, damages, settlement payments and other associated costs and expenses which may be suffered or incurred by such member of the Group arising out of any tenancy or lease agreements relating to any of the properties rented or leased by the Group entered into by any member of the Group before the Relevant Date being invalid or ineffective or unenforceable under PRC law by reason of non-compliance with any filing or registration requirement under PRC law or any lack or insufficiency of contractual capacity or authority or power or right to lease such property on the part of the relevant landlord or lessor; and
- (ii) any reasonable costs, fees or expenses incurred by any member of the Group in investigating, assessing or contesting any such liabilities or in taking or defending any action under the indemnities set out in paragraphs (i) and (ii) above.

Litigation

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be appending or threatened by or against any member of the Group.

Sponsors

The Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for a listing of and permission to deal in, all the Shares in issue, the Shares to be issued as mentioned herein and Shares which may fall to be issued pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme and Share Option Scheme and the Over-allotment Option.

Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately HK\$30,000 and are payable by the Company.

Promoter

The Company has no promoter. Accordingly, no cash, securities or other benefit has been paid, allotted or given to any promoter in connection with the Share Offer or related transactions described in this prospectus within the two years immediately preceding the date of this prospectus.

Qualification of experts

The following are the qualifications of the experts who have given their opinion or advice in this prospectus:

Name	Qualification
Ernst & Young	Certified public accountants
Vigers Hong Kong Limited	Professional property surveyors and valuers
Conyers Dill & Pearman, Cayman	Cayman Islands attorneys-at-law
Commerce & Finance Law Offices	PRC lawyers

Consents of experts

Each of Ernst & Young, Vigers Hong Kong Limited, Conyers Dill & Pearman, Cayman and Commerce & Finance Law Offices has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificate and/or opinions and/or the references to its name included in this prospectus in the form and context in which they are respectively included.

Binding effect

This prospectus shall have the effect, if any application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

Miscellaneous

Save as disclosed in this prospectus:

- (a) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) no founders, management or deferred shares of the Company have been issued or agreed to be issued;
- (d) within the two years immediately preceding the date of this prospectus, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
- (e) within the two years immediately preceding the date of this prospectus, no commission has been paid or is payable (except for commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in the Company or any of its subsidiaries;

- (f) the Directors confirm that since 31st December, 2001 (being the date to which the latest audited combined financial statements of the Group were made up) there has been no material adverse change in the financial or trading position of the Group; and
- (g) none of the persons named in the paragraph headed “Consents of experts” is interested beneficially in any shares in any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.