THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Document or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in Harbin Brewery Group Limited, you should at once hand this Document to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

哈爾濱啤酒集團有限公司

HARBIN BREWERY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0249)

Mandatory Cash Offer
by Morgan Stanley Dean Witter Asia Limited
on behalf of Anheuser-Busch Hong Kong Investment Company, Limited
for all the issued shares of Harbin Brewery Group Limited
(other than those held by the Offeror and parties acting in concert with it)

Financial Adviser to Harbin Brewery Group Limited

CLSA Equity Capital Markets Limited

Independent Financial Adviser to the Independent Board Committee of Harbin Brewery Group Limited

SOMERLEY LIMITED

A letter from the Board in respect of the Offer is set out on pages 1 to 5 of this Document.

A letter from the Independent Board Committee containing its recommendation in respect of the Offer to the Independent Shareholders is set out on pages 6 to 7 of this Document.

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 8 to 32 of this Document.

17 June 2004

CONTENTS

哈爾濱啤酒集團有限公司
HARBIN BREWERY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Directors:
Li Wentao
Lo Peter
Fu Hui
Au Peter Jeva
Bao Liusuo
Dr. Tong Kay Tak Tom*
Dr. Sit Fung Shuen Victor**
Zhu Wenwei*
Sam Zuchowski**

* *Non-Executive Directors*
** *Independent Non-Executive Directors*

Registered office:
Century Yard, Cricket Square
Hutchins Drive
George Town
Grand Cayman
British West Indies

Principal place of business in Hong Kong:
Suite 615, 6th Floor
One International Finance Centre
1 Harbour View Street
Central, Hong Kong

17 June 2004

To the Shareholders and, for information only, Optionholders

Dear Sir or Madam,

MANDATORY CASH OFFER

1 INTRODUCTION

On 1 June 2004, Anheuser-Busch announced that Morgan Stanley, on behalf of the Offeror, being an indirect wholly owned subsidiary of Anheuser-Busch, would make a mandatory cash offer for all the issued Shares (other than those already held by the Offeror and parties acting in concert with it) for cash at a price of HK$5.58 per Share. Details of the Offer are set out in the Offer Document.

The Board refers to the Announcement, which was in respect of the announcement by SABMiller that the SABMiller Offer will not be extended beyond its first closing date (being 21 June 2004) and, if Anheuser-Busch posted its Offer Document before that date, the SABMiller Offer would be formally withdrawn. Accordingly, as the Offer Document has been despatched the SABMiller Offer will be formally withdrawn and will no longer be capable of being accepted by Shareholders.

The Board comprises Mr Li Wentao, Mr Peter Lo, Mr Fu Hui, Mr Peter Jeva Au and Mr Bao Liusuo, being executive Directors (all of whom, save for Mr Peter Jeva Au, are salaried employees of the Company), Mr Zhu Wenwei and Dr. Tong Kay Tak Tom, being non-executive Directors, and Dr. Sit Fung Shuen Victor and Mr Sam Zuchowski, who are both independent non-executive Directors.

Mr Roy Bagattini and Mr Jonathan Solesbury resigned as Directors on 16 June 2004.

CLSA has been appointed as the Company's financial adviser in respect of the Offer.

2 TERMS OF THE OFFER

The Offer is being made on the basis of HK$5.58 in cash for each Share.

This represents a premium of approximately 9.4% to the closing price of HK$5.10 per Share on 31 May 2004, being the last trading day prior to the announcement of the Offer by Anheuser-Busch, and a premium of approximately 73.0% to the closing price of HK$3.225 per Share on 30 April 2004, being the last trading day prior to the announcement of the SABMiller Offer by SABMiller. The Offer values the whole of the Company's existing issued share capital at approximately HK$5,596 million.

3 BACKGROUND TO AND CONSIDERATION OF THE OFFER

In accordance with Rule 8.4 of the Code, the Company is sending this Document to Shareholders within 14 days of the posting of the Offer Document to provide certain information in connection with the Offer.

The attention of Shareholders is drawn to the letter from Somerley, the Independent Financial Adviser, on pages 8 to 32 of this Document, which sets out the background to the Offer and to the letter from the Independent Board Committee, on pages 6 to 7 of this Document, which sets out its recommendation in respect of the Offer.

As stated in the Announcement, the Board welcomes the withdrawal of the SABMiller Offer, which, now that the Offer Document has been despatched, will be formally withdrawn, and notes that SABMiller has publicly stated that it will be accepting the Offer.

The Board fully supports the Offer and warmly welcomes Anheuser-Busch becoming part of the Group.

The attention of Shareholders is drawn to the Offer Document in relation to information on Anheuser-Busch and its reasons for making the Offer. The Board believes that Anheuser-Busch can provide strategic benefits to the Company and in particular that Anheuser-Busch's expertise and recent success in China in promoting its Budweiser brand across the country will benefit the Company in establishing a nationwide brand for Harbin beer. The Board fully expects the management and employees of the Company as a whole to support the Offer and Anheuser-Busch becoming part of the Group.

The Board has also read the advice of the Independent Financial Adviser, who has been appointed to advise the Independent Board Committee. Details of Somerley's advice and the principal factors it took into consideration in arriving at its recommendations are set out in the letter from Somerley on pages 8 to 32 of this Document. The Board notes that the Independent Financial Adviser considers that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and the Board notes the Independent Board Committee's recommendation to accept the Offer as soon as practicable.

4 THE COMPANY AND EMPLOYEES

Anheuser-Busch has stated that it intends to work closely with the management of the Company to develop, promote and expand the future growth of the Company by participating with management in the operation of the Company and improving its overall competitiveness. In addition, Anheuser-Busch has stated that it expects to identify areas where it can facilitate the development of co-operative efforts between the Company, the Budweiser Wuhan International Brewing Company and Tsingtao Brewery Company Limited to create synergies and growth opportunities for the three brewery operations.

Anheuser-Busch has stated that its intention is that the Company will continue its principal business activities and that the management, control and daily operations of the Group will be carried out by the existing directors of the Company along with additional directors appointed by Anheuser-Busch in the future.

Furthermore, the Offeror has stated that it does not intend to make any material changes to the existing management and employees of the Group following the closing of the Offer.

The Board welcomes the stated intentions of Anheuser-Busch and the Offeror in respect of the Company and its employees and looks forward to Anheuser-Busch becoming part of the Group and the potential strategic benefits to the Company that this may bring.

5 OPTIONHOLDERS

Subject only to the Offer being declared or becoming unconditional, in consideration of an Optionholder undertaking irrevocably not to exercise his or her Options at any time, the Offeror will make a cash payment to the relevant Optionholders of an amount equal to the difference between HK$5.58 and the exercise price of such Option.

The Option Offer will be set out in a letter and an accompanying form of election which will be sent to Optionholders by Morgan Stanley, on behalf of the Offeror, once the Offer becomes or is declared unconditional. As at the Latest Practicable Date, so far as the Board is aware, no Optionholder has undertaken to accept the Option Offer. The Board notes that if an Optionholder chooses not to give the irrevocable undertaking not to exercise his or her Options at any time, he or she will not be entitled to the cash payment referred to above.

Further details of the offer that will be made to Optionholders are set out in the Offer Document.

6 IRREVOCABLE UNDERTAKINGS

Each of the executive Directors (being Mr Li Wentao, Mr Peter Lo, Mr Fu Hui, Mr Peter Jeva Au and Mr Bao Liusuo) and Mr Lam Pong Sui, the company secretary of the Company, has given an irrevocable undertaking to exercise all of his Options (Mr Li Wentao as to 4,400,000 Pre-IPO Options, Mr Peter Lo as to 4,400,000 Pre-IPO Options, Mr Fu Hui as to 3,300,000 Pre-IPO Options, Mr Peter Jeva Au as to 4,400,000 Pre-IPO Options, Mr Bao Liusuo as to 2,250,000 Pre-IPO Options and Mr Lam Pong Sui as to 3,000,000 Pre-IPO Options) and to accept the Offer in respect of the Shares issued on exercise of such Options. The undertakings cannot be withdrawn unless the Offer lapses or is withdrawn. The undertakings relate to a total of 21,750,000 Shares, representing approximately 2.1% of the Company (expressed as a percentage of the current issued share capital plus the number of Shares which would be issued upon the exercise of such Options which are the subject of irrevocable undertakings).

7 COMPULSORY ACQUISITION AND SUSPENSION OF DEALINGS

The Offeror has stated that if it receives valid acceptances of the Offer for not less than 90% in value of the Shares not beneficially owned by the Offeror and parties acting in concert with it and any further Shares unconditionally allotted or issued and fully paid before the date on which the Offer closes (or such earlier date(s) as the Offeror may, subject to the Code, determine), including any Shares unconditionally allotted or issued pursuant to the exercise of Options, the Offeror intends to apply the provisions of the Companies Law (2003 Revision) of the Cayman Islands to compulsorily acquire any outstanding Shares and to apply for a de-listing of the Shares from the Stock Exchange.

The Stock Exchange has stated that, in the event that less than 25% of the Shares are in public hands following the close of the Offer, it will give consideration to exercising its discretion to suspend dealings in the Shares.

8 TAXATION

If you are in any doubt as to the taxation implications on you of accepting or rejecting the Offer, you should consult with an independent professional adviser immediately.

9 FURTHER INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this Document and also to the Offer Document.

10 ACTION TO BE TAKEN TO ACCEPT THE OFFER

To accept the Offer you should ensure that you return your completed Form of Acceptance as soon as possible and, in any event, so as to be received by not later than 4.00 p.m. on 9 July 2004.

The full procedure for acceptance is set out in paragraph 2(a) of Appendix I of the Offer Document and in the Form of Acceptance.

11 RECOMMENDATION OF THE BOARD

Having taken into account the terms of the Offer and the advice of Somerley, the Board considers that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and advises the Independent Shareholders to accept the Offer as soon as practicable.

Shareholders should read and take note of the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Offer which is set out on pages 6 to 7 of this Document and the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer which is set out on pages 8 to 32 of this Document.

Yours faithfully,
for and on behalf of
Harbin Brewery Group Limited
Li Wentao
Chairman

哈爾濱啤酒集團有限公司
HARBIN BREWERY GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

Independent Board Committee:
Dr. Tong Kay Tak Tom
Dr. Sit Fung Shuen Victor
Zhu Wenwei
Sam Zuchowski

Registered office:
Century Yard, Cricket Square
Hutchins Drive
George Town
Grand Cayman
British West Indies

Principal place of business in Hong Kong:
Suite 615, 6th Floor
One International Finance Centre
1 Harbour View Street
Central, Hong Kong

17 June 2004

To the Independent Shareholders and, for information only, the Optionholders

Dear Sir or Madam,

MANDATORY CASH OFFER

We refer to the response document dated 17 June 2004 of the Company (the "Document") issued to the Shareholders and, for information only, the Optionholders, of which this letter forms part. The terms used in this letter shall have the same meanings as defined in the Document unless the context otherwise requires.

All the members of the Independent Board Committee have declared that they do not have any conflict of interest in respect of the Offer and are therefore able to consider the terms of the Offer and to make recommendations to the Independent Shareholders thereon. None of the executive Directors who are salaried directors are considered appropriate members of the Independent Board Committee in the context of the Offer. Furthermore, Mr Peter Jeva Au, along with the other executive Directors is a shareholder in Advent Strategic Limited, which at the time of the formation of the Independent Board Committee held a 5% interest in Gardwell Limited, an associate company of SABMiller. Consequently, he has not been considered as an appropriate member of the Independent Board Committee in the context of the Offer.

We have considered: (i) whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the terms of the Option Offer are fair and reasonable so far as the Optionholders are concerned. Somerley has been appointed as the independent financial adviser to advise us (the members of the Independent Board Committee) in respect of the above.

Having taken into account the advice of Somerley, we consider that:

- the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that Independent Shareholders accept the Offer as soon as practicable; and

- the terms of the Option Offer are fair and reasonable so far as the Optionholders are concerned. Accordingly, we recommend that Optionholders accept the Option Offer as soon as practicable.

The letter from Somerley containing its recommendations to us and the principal factors and reasons taken into account by Somerley in arriving at such recommendations is set out on pages 8 to 32 of this Document.

Yours faithfully,
for and on behalf of the
Independent Board Committee

Dr. Tong Kay Tak Tom	**Dr. Sit Fung Shuen Victor**	**Zhu Wenwei**	**Sam Zuchowski**
Non-executive Director	*Independent Non-executive Director*	*Non-executive Director*	*Independent Non-executive Director*

Somerley Limited
Suite 2201
Two International Finance Centre
8 Finance Street
Central
Hong Kong

17 June 2004

The Independent Board Committee
Harbin Brewery Group Limited
Suite 615, 6th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Dear Sirs,

**CONDITIONAL MANDATORY CASH OFFER
ON BEHALF OF
ANHEUSER-BUSCH HONG KONG INVESTMENT COMPANY, LIMITED
FOR SHARES OF HARBIN BREWERY GROUP LIMITED
AT HK$5.58 PER SHARE**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Offer being made by the Offeror, an indirect wholly owned subsidiary of Anheuser-Busch, for all the issued Shares (other than those already held by the Offeror and parties acting in concert with it) at a price of HK$5.58 per Share (the "Offer Price"). Details of the Offer are contained in the Offer Document issued by the Offeror to the Shareholders and, for information only, the Optionholders dated 17 June 2004. In accordance with Rule 8.4 of the Code, the Company is sending to the Shareholders a circular (the "Circular") to provide relevant information to enable the Shareholders to reach a properly informed decision on the Offer. This letter forms part of the Circular and, unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

The obligation of the Offeror to make the Offer (subject to the terms and conditions set out below) for all the issued Shares, other than those already owned by the Offeror and parties acting in concert with it, was triggered under Rule 26.1 of the Code by the Offeror's purchase of a further 69,565,501 Shares (6.9%) from funds managed by Capital International, Inc. on 31 May 2004. Taking into account the indirect interest in 291,500,000 Shares (29.1%) acquired by the Offeror on 19 May 2004, the aggregate shareholding of the Offeror and parties acting in concert with it in the Company then amounted to 361,065,501 Shares, representing approximately 36.0% of the issued share capital of the Company. In addition, the Offeror has received irrevocable undertakings from executives of the

Company to exercise certain Options they hold over 21,750,000 Shares, representing approximately 2.1% of the issued share capital of the Company (as enlarged by the issue of Shares upon exercise of the said Options), and to accept the Offer in respect of such Shares. Such acceptances, together with the Shares already owned by the Offeror and parties acting in concert with it, will result in a holding of approximately 37.4% of the issued Shares (based on the existing issued share capital of the Company as enlarged by the issuance of Shares upon the exercise of the 21,750,000 Options).

Following the posting of the Offer Document, the SABMiller Offer made on 24 May 2004 at a price of HK$4.30 per Share will be formally withdrawn.

As at the date hereof, the board of Directors comprised five executive Directors (Messrs. Li Wentao, Peter Lo, Fu Hui, Bao Liusuo and Peter Jeva Au), two non-executive Directors (Dr. Tong Kay Tak Tom and Mr. Zhu Wenwei) and two independent non-executive Directors (Dr. Sit Fung Shuen Victor and Mr. Sam Zuchowski). All the members of the Independent Board Committee (namely, Dr. Tong Kay Tak, Mr. Zhu Wenwei, Dr. Sit Fung Shuen Victor and Mr. Sam Zuchowski) have declared that they do not have any conflict of interest in respect of the Offer and are therefore able to consider the terms of the Offer and to make recommendations to the Independent Shareholders thereon. None of the salaried Directors (namely, Messrs. Li Wentao, Peter Lo, Fu Hui and Bao Liusuo) are considered appropriate members of the Independent Board Committee in the context of the Offer. Furthermore, Mr. Peter Jeva Au, along with the other executive Directors, is a shareholder in Advent Strategic Limited which at the time of the formation of the Independent Board Committee held a 5% interest in Gardwell Limited ("Gardwell"), an associate company of SABMiller. Consequently, he has not been considered as an appropriate member of the Independent Board Committee. Somerley has been appointed as the independent financial adviser to advise the Independent Board Committee on whether the Offer is, or is not, fair and reasonable.

Somerley is not associated with the Offeror or the Company or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the Offer. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Offeror or the Company or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion and advice, we have reviewed, among other materials, (i) the audited consolidated financial statements of the Group for the two years ended 31 December 2002 and 2003 and the unaudited consolidated financial statements of the Group for the three months ended 31 March 2004; (ii) the material contracts of the Group referred to in Appendix III to the Circular; and (iii) the valuation report of the property interests of the Group contained in Appendix II to the Circular. We have discussed with the Board the past performance and future prospects of the Group and with Vigers the basis, assumptions and the methodology used in preparing the valuation report. We have relied on the information and facts supplied, and the opinions expressed, by the Board, which we have assumed to be true, accurate and complete. We have sought and received confirmation from the Board that no material facts have been omitted from the information supplied and opinions expressed by them to us in connection with the Group and the Offer. **We consider that the information which we have received is sufficient for us to reach our opinion and give the advice set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or that any material facts have been omitted or withheld. We have also assumed that all representations contained or referred to in the Circular were true at the date of the Circular and will continue to be true during the Offer Period. We have not conducted any independent investigation into the businesses and affairs of the Group.**

TERMS OF THE OFFER

The terms set out below are summarised from the Offer Document posted on 18 June 2004, with some additional comments from ourselves. Independent Shareholders are encouraged to read the Offer Document in full.

1. Price

The Offer is being made for all the Shares not held by the Offeror and parties acting in concert with it (the "Offer Shares") on the following basis:

For every Offer Share . . . . HK$5.58 in cash

2. Other terms/final dividend and stamp duty

Ad valorem stamp duty arising from acceptance of the Offer at a rate of HK$1.00 for every HK$1,000 or part thereof of the consideration for acceptance of the Offer will be deducted from the amount payable to the Shareholders who accept the Offer in the event the Offer becomes unconditional. The Offeror will use the amount so deducted to pay the relevant stamp duty on behalf of the accepting Shareholders.

The Offer Shares acquired under the Offer will be acquired free from all liens, charges, encumbrances, rights of pre-emption and other third party rights of any nature and together with all rights attaching to them, including the right to receive all dividends (including the proposed dividend of HK$0.021 per Share announced on 22 April 2004 for the most recent financial year ended 31 December 2003) and other distributions, if any, declared, made or paid on or after the date of the announcement of the Offer (i.e. 1 June 2004). The dividend is due to be paid if approved at the AGM. Subject to the Offer becoming or being declared unconditional, Shareholders on the register of members of the Company as at the close of business on 25 June 2004 and who accept the Offer will receive this dividend from the Company, but the amount of this dividend will be retained and deducted by the Offeror from the consideration for acceptance of the Offer pursuant to Note 3 to Rule 26.3 of the Code.

The Offeror will pay the amount due to the Shareholders in respect of acceptances less seller's ad valorem stamp duty and, if applicable, the amount of the final dividend. On this basis, a holder of a board lot of 2,000 Shares whose name is on the register of members of the Company at the record date for the final dividend (i.e. 25 June 2004) would receive HK$11,106 net from the Offeror calculated as follows:

		HK$
Consideration for acceptance of Offer	2,000 x HK$5.58	11,160
Less: Final dividend	2,000 x HK$0.021	(42)
Stamp duty (round up to nearest dollar)	2,000 x HK$5.58/1,000	(12)
Net amount to be received from the Offeror		11,106

3. **Condition**

The Offer is conditional (the "Condition") on valid acceptances being received which, when taken together with any Shares acquired or agreed to be acquired before or during the Offer Period, would result in the Offeror and parties acting in concert with it holding more than 50% of the issued voting share capital of the Company. There are no other conditions.

At the Latest Practicable Date, there were 1,002,864,358 Shares in issue. The Offeror and parties acting in concert with it own 361,065,501 Shares (36.0%). SABMiller through its 95% owned subsidiary, Gardwell, holds 295,000,000 Shares (29.4%) and announced on 3 June 2004 that it will accept the Offer. This combined stake of 65.4% is sufficient for the Offer to become unconditional.

4. **Compulsory acquisition and withdrawal of the listing of the Company**

If sufficient acceptances of the Offer are received, it is the intention of the Offeror to avail itself of the compulsory purchase provisions of the Companies Law (2003 Revision) of the Cayman Islands. These provisions would permit the Offeror to compulsorily acquire the balance of the Shares if acceptances are received under the Offer in respect of not less than 90% of the Shares which are the subject of the Offer within four months of the Offer being made. In such event, and subject to compliance with the applicable provisions of the Code and the Listing Rules, the listing of the Shares will be withdrawn from the Stock Exchange.

Shareholders should be aware that, if the number of Shares held by the public, as defined in the Listing Rules, comprises less than 25% of the issued shares of the Company, trading in the Shares may be suspended. Shareholders should also note the possibility that the listing of the Shares may in due course be withdrawn from the Stock Exchange.

Under Rule 6.15 of the Listing Rules, the Company may withdraw its listing on the Stock Exchange after a general offer if the compulsory acquisition right is exercised resulting in the acquisition of all the listed securities of the Company.

Rule 2.11 of the Code states that, except with the consent of the Executive, where any person seeks to acquire or privatise a company by means of an offer and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirements imposed by law, acceptances of the offer and purchases in each case of the disinterested shares made by the offeror and persons acting in concert with it during the period of four months after posting the document total 90% of the disinterested shares. Under Rule 15.6 of the Code, the offer may not remain open for acceptance for more than four months from the posting of the offer document, unless the offeror has by that time become entitled to exercise the powers of compulsory acquisition. Accordingly, if the Offer becomes unconditional on or before midnight (Hong Kong time) on the 60th day after the day the Offer Document was posted, the Offeror may keep the Offer open for acceptances up to the date four months from the posting of the Offer Document.

5. **Anheuser-Busch and its intentions on the Group**

The Offeror is an indirect wholly owned subsidiary of Anheuser-Busch, the shares of which are listed on the New York Stock Exchange. Anheuser-Busch is one of the largest brewers globally and its beers are sold in key beer markets around the world. It operates a total of 14 breweries in the United States, the United Kingdom and China, and also produces beer under licensing arrangements in seven other countries. Its flagship brands, Budweiser and Bud Light, are two of the largest selling brands in the world.

Anheuser-Busch began brewing Budweiser beer in China in 1995 following the acquisition of the Zhongde Brewery in Wuhan. Anheuser-Busch has developed Budweiser nationwide into a leading brand in the international premium segment, selling over 2 million barrels (2.3 million hectolitres) in 2003. It is currently expanding the annual capacity at the Wuhan brewery to 2.7 million barrels (3.2 million hectolitres). Anheuser-Busch has been an investor in Tsingtao Brewery Company Limited ("Tsingtao Brewery") since 1993. In 2002, the two companies formed a strategic alliance, which includes a programme of sharing best practices in the areas of marketing, brewing operations, finance and strategic planning. Under the strategic alliance agreement, Anheuser-Busch's interest in Tsingtao Brewery (now 9.9%) will increase to 27.0% by 2010.

Anheuser-Busch's international growth is based on the dual objectives of promoting Budweiser as the leading international premium beer brand and investing in leading local brewers in beer markets with good volume and profit growth potential. Equity investments include a 50% interest in Grupo Modelo, the largest brewer in Mexico, a 20% equity position in Compañía Cervecerías Unidas in South America and a 9.9% position in Tsingtao Brewery in China. Anheuser-Busch is also one of the largest theme park operators in the United States. It is also a major manufacturer of aluminium cans and the world's largest recycler of aluminium beverage containers. It has over 23,000 full-time employees around the world.

In 2003, Anheuser-Busch achieved record gross sales of US$16.3 billion, net sales of US$14.1 billion, operating income of US$3.2 billion and net income of US$2.1 billion.

As stated in the Offer Document, it is the intention of Anheuser-Busch that the Company will continue its principal business activities. Anheuser-Busch intends to work closely with the management of the Company to develop, promote and expand its future growth. In addition, Anheuser-Busch expects to identify areas where it can facilitate the development of co-operative efforts between the Company, Budweiser Wuhan International Brewing Company and Tsingtao Brewery to create synergies and growth opportunities for the three brewery operations. Shareholders may refer to the Offer Document for the Offeror's intentions on the business, management, employees, control and daily operations of the Group following closing of the Offer.

6. **Timetable and procedures under the Offer**

The first closing date of the Offer is Friday, 9 July 2004 (the "First Closing Date"). It may be extended at the option of the Offeror, but not beyond 60 days after the posting of the Offer Document, unless it has previously become unconditional, except with the consent of the Executive. If the Offer becomes unconditional, it should remain open for acceptance for not less than 14 days after the date it becomes unconditional.

Procedures for acceptance of the Offer are set out in the Offer Document, particularly Appendix I, and in the accompanying Form of Acceptance. Most Shareholders hold their Shares through the Central Clearing and Settlement System ("CCASS") established and operated by Hong Kong Securities Clearing Company Limited ("HKSCC"), in which case some prior action needs to be taken to ensure acceptance on time. If Shares are lodged with a licensed securities dealer/custodian bank through CCASS, subject to the terms of the agreement between Shareholders and their licensed securities dealer/custodian bank, instructions should be given to them to authorise HKSCC to take the necessary action by 4:15 p.m. at least one business day before the close of the Offer. Since the Offer closes on Friday, 9 July 2004, HKSCC would have to receive authorisation no later than 4:15 p.m. on Thursday, 8 July 2004. If Shares are lodged with an Investor Participant Account with CCASS, Shareholders should issue their instructions to CCASS no later than 3:45 p.m. two business days before the close of the Offer, i.e. no later than 3:45 p.m. on Wednesday, 7 July 2004.

An acceptance, once submitted, cannot be withdrawn at least until Friday, 30 July 2004, except in the circumstances set out in Appendix I to the Offer Document, after which time an acceptor would have the right to withdraw but only until such time as the Offer has become or been declared unconditional.

OFFER TO OPTIONHOLDERS

Under the Code, the Offeror is required to make an appropriate offer to the Optionholders to ensure their interests are safeguarded. Accordingly, subject only to the Offer being declared or becoming unconditional, in consideration of the Optionholders undertaking irrevocably not to exercise their Options at any time, the Offeror will make a cash payment to the Optionholders on the basis described below.

1. **Outstanding Options**

As at the Latest Practicable Date, the outstanding Options granted by the Company under the Pre-IPO Share Option Scheme and the Share Option Scheme were as follows:

Optionholders	No. of Options	Exercise period	Exercise price per Share *HK$*
Directors	22,270,000	27/6/03,	1.56
Ex-Directors retired on 22 May 2003	10,320,000	27/6/04	1.56
Other employees of the Group	8,600,000	or 27/6/05	1.56
Other employees of the Group	12,380,000	up to 26/6/07	1.85
	53,570,000		

The Offeror has received from Messrs Li Wentao, Peter Lo, Fu Hui, Peter Jeva Au and Bao Liusuo, each of whom is an executive Director, and Lam Pong Sui, the company secretary of the Company, an irrevocable undertaking to exercise certain Options and to accept the Offer in respect of the Shares issued on exercise of such Options. The irrevocable undertakings cannot be withdrawn unless the Offer lapses or is withdrawn. Under the undertakings, the exercise of Options must take place within two business days of their becoming exercisable. The undertakings relate to a total of 21,750,000 Shares, representing approximately 2.1% of the issued Shares as enlarged by the issue of Shares upon the exercise of the said Options which, when taken together with the Shares already owned by the Offeror and parties acting in concert with it, represent a total of 37.4% of the Shares (based on the existing issued share capital of the Company as enlarged by the issuance of Shares upon the exercise of the 21,750,000 Options).

Pursuant to the terms of the Pre-IPO Share Option Scheme and the Share Option Scheme, in the event of a general offer being made to all the Shareholders, the Optionholders are entitled to exercise the outstanding Options in full at any time within one month after the date on which the offer becomes or is declared unconditional. Accordingly, the exercise period for certain Options will be accelerated if the Offer becomes unconditional. The Options will lapse automatically and not be exercisable on the expiry of the aforesaid one-month period. In the event that any of the outstanding Options are exercised before the close of the Offer in accordance with the provisions of the relevant share option scheme, any Shares issued at a result thereof will be subject to the Offer.

2. **Terms of the Option Offer**

Under Rule 13 of the Code, where an offer is made for shares and options are also outstanding, the offeror must make an appropriate offer or proposal to the holders of the options to ensure that their interests are safeguarded. Equality of treatment is required.

Subject only to the Offer being declared or becoming unconditional, and in consideration of the Optionholders irrevocably undertaking not to exercise their Options at any time, Morgan Stanley, on behalf of the Offeror, will make a cash payment to the Optionholders on the following basis:

- for Options with an exercise price per Share of HK$1.85, HK$3.73 in cash for every Option in respect of which the Optionholder has given an irrevocable undertaking not to exercise the Option; and

- for Options with an exercise price per Share of HK$1.56, HK$4.02 in cash for every Option in respect of which the Optionholder has given an irrevocable undertaking not to exercise the Option.

The consideration for the Options represents the "see-through" price of the Options, that is, the Offer Price less the relevant exercise price for the Options. This means that the Optionholders are being offered the same price as if they exercised the Options, became holders of the Shares and accepted the Offer.

If an Optionholder accepts the Option Offer, he will be deemed, by signing the form of election for Optionholders to be despatched to him once the Offer becomes or is declared unconditional, to have irrevocably undertaken not to exercise the Options in respect of which he has accepted the Option Offer and as a result, under the terms of the Pre-IPO Share Option Scheme and the Share Option Scheme (as the case may be), such Options will lapse on the date which is one month from the date on which the Offer is declared or becomes unconditional.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee with regard to the Offer, we have taken into account the following principal factors and reasons:

1. **Events leading up to the Offer**

The Company went public in June 2002 at an initial public offering ("IPO") price of HK$1.56 per Share. A further placing of new Shares was announced on 26 February 2003 at a price of HK$2.10 per Share.

In July 2003, the Company announced that SABMiller completed the acquisition (the "Acquisition"), through a 95% owned subsidiary, of 295,000,000 Shares representing approximately 29.6% (at that time) of the issued share capital of the Company at a price of HK$2.29 per Share. Upon completion of the Acquisition, the Company and SABMiller Asia BV ("SABMiller Asia"), an indirect wholly owned subsidiary of SABMiller, entered into a strategic investor agreement (the "SI Agreement"), pursuant to which SABMiller Asia and its affiliates became the exclusive strategic investor of the Company in the PRC. As part of these arrangements, two persons designated by SABMiller Asia (Messrs. Roy E. Bagattini and Jonathan F. Solesbury) were appointed non-executive Directors. In addition, SABMiller Asia agreed (the "Standstill Arrangement") that SABMiller Asia and persons acting in concert with it would not purchase any Shares which would result in their total voting rights exceeding 29.7% of the issued share capital of the Company for a period of three years from the date of the SI Agreement. Both Mr. Bagattini and Mr. Solesbury resigned on 16 June 2004.

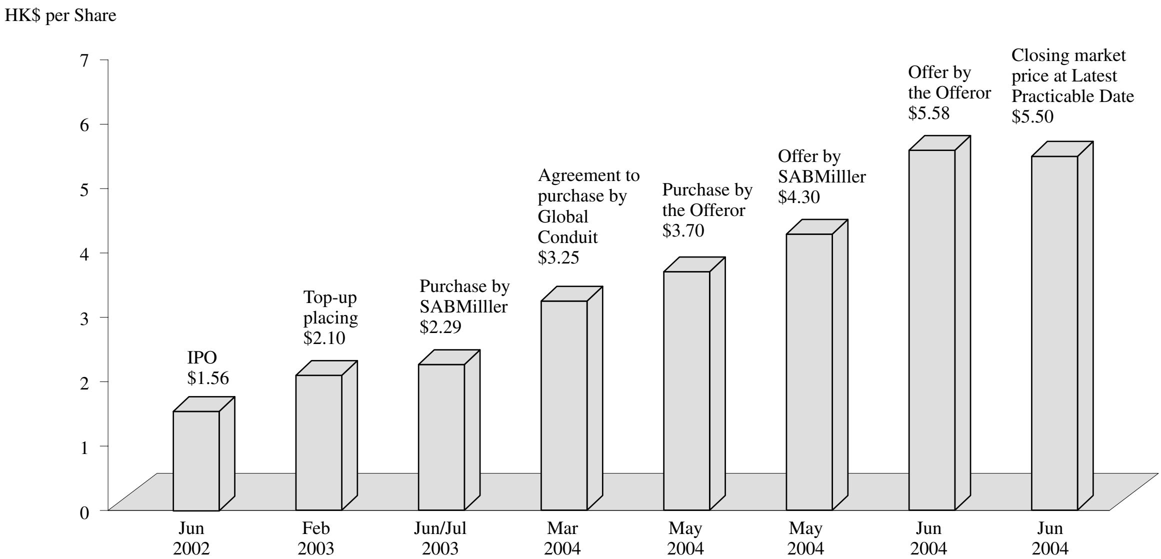
We understand from press reports that SABMiller was interested in buying from a company ultimately owned by the Harbin Municipal Government its remaining stake of 291,500,000 Shares (29.1%). However, no agreement was reached. An investor group acting through Global Conduit Holdings Limited ("Global Conduit") subsequently agreed in March 2004 to buy the 29.1% stake at a price of HK$3.25 per Share.

The Board concluded that the termination of the SI Agreement was in the best interests of the Company and such termination was approved on 1 May 2004. Notice of termination was given to SABMiller Asia on the same day, terminating the SI Agreement with immediate effect. This also had the effect of ending the Standstill Arrangement. On 4 May 2004, the SABMiller Offer was announced at a price of HK$4.30 per Share.

On 19 May 2004, the Company announced the completion of an agreement by Anheuser-Busch to purchase Global Conduit with its 29.1% holding in the Company. The total consideration payable by Anheuser-Busch was HK$1,078,550,000, representing HK$3.70 per Share.

On 1 June 2004, Anheuser-Busch announced that it had acquired a further 69,565,501 Shares (6.9%) from funds managed by Capital International, Inc. and that it would make a mandatory cash offer at a price of HK$5.58 per Share.

Share price benchmarks since the Company's IPO in June 2002 leading up to the announcement of the Offer can be summarised as follows:



(Not to scale in terms of time)

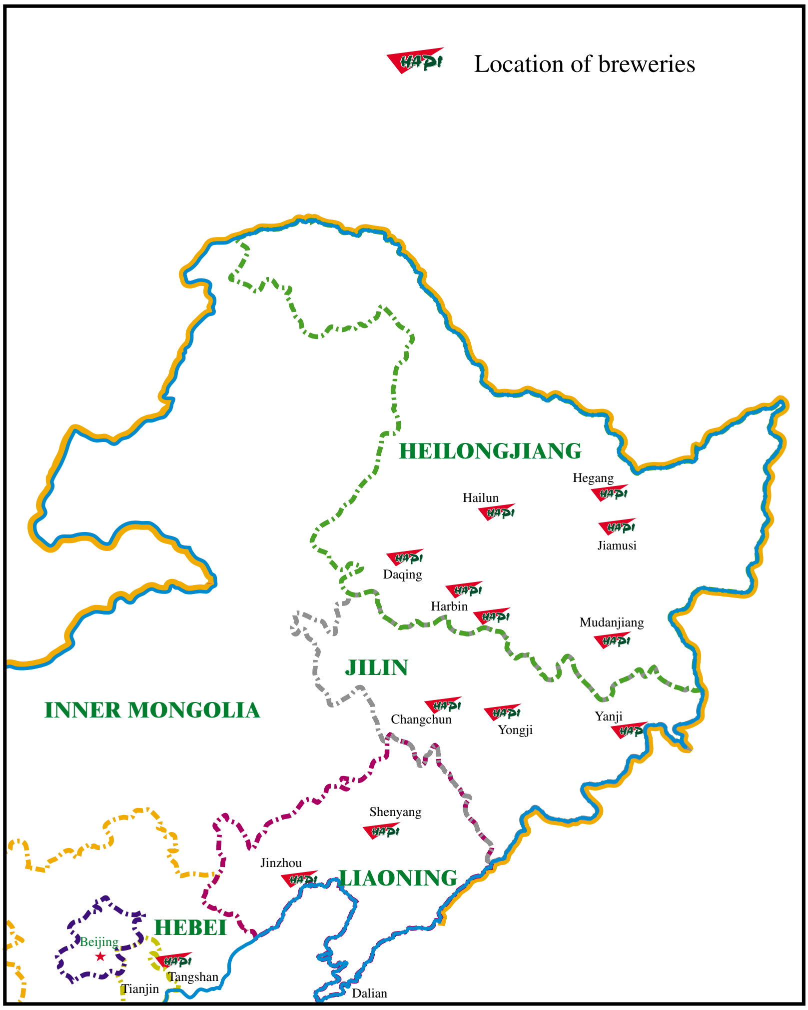
The Offer Price represents just over 3.5 times the IPO price of HK$1.56 at which the Company went public two years ago. The sequence of events described above reflects considerable competition for control of the Company among powerful bidders. Such a process is likely to produce a full price for Shareholders.

2. Business and prospects of the Group

The business of the Group is relatively simple. It essentially has a single product, which is beer, targeting mass, middle-income and premium markets. The Group brews, distributes and sells beer, particularly in the North East region of the PRC.

The history of the Company dates back to 1900 when a Russian established what is considered the first brewery in the PRC and the predecessor of Harbin Brewery Factory ("HBF"). The PRC Government nationalised the brewery operations in 1950. After operating as a state-owned enterprise for approximately 45 years, Harbin Brewery Company Limited (currently a wholly owned subsidiary of the Company) was formed in 1995 to take over the brewing-related business originally operated by HBF. Since then, through organic growth and mergers and acquisitions and a series of reorganisations, the Group has expanded substantially its market coverage. The Group currently operates thirteen principal production facilities, seven in Heilongjiang, three in Jilin, two in Liaoning and one in Hebei, with an aggregate designed production capacity in 2003 of approximately 13 million hectolitres per annum (up from approximately 10.3 million hectolitres in 2001), making it one of the largest brewers by volume in the PRC. The Group's principal brand, Harbin (popularly known as "HAPI"), is a leading brand in the North East region of the PRC. Its main competitor in this region is the "Snow" brand owned by China Resources Breweries Limited. China Resources Breweries Limited is itself owned 51% by China Resources Enterprise, Limited and 49% by a wholly owned subsidiary of SABMiller.

The map below illustrates the Group's main markets and the location of its production facilities.



The Company is well placed in the PRC market, now considered the world's largest beer market. Per capita consumption in China is approximately 18 litres annually, according to research by Tsingtao Brewery. This is well below estimated per capita figures of approximately 50 litres for Japan and 84 litres for the US.

As disclosed in 全國釀酒行業信息 (National Brewery Industry Information), the aggregate beer consumption in the Liaoning, Jilin and Heilongjiang provinces amounted to approximately 43 million hectolitres in 2003, representing an aggregate growth of approximately 7% from 2002. In the opinion of the Company's management, the brewery industry has been undergoing consolidation in recent years, with increasing foreign investment in China's breweries acting as one of the catalysts. Mergers can also help transform the smaller breweries into competitive market players in terms of production capacity, product mix and distribution network. Market analysts consider that further consolidation will take place in the industry, which is likely to benefit participants with well-established brands, such as the Company. The Company's management is confident that its strong brand, product quality and product mix will continue to give the Group an advantage in securing a leading market position in the North-East of the PRC and strengthening its presence in other provinces across the PRC.

We consider the main challenges now facing the Group are:

— to continue to expand capacity and sales through organic growth and acquisitions;

— to improve the operating efficiencies of existing breweries;

— to support and develop its brands and distribution networks; and

— to spread its activities beyond its "heartland" of North-East China.

3. **Past results of the Group**

(i) *Audited results*

The following table summarises the audited consolidated results of the Group for each of the three years ended 31 December 2001, 2002 and 2003 extracted from the 2002 and 2003 annual reports of the Group. Further details of the results and other financial information on the Group are set out in Appendix I to the Circular.

	Year ended 31 December		
	2001	**2002**	**2003**
	HK$ million	*HK$ million*	*HK$ million*
Turnover	836.7	1,118.6	1,401.8
Gross profit	381.1	474.6	610.9
(%)	(45.6)	(42.4)	(43.6)
Profit from operating activities	152.3	210.7	189.5
Profit before interest, tax, depreciation and amortisation ("EBITDA")	241.6	330.3	346.2
Net profit attributable to Shareholders	81.4	110.2	114.4
Basic earnings per Share	12.34 cents	13.97 cents	11.71 cents
Dividends per Share	—	—	3.5 cents

(ii) *Analysis of turnover and profitability*

(a) Financial year 2002

In 2002, the Group's turnover was approximately HK$1,119 million, representing an increase of approximately 33.7% from 2001. The growth in turnover was principally a result of increase in sales volume, an improved product mix with high growth in the sale of Classic products, one of the three products of the Group which targets the middle-income market, and the enhanced efficiencies in newly acquired breweries. The Group acquired three breweries in August 2002 which enabled the Group to tap into new markets in Hebei and Liaoning provinces.

Gross profit increased over 2001 to a lesser extent (approximately 24.5%) than the increase in turnover of 33.7%, and the gross profit margin of the Group dropped slightly from 45.6% in 2001 to 42.4% in 2002. This was principally due to the change in product mix and the time lag effect in the early stage of integration of the newly acquired breweries. Notwithstanding the narrowing of gross profit margin, profit from operating activities increased by 38.3% over 2001 which was attributable to the receipt of non-recurring consultancy fee income of HK$12.4 million and an increase in government subsidies for environmental protection. Net profit attributable to Shareholders for 2002 amounted to approximately HK$110.2 million, representing an increase of 35.4% over 2001.

(b) Financial year 2003

In 2003, the Group recorded turnover of HK$1,402 million, an increase of 25.3% over 2002. The increase was attributable partly to organic growth and partly to the full integration of the breweries acquired in August 2002, which brought significant contributions to the Group's turnover. Gross profit margin for 2003 was approximately 43.6%, representing a slight improvement of 1.2% from that of 42.4% in 2002.

Despite the increase in turnover and gross profit, the Group reported a 10.0% drop in profit from operating activities. This was caused by an increase in promotion and marketing expenses for expanding the geographic coverage of the Group's products, the inclusion on a full-year basis of the operating expenses of the breweries acquired in August 2002 as well as the integration of two additional breweries acquired in 2003. Due to PRC tax policy to encourage reinvestment of profits, the taxation charge for 2003 was substantially reduced, which resulted in the increase in net profit attributable to Shareholders by 3.8% over 2002.

In general, the sales level and profitability of the Group seem to us solidly based. Top-line growth is being generated both from organic growth and acquisitions. We believe certain factors, such as a strong brand, reputation for quality and extensive distribution network, favour the Company's prospects. However, competition in the Group's markets is likely to be intense and operating profit margins may continue to come under pressure.

4. **Offer Price compared to earnings and EBITDA**

Based on the net profit attributable to Shareholders for the year ended 31 December 2003 of HK$114.4 million and the weighted average of 976.6 million Shares in issue during the year, the "trailing" earnings per Share were 11.71 cents. On this basis, the Offer Price of HK$5.58 per Share represents a price-earnings ratio ("PER") of 47.65 times.

On the basis of EBITDA for the year ended 31 December 2003 of HK$346.2 million and the weighted average of 976.6 million Shares in issue during the year, the Offer Price represents a price to EBITDA ratio ("P/EBITDA") of 15.74 times.

We have reviewed other listed companies engaged in the brewery business and made a comparison on this basis with the Offer Price. For this purpose, we have reviewed all brewery companies listed on the Stock Exchange having a market capitalisation of between HK$2 to 10 billion, which we consider to be of a similar size range to the Company, and having their principal markets in the PRC (the "Comparable Companies"). We consider the following comparisons relevant:

Company	**Listing**	**Closing share price**	**Market capitalisation**	**PER**	**P/EBITDA**
		HK$	*HK$ billion*		
		(Note 2)	*(Note 3)*	*(Note 4)*	*(Note 4)*
Tsingtao Brewery	Main Board/ Shanghai	7.15	7.6	31.88	7.43
Guangdong Brewery *(Note 1)*	Main Board	1.84	2.6	21.90	9.85
The Company	Main Board	5.58	5.6	47.65	15.74

Notes:

1. The full name of this company is Guangdong Brewery Holdings Limited.

2. Being the closing share prices for the respective companies as at the Latest Practicable Date, except that the corresponding figure for the Company is the Offer Price. For Tsingtao Brewery whose shares are listed both on the Stock Exchange and on the Shanghai Stock Exchange, the PER is calculated based on the closing share price on the Stock Exchange.

3. Based on the closing share price and, in the case of the Company, the Offer Price and the number of shares outstanding for the respective companies as at the Latest Practicable Date as disclosed in the official website of the Stock Exchange.

4. Calculated based on the closing share price and the published financial information contained in the annual reports of the respective companies. Figures in RMB are translated into HK$ at the rate of RMB1.07 = HK$1.

As shown in the above table, the PER represented by the Offer Price is substantially higher than those of the Comparable Companies. The P/EBITDA represented by the Offer Price is also substantially higher than those for the Comparable Companies.

There are other brewing companies, such as Beijing Yangjing Brewery Company Limited and Chongqing Brewery Company Limited, listed only on the PRC stock markets. However, we do not think we can draw a valid comparison of PER and P/EBITDA between a Hong Kong listed company and a company listed only on the PRC stock market, as these markets have different characteristics and different levels of PER. For example, the PER of Tsingtao Brewery based on the price of its A shares is approximately 39 times, as compared to approximately 32 times based on the price on the Stock Exchange.

5. **Dividend yield**

The Company did not declare any dividend for 2001 and 2002. Total dividends per Share for 2003 (interim 1.4 cents paid and final 2.1 cents proposed) are 3.5 cents, representing a dividend yield of about 0.6% on the basis of the Offer Price.

The table below sets out the dividend yield of the Comparable Companies based on the closing share prices as at the Latest Practicable Date and the dividend declared in the last financial year:

Company	**Closing share price**	**Dividend per share**	**Dividend yield**
	HK$	*cents*	*%*
Tsingtao Brewery	7.15	18.7	2.62
Guangdong Brewery	1.84	2.5	1.36
The Company	5.58	3.5	0.63

As shown above, the Company's dividend yield at the Offer Price is by a considerable margin the lowest of the Comparable Companies.

6. **Comparable recent deals**

We have identified from publicly available sources (note 1) completed transactions in the last 24 months which involved acquisitions/investments in brewery interests in the PRC (other than interests in the Company) (the "Comparable Deals"), and reviewed the available information from the sources for all the Comparable Deals as summarised below:

Subject company	Announcement date	% of interest acquired	Acquisition price per share	PER	P/EBITDA	Price-to-book ratio ("PBR")
			HK$	*(Note 4)*	*(Note 4)*	*(Note 4)*
Tsingtao Brewery *(Note 2)*	26 June 2003	14.7%	4.68	20.86	4.86	1.20
Guangdong Brewery *(Note 3)*	29 January 2004	21.6%	1.85	22.02	9.90	1.83
The Company	4 May 2004	the Offer	5.58	47.65	15.74	5.21

Notes:

1. Source of data: Bloomberg/Dealogic Limited.

2. On 26 June 2003, Tsingtao Brewery announced that Anheuser-Busch International Holdings, Inc. ("AB") exercised the conversion rights attaching to convertible bonds of Tsingtao Brewery subscribed by it pursuant to an agreement dated 21 October 2002. A total of 60 million new H shares were issued to AB at a subscription price of HK$4.68 each upon the exercise of the conversion rights attaching to convertible bonds with principal amount of HK$280.8 million. The conversion shares represented 14.7% of the then enlarged issued H shares of Tsingtao Brewery and approximately 5.7% of the entire issued share capital of Tsingtao Brewery as enlarged.

3. On 29 January 2004, Guangdong Brewery announced that it entered into an agreement with Heineken Asia Pacific Breweries (China) Pte Ltd. ("Heineken APB") in relation to the subscription by Heineken APB of 133.8 million shares in Guangdong Brewery. Heineken APB also entered into a separate agreement with the controlling shareholder of Guangdong Brewery on the same date to acquire a further 165.5 million shares in Guangdong Brewery. These shares in aggregate account for 21.6% of the enlarged issued share capital of Guangdong Brewery.

4. Calculated based on the respective acquisition price per share (in the case of the Company, the Offer Price) and the audited earnings and EBITDA per share obtained from the latest audited financial statements of the respective companies published prior to the date of the transactions.

The Comparable Deals identified involve the acquisition of significant minority interests in brewery operations by international brewery companies. As shown in the table above, the PER, P/EBITDA and PBR represented by the Offer Price are significantly higher than those of the Comparable Deals.

7. **Net asset value of the Group**

The following table summarises the balance sheet of the Group as at 31 December 2003, which is set out in full in Appendix I to the Circular:

	HK$ million
Fixed assets	1,759.9
Intangibles and deferred assets	188.5
Other non-current assets	183.9
Inventories	239.6
Trade and other receivables	285.4
Cash and bank balances	139.8
Trade and other payables	(683.6)
Bank borrowings	
— current portion	(113.5)
— non-current portion	(724.8)
Other net liabilities	(35.1)
Minority interests	(170.5)
Net assets as at 31 December 2003	1,069.6

Fixed assets accounted for the biggest portion of the Group's assets as at 31 December 2003, which comprised principally properties, plant and machinery employed in the Group's production facilities in the PRC. Your attention is drawn to the valuation reports prepared by Vigers, an independent professional valuer, of the properties of the Group as at 30 April 2004 which are set out in Appendix II to the Circular.

As at 31 December 2003, the Group had a debt to equity ratio of approximately 79%. The debts were composed of interest-bearing bank borrowings of approximately HK$838.3 million and other loans of approximately HK$7.8 million. Based on the indebtedness statement of the Group as at 31 March 2004 set out in Appendix I to the Circular and the audited net asset value of the Group as at 31 December 2003, the debt to equity ratio of the Group rose slightly to approximately 81% with total interest-bearing bank borrowings and other loans of approximately HK$866.8 million.

Based on the audited consolidated net assets of the Group as at 31 December 2003 of HK$1,069.6 million and the 1,002.9 million Shares then in issue, the book value per Share as at 31 December 2003 amounted to HK$1.07. On this basis, the Offer Price represents a PBR of approximately 5.21 times. The table below illustrates the PBR of the Comparable Companies based on the latest published net asset value and closing share price as at the Latest Practicable Date:

	Closing share price *HK$*	**Book value per share** *HK$*	**PBR**
Tsingtao Brewery	7.15	3.89	1.84
Guangdong Brewery	1.84	1.01	1.82
The Company	5.58	1.07	5.21

The PBR based on the Offer Price is over twice those of the Comparable Companies.

The statement of pro forma adjusted net tangible assets of the Group (the "Proforma Statement") is set out in Appendix I, which shows that the pro forma adjusted net tangible assets of the Group amounts to HK$856.1 million. Taking into account the Group's share of intangible assets of approximately HK$177.4 million and the excess of the fair value of the Group's land and buildings of HK$39.2 million as at 30 April 2004, arising as a result of an independent valuation conducted by Vigers, over their net book value as disclosed in the notes to the Proforma Statement, we have reassessed the Group's net assets and net tangible assets as follows:

	HK$' million
Pro forma adjusted net tangible assets of the Group as disclosed in the Proforma Statement	856.1
Surplus arising on the revaluation of the Group's property interests as at 30 April 2004 as disclosed in the notes to the Proforma Statement	39.2
Reassessed net tangible assets of the Group (the "Reassessed NTAV")	895.3
The Group's share of intangible assets, goodwill, negative goodwill and deferred expenditure	177.4
Reassessed net assets of the Group (the "Reassessed NAV")	1,072.7

In the context of our advice regarding the Offer, we consider that the Reassessed NAV and the Reassessed NTAV which have taken the revaluation surplus of the Group's property interests as at 30 April 2004 of approximately HK$39.2 million into account, are appropriate bases on which the Offer Price should be evaluated, as the Reassessed NAV and the Reassessed NTAV would, in our view, better reflect the underlying strength of the asset backing of the Shares.

The table below sets out the comparison of the Reassessed NAV and Reassessed NTAV with the Offer Price of HK$5.58 per Share:

		Per Share
	HK$ million	*HK$* *(Note)*
Reassessed NAV	1,072.7	1.07
Reassessed NTAV	895.3	0.89
Value of the issued Shares at the Offer Price of HK$5.58	5,596.0	5.58
Premium of Offer Price over		
— Reassessed NAV	4,523.3	4.51
— Reassessed NTAV	4,700.7	4.69
Percentage premium over		
— Reassessed NAV	422%	422%
— Reassessed NTAV	525%	525%

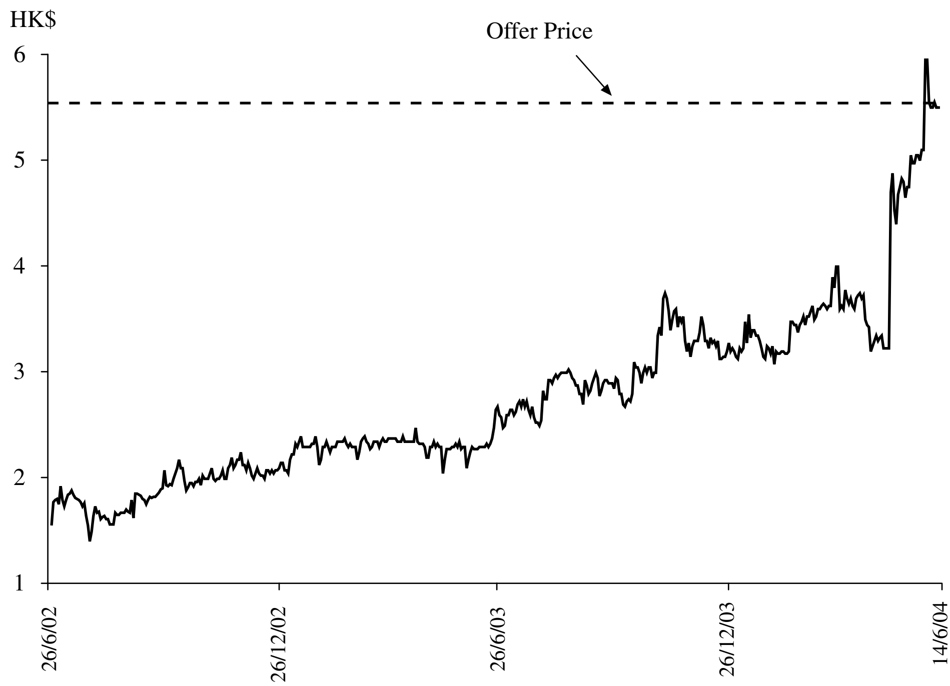
Note: Based on 1,002,864,358 Shares in issue at the Latest Practicable Date.

As shown in the above table, the Offer Price of HK$5.58 per Share values the Company at a premium of HK$4.5 billion (422%) and HK$4.7 billion (525%) over the Reassessed NAV and the Reassessed NTAV respectively. We consider a brewery company such as the Company is more appropriately valued by reference to cashflow and earnings, but nevertheless the premium over net assets which the Offer represents is by conventional standards a very substantial one.

8. **Historical market price and liquidity of the Shares**

(i) *Share price*

The chart below illustrates the movement of the closing price for the Shares during the period from the commencement of trading of the Shares on the Stock Exchange on 26 June 2002 up to the Latest Practicable Date:



Source: Bloomberg

The Company went public in June 2002 at an IPO price of HK$1.56 per Share. The Shares closed at the IPO price on the first trading day.

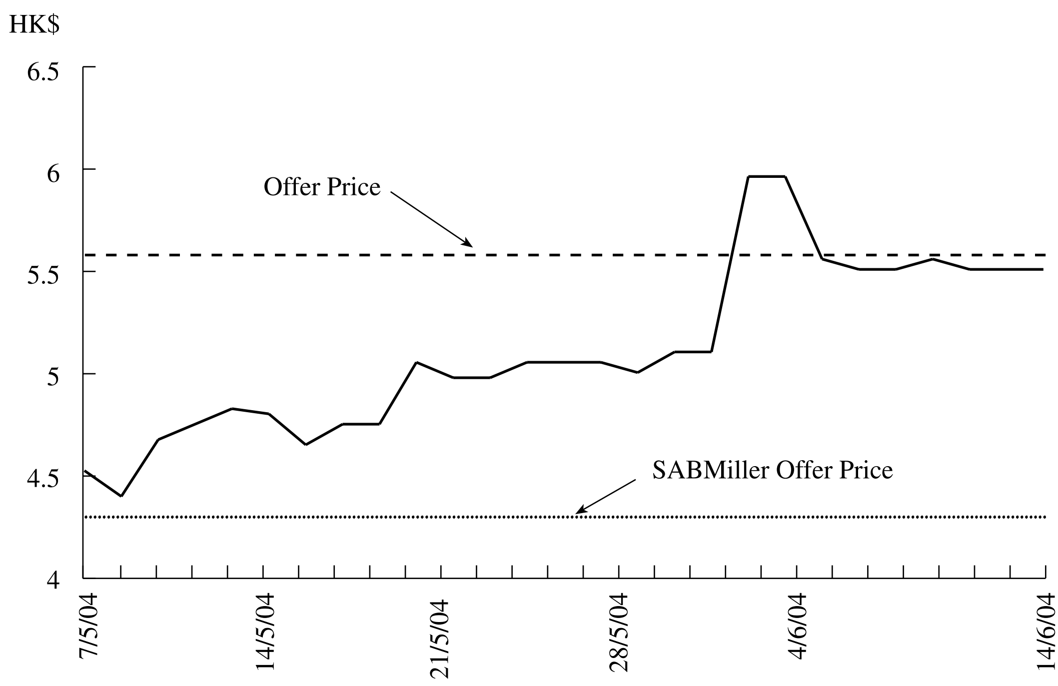
During the first year of trading, from 26 June 2002 to 26 June 2003, the closing price of the Shares ranged between HK$1.41 and HK$2.675. On 26 June 2003, the first anniversary after commencement of trading on the Stock Exchange, the Share price closed at HK$2.475, representing an increase of approximately 59% over the IPO price of HK$1.56.

On 30 June 2003, the Company announced that a wholly owned subsidiary of the Company's then controlling shareholder had entered into an agreement to dispose of not less than 280 million Shares but not more than 295 million Shares to a 95% owned subsidiary of SABMiller. The change of shareholding did not lead to an immediate significant increase in share price, but the price remained strong during the second half of 2003, when the market as a whole was recovering from the effect of SARS.

On most of the trading days during the period from 27 June 2003 to 30 April 2004, being the last trading day of the Shares before the release by SABMiller of an announcement in relation to the SABMiller Offer (the "SABMiller Announcement"), the Share price closed within the range of HK$2.50 and HK$4.00.

After release of the SABMiller Announcement on 4 May 2004 and up to 31 May 2004 (the "Last Trading Day"), being the last day of trading of the Shares on the Stock Exchange before it was suspended pending release of the Announcement in relation to the Offer dated 1 June 2004, the price of the Shares closed consistently at above the SABMiller Offer price of HK$4.30. This premium was, in our opinion, largely due to the market speculation of a competing offer by Anheuser-Busch at a higher price.

The following chart shows the movement of the closing price of the Shares after the release of the SABMiller Announcement up to and including the Latest Practicable Date:

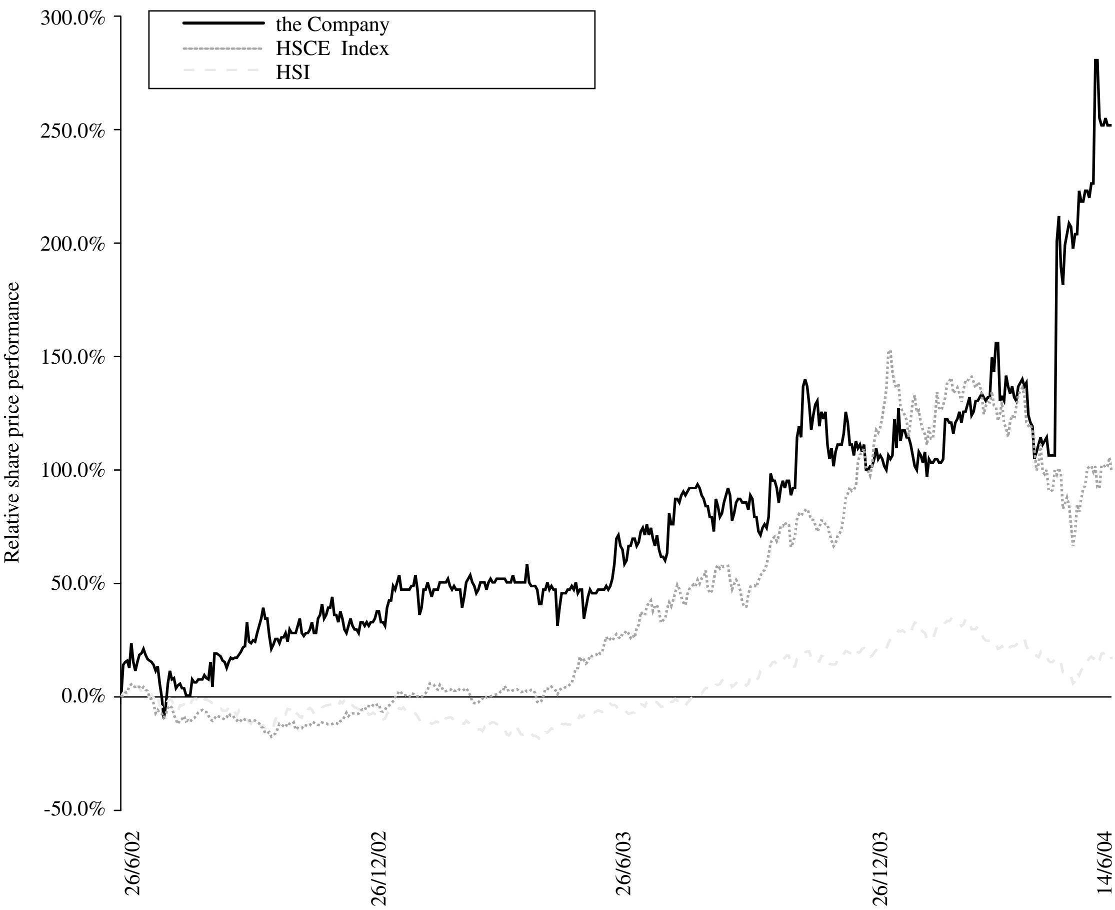


Source: Bloomberg

The Announcement appeared in the press on 2 June 2004 (the "Resumption Day"). On the same day, the Share price surged by approximately 16.7% from the closing price of HK$5.10 on the Last Trading Day to HK$5.95. However, after SABMiller announced on 4 June 2004 that it would accept the Offer, the Share price dropped and closed at HK$5.55 on 4 June 2004. Since then, the Shares have been trading at a small discount to the Offer Price up to and including the Latest Practicable Date.

(ii) *Movement in Share price versus the Hang Seng Index and Hang Seng China Enterprises Index from 26 June 2002 to the Latest Practicable Date*

The following chart shows the movement in the Share price since commencement of trading of the Shares on the Stock Exchange on 26 June 2002 to the Latest Practicable Date relative to the movement in Hang Seng Index ("HSI") and Hang Seng China Enterprises Index ("HSCE Index"):

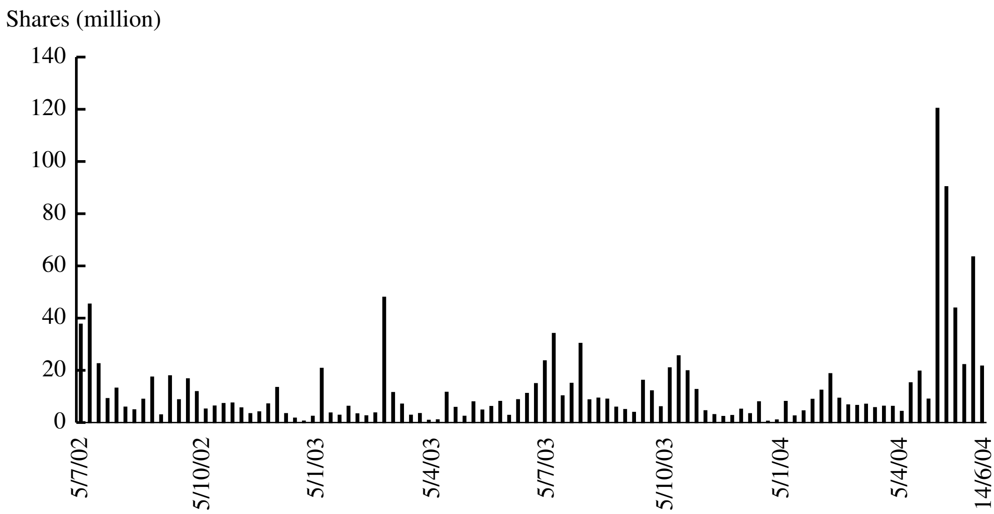


Source: Bloomberg

As shown in the above chart, the Share price has significantly outperformed the HSI during almost the entire period since commencement of trading of the Shares on the Stock Exchange on 26 June 2002. It has also outperformed the HSCE Index during most of this period. The Share price closed at HK$5.10 on the Last Trading Day, representing an increase of approximately 227% from the IPO price of HK$1.56. The HSI during the same period increased by approximately 18% from 10,355.92 on 26 June 2002 to 12,198.24 on 31 May 2004. As at the Latest Practicable Date, the closing price of the Shares was HK$5.50, representing an increase of 253% over the IPO price of HK$1.56.

(iii) *Trading volume of the Shares from 1 July 2002 to the Latest Practicable Date*

The chart below shows the weekly trading volume of the Shares from the date of listing up to and including the Latest Practicable Date:



Source: Bloomberg

Since commencement of trading in the Shares on the Stock Exchange on 26 June 2002, the weekly trading volume of Shares has mostly been around 1% of the total number of Shares in issue. Exceptions have been seen in the first three weeks of July 2002 after the IPO, when volumes amounted to 4% to 5% of the total number of Shares in issue, and in a few weeks in 2003 when the number of Shares traded represented more than 2% of the number of Shares in issue. There has also been a steep rise in turnover in April/May 2004 attributable to bid rumours. Trading volumes in the Shares in May 2004 were stimulated by the announcement of the SABMiller Offer, which appeared in the press in early May 2004, and the market speculation of the Offer, which was announced on 1 June 2004.

DISCUSSION

In respect of the Offer

The Company has substantial attractions as an investment in the PRC brewery sector. It is one of the oldest breweries in the PRC and is one of the two market leaders in the North-East region of the PRC. It has developed a well known brand name capable of sustaining a national marketing effort. Since its flotation in June 2002, the Group has expanded capacity and sales from both acquisitions and organic growth. Net profit attributable to Shareholders has increased by 35.4% for 2002 and 3.8% for 2003, but competition is likely to be intense and operating margins may continue to come under pressure.

In our opinion, the Offer Price of HK$5.58 per Share fully reflects the strengths of the Group. It represents a 2003 PER of 47.7 times, a P/EBITDA of 15.7 times, a yield of 0.63% and a multiple of 5.2 times of the Reassessed NAV. We consider these ratings attractive compared to the stock market ratings of similar companies and to recent comparable transactions we have been able to review in the brewing industry. The Offer Price represents a premium of 39.5% over the all-time high closing market price prior to the announcement of the SABMiller Offer, which was HK$4.00 on 19 March 2004. We consider that the Offer Price includes a premium both for control and for the potential strategic benefits which a leading international brewer may achieve in the PRC market. Neither of these factors apply to a minority shareholder.

The sequence of events leading up to the making of the Offer is summarised above and has been widely reported in the press. It has resulted in a handsome offer price, high enough, in our opinion, to serve as a basis for privatisation and delisting of the Company. Anheuser-Busch already controls 36% of the Company and SABMiller have said they will accept the Offer in respect of their 29.4% stake. This combined stake of 65.4% will ensure the Offer becomes unconditional. It makes it likely, in our view, that the Offeror will achieve the level of ownership necessary in due course to privatise the Company. The Offeror has stated that this is their intention and that they do not intend to maintain the Company's listing. Consequently, retaining Shares in order to benefit from the future prospects of the Company under Anheuser-Busch's control is not, in this instance, a realistic alternative for Shareholders.

The announcement of the Offer, and SABMiller's announcement that it intended to accept the Offer, has resulted in a market price for the Shares which has stabilised at or just below the Offer Price. In these circumstances, we do not consider it likely that Shareholders will have an opportunity to sell in the market at a premium to the Offer Price. Consequently, we do not consider it worthwhile in this instance for Shareholders to consider retaining their Shares in the hope of further price increases. Provided the Offer becomes unconditional, Shareholders will receive the consideration within 10 days of the later of the date on which the Offer becomes or is declared unconditional and the date on which the Shareholders tender their acceptance complete in all respects. Shareholders do not have to wait for the First Closing Date. They will receive no higher consideration by delaying. Please read carefully the instructions for acceptance set out in the Offer Document, particularly in Appendix I and the accompanying Form of Acceptance.

In respect of the Options

Market practice in Hong Kong is to regard a proposal on a "see-through" price as appropriate for extinguishing management share options in the context of a bid. The "see-through" price for the option is calculated by subtracting the price at which the option is exercisable from the offer price for the shares. This basis ignores any premium over the "see-through" value at which options would stand in the market if they were traded. The value of a traded option depends on such factors as exercise period and volatility of the underlying shares, as well as the exercise price. However, the Options are not freely transferable and are not tradable.

Please read carefully the letter and the form of election for Optionholders to be despatched by Morgan Stanley on behalf of the Offeror to the Optionholders once the Offer becomes or is declared unconditional.

OPINION AND ADVICE

We consider that the information which we have received is sufficient for us to reach our opinion and advice as follows:

In respect of the Offer:

- based on the financial fundamentals of the Group, we consider the terms of the Offer are fair and reasonable to the Independent Shareholders. Accordingly, we advise the Independent Board Committee to recommend that Independent Shareholders accept the Offer as soon as practicable.

In respect of the Options:

- we consider the terms of the Option Offer are fair and reasonable so far as the Optionholders are concerned. Accordingly we also advise the Independent Board Committee to recommend the Optionholders to accept the Option Offer as soon as practicable.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
M. N. Sabine
Chairman

1. SUMMARY OF FINANCIAL RESULTS FOR THE THREE YEARS ENDED 31 DECEMBER 2003

Set out below is a summary of the audited consolidated profit and loss accounts of the Group for the three years ended 31 December 2003, as extracted from the 2003 annual report of the Company.

For all three years there were no extraordinary or exceptional items.

Consolidated Profit And Loss Account

	For the year ended 31 December		
	2003	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
TURNOVER	1,401,821	1,118,642	836,704
PROFIT BEFORE TAX	139,008	160,071	118,916
TAX	(17,068)	(35,003)	(32,076)
PROFIT BEFORE MINORITY INTERESTS	121,940	125,068	86,840
MINORITY INTERESTS	(7,562)	(14,887)	(3,486)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	114,378	110,181	83,354
DIVIDENDS	35,014	—	—
DIVIDENDS PER SHARE	3.5 cents	—	—
EARNINGS PER SHARE *(Note)*			
- Basic	11.71 cents	13.97 cents	12.63 cents
- Diluted	11.41 cents	13.74 cents	12.61 cents

Note: The earnings per share for the year ended 31 December 2001 has been adjusted for the effect of the retrospective change in accounting policy affecting income tax.

2. AUDITED CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003

Set out below are the consolidated profit and loss account, consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the years ended 31 December 2003 and 2002, and the consolidated balance sheet of the Company as at 31 December 2003 and 2002, together with the notes as extracted from the annual report of the Company for the financial year ended 31 December 2003 (including the erratum circular of the Company dated 30 April 2004).

Consolidated Profit And Loss Account

		For the year ended 31 December	
	Notes	**2003**	**2002**
		HK$'000	*HK$'000*
			(Restated)
TURNOVER	5	1,401,821	1,118,642
Cost of sales		(790,930)	(644,081)
Gross profit		610,891	474,561
Other revenue	5	11,760	28,938
Selling and distribution costs		(190,350)	(142,886)
Administrative expenses		(190,885)	(119,647)
Other operating expenses		(51,867)	(30,299)
PROFIT FROM OPERATING ACTIVITIES	6	189,549	210,667
Finance costs	7	(50,541)	(50,596)
PROFIT BEFORE TAX		139,008	160,071
Tax	10	(17,068)	(35,003)
PROFIT BEFORE MINORITY INTERESTS		121,940	125,068
Minority interests		(7,562)	(14,887)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	114,378	110,181
Transfer to proposed reserve fund		10,875	4,768
Transfer to proposed enterprise expansion fund		10,875	4,768
DIVIDENDS	12		
Interim		13,954	—
Proposed final		21,060	—
		35,014	—
EARNINGS PER SHARE			
- Basic	13	11.71 cents	13.97 cents
- Diluted	13	11.41 cents	13.74 cents

Consolidated Balance Sheet

		As at 31 December	
	Notes	**2003**	**2002**
		HK$'000	*HK$'000*
			(Restated)
NON-CURRENT ASSETS			
Fixed assets	14	1,759,908	1,385,535
Intangible assets	15	21,541	23,990
Goodwill:	16		
Goodwill		155,774	130,768
Negative goodwill		(2,668)	—
Deferred expenditure		4,315	7,179
Deferred tax assets	27	9,568	7,914
Deposits paid for purchases of fixed assets		98,855	53,149
Reusable packaging materials		85,002	67,469
		2,132,295	1,676,004
CURRENT ASSETS			
Inventories	18	239,588	193,742
Accounts receivable	19	80,830	133,080
Other receivables	20	204,527	110,479
Tax recoverable		5,357	—
Time deposits		—	40,509
Cash and bank balances		139,839	127,837
		670,141	605,647
CURRENT LIABILITIES			
Accounts payable	22	231,020	151,428
Tax payable		1,620	9,159
Other payables and accruals	23	452,552	351,134
Convertible notes	24	—	21,800
Other loans	25	7,844	11,027
Interest-bearing bank borrowings	26	113,461	114,671
		806,497	659,219
NET CURRENT LIABILITIES		(136,356)	(53,572)

	Notes	As at 31 December 2003 HK$'000	2002 HK$'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,995,939	1,622,432
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	26	(724,848)	(639,567)
Due to joint venture partners of subsidiaries	21	(28,082)	(28,082)
Deferred tax liabilities	27	(2,936)	(3,747)
		(755,866)	(671,396)
MINORITY INTERESTS		(170,465)	(141,213)
		1,069,608	809,823
CAPITAL AND RESERVES			
Issued capital	28	100,286	91,300
Reserves	30(a)	948,262	718,523
Proposed final dividend	12	21,060	—
		1,069,608	809,823

Consolidated Statement Of Changes In Equity

Year ended 31 December 2002

	Notes	**Issued share capital**	**Share premium account**	**Contributed surplus**	**Capital reserve**	**Fixed asset revaluation reserve**	**Enterprise expansion fund**	**Reserve fund**	**Proposed enterprise expansion fund**	**Proposed reserve fund**	**Exchange fluctuation reserve**	**Retained profits**	**Total**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(note 30(a))	*(note 30(a))*		*(note 30(a))*	*(note 30(a))*	*(note 30(a))*	*(note 30(a))*			
At 1 January 2002													
As previously reported		100	—	232,243	176	—	11,185	11,185	5,314	5,314	3,246	70,807	339,570
Prior year adjustment:													
SSAP 12 - restatement of deferred tax	27	—	—	—	—	—	—	—	—	—	3	4,798	4,801
As restated		100	—	232,243	176	—	11,185	11,185	5,314	5,314	3,249	75,605	344,371
Transfers		—	—	—	—	—	5,314	5,314	(5,314)	(5,314)	—	—	—
New issue on listing	28	22,000	321,200	—	—	—	—	—	—	—	—	—	343,200
Capitalisation issue of shares	28	65,900	(65,900)	—	—	—	—	—	—	—	—	—	—
New issue on exercise of over-allotment option	28	3,300	48,180	—	—	—	—	—	—	—	—	—	51,480
Share issue expenses	28	—	(49,409)	—	—	—	—	—	—	—	—	—	(49,409)
Surplus on revaluation		—	—	—	—	20,045	—	—	—	—	—	—	20,045
Surplus on revaluation shared by minority shareholders of subsidiareis		—	—	—	—	(6,081)	—	—	—	—	—	—	(6,081)
Deferred tax charged to revaluation reserve	27	—	—	—	—	(3,940)	—	—	—	—	—	—	(3,940)
Exchange realignment		—	—	—	—	—	—	—	—	—	(24)	—	(24)
Net gains and losses not recognised in the profit and loss account		—	—	—	—	10,024	—	—	—	—	(24)	—	10,000
Net profit for the year		—	—	—	—	—	—	—	—	—	—	110,181	110,181
Transfer from retained profits	30(a)	—	—	—	—	—	—	—	4,768	4,768	—	(9,536)	—
At 31 December 2002		91,300	254,071	232,243	176	10,024	16,499	16,499	4,768	4,768	3,225	176,250	809,823

Consolidated Statement Of Changes In Equity

Year ended 31 December 2003

	Notes	Issued share capital	Share premium account	Contributed surplus	Capital reserve	Fixed asset revaluation reserve	Enterprise expansion fund	Reserve fund	Proposed enterprise expansion fund	Proposed reserve fund	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(note 30(a))	*(note 30(a))*		*(note 30(a))*	*(note 30(a))*	*(note 30(a))*	*(note 30(a))*				
At 1 January 2003														
As previously reported		91,300	254,071	232,243	176	13,964	16,499	16,499	4,768	4,768	3,222	170,040	—	807,550
Prior year adjustment:														
SSAP 12 - restatement of deferred tax	27	—	—	—	—	(3,940)	—	—	—	—	3	6,210	—	2,273
As restated		91,300	254,071	232,243	176	10,024	16,499	16,499	4,768	4,768	3,225	176,250	—	809,823
Transfers		—	—	—	—	—	4,768	4,768	(4,768)	(4,768)	—	—	—	—
New issue upon exercise of convertible rights of convertible notes	28	1,397	20,403	—	—	—	—	—	—	—	—	—	—	21,800
New issue on share placement	28	4,400	88,000	—	—	—	—	—	—	—	—	—	—	92,400
Share options exercised	28	3,189	48,224	—	—	—	—	—	—	—	—	—	—	51,413
Share issue expenses	28	—	(2,499)	—	—	—	—	—	—	—	—	—	—	(2,499)
Exchange realignment		—	—	—	—	—	—	—		—	(3,753)	—	—	(3,753)
Net gains and losses not recognised in the profit and loss account		—	—	—	—	—	—	—	—	—	(3,753)	—	—	(3,753)
Net profit for the year		—	—	—	—	—	—	—	—	—	—	114,378	—	114,378
Interim 2003 dividend	12	—	—	—	—	—	—	—	—	—	—	(13,954)	—	(13,954)
Transfer from retained profits	30(a)	—	—	—	—	—	—	—	10,875	10,875	—	(21,750)	—	—
Proposed final 2003 dividend	12	—	—	—	—	—	—	—	—	—	—	(21,060)	21,060	—
At 31 December 2003		100,286	408,199*	232,243*	176*	10,024*	21,267*	21,267*	10,875*	10,875*	(528)*	233,864*	21,060	1,069,608

* These reserve accounts comprise the consolidated reserves of HK$948,262,000 (2002 (restated): HK$718,523,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

		For the year ended 31 December	
	Note	**2003**	**2002**
		HK$'000	*HK$'000* *(Restated)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		139,008	160,071
Adjustments for:			
Finance costs	7	50,541	50,596
Interest income	6	(756)	(1,275)
Loss on disposal of fixed assets	6	4,308	3,649
Depreciation	6	125,445	97,311
Amortisation of intangible assets, other than goodwill and negative goodwill	6	2,359	2,362
Amortisation of goodwill	6	8,173	5,128
Amortisation of negative goodwill	6	(68)	—
Amortisation of reusable packaging materials	6	20,639	14,783
Provision for doubtful debts	6	12,248	2,695
Operating profit before working capital changes		361,897	335,320
Decrease/(increase) in inventories		(25,422)	1,360
Decrease/(increase) in accounts receivable		39,631	(20,558)
Decrease/(Increase) in prepayments, deposits and other debtors		4,510	(24,235)
Change in balances with joint venture partners of subsidiaries		12,916	60,789
Increase/(decrease) in accounts payable		73,278	(40,663)
Increase in accruals and other liabilities		53,571	10,091
Cash generated from operations		520,381	322,104
Interest received		756	1,275
PRC corporate income tax paid		(43,249)	(34,018)
Net cash inflow from operating activities		477,888	289,361
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		(309,614)	(142,996)
Proceeds from disposal of fixed assets		15,448	10,247
Acquisitions of subsidiaries	31(b)	(30,744)	(48,904)
Acquisition of additional interest in a subsidiary		(12,960)	—
Increase in deposits paid for purchases of fixed assets		(45,920)	(28,736)
Purchases of reusable packaging materials		(31,058)	(13,064)
Advances to a joint venture partner of a subsidiary		(109,591)	(48,597)
Decrease in pledged bank deposits		—	7,839
Capital contribution from a minority shareholder		1,637	—
Net cash outflow from investing activities		(522,802)	(264,211)

Consolidated Cash Flow Statement (continued)

	Note	For the year ended 31 December 2003 HK$'000	2002 HK$'000 (Restated)
Net cash inflow from operating activities		477,888	289,361
Net cash outflow from investing activities		(522,802)	(264,211)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	28	143,813	394,680
Share issue expenses	28	(2,499)	(49,409)
New bank loans		599,075	483,446
Repayment of bank loans		(637,116)	(521,013)
New other loans		4,706	5,340
Repayment of other loans		(7,853)	(38,289)
Repayment of amounts due to joint venture partners of subsidiaries		—	(82,536)
Repayment of loans from shareholders		—	(53,545)
Payment of deferred expenditure		—	(161)
Interest paid		(47,677)	(47,732)
Dividend paid		(13,954)	—
Dividend/distribution to minority shareholders of subsidiaries		(21,344)	(342)
Net cash inflow from financing activities		17,151	90,439
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(27,763)	115,589
Cash and cash equivalents at beginning of year		168,346	52,750
Effect of foreign exchange rates changes, net		(744)	7
CASH AND CASH EQUIVALENTS AT END OF YEAR		139,839	168,346
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		139,839	127,837
Short term fixed deposit with original maturity of less than three months when acquired		—	40,509
		139,839	168,346

Balance Sheet

		As at 31 December	
	Notes	**2003**	**2002**
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Fixed assets	14	295	—
Interests in subsidiaries	17	918,638	667,995
Deferred expenditure		4,315	7,179
		923,248	675,174
CURRENT ASSETS			
Other receivables	20	1,080	8,793
Time deposits		—	40,509
Cash and bank balances		19,513	15,169
		20,593	64,471
CURRENT LIABILITIES			
Other payables and accruals	23	2,653	2,683
Convertible notes	24	—	21,800
Interest-bearing bank borrowings	26	35,657	35,657
		38,310	60,140
NET CURRENT ASSETS/(LIABILITIES)		(17,717)	4,331
TOTAL ASSETS LESS CURRENT LIABILITIES		905,531	679,505
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	26	(17,829)	(53,486)
		887,702	626,019
CAPITAL AND RESERVES			
Issued capital	28	100,286	91,300
Reserves	30(b)	766,356	534,719
Proposed final dividend	12	21,060	—
		887,702	626,019

Notes To Financial Statements

31 December 2003

1. CORPORATE INFORMATION

During the year, the Group was involved in the production and distribution of beer.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised SSAPs are effective for the first time for the current year's financial statements and have had a significant impact thereon:

- SSAP 12 (Revised): "Income taxes"
- SSAP 35: "Accounting for government grants and disclosure of government assistance"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward or unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future;

- a deferred tax liability has been recognised on the revaluation of the Group's land and buildings; and

- a deferred tax asset and liability have been recognised relating to the fair value adjustments arising from the acquisition of subsidiaries.

Disclosures:

- deferred tax assets and liabilities are presented separately on the balance sheet; and

- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 10 and 27 to the financial statements and include a reconciliation between the accounting profit and the tax expense for the year.

Further details of these changes and the prior year adjustments arising from them are included in the accounting policy for deferred tax in note 3 and in note 27 to the financial statements.

SSAP 35 prescribes the accounting for government grants and other forms of government assistance.

The adoption of this SSAP has had no significant impact for these financial statements on the amounts recorded for government grants. However, additional disclosures are now required and are detailed in notes 3 and 6 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies established in the People's Republic of China (the "PRC")

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as a subsidiary if the Company has unilateral control, directly or indirectly, over the joint venture company.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of twenty years.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

Prior to the adoption of SSAP 30 "Business combination" in 2001, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such negative goodwill to remain credited to the capital reserve. Negative goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to the SSAP 30 negative goodwill accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Related parties

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

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the value of fixed assets are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life, after taking into account any estimated residual value. The principal annual rates used for this purpose are as follows:

Land use rights	Over the lease terms
Buildings	2.6% - 4.5%
Plant and machinery	2.3% - 18%
Furniture, fixtures and equipment	9% - 18%
Motor vehicles	15% - 18%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account, is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Intangible assets

Intangible assets, representing trademarks, right to use electricity and technical know-how acquired, are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Trademarks	10 or 20 years
Right to use electricity	20 years
Technical know-how	10 years

Deferred expenditure

Deferred expenditure represents expenses incurred in connection with the raising of long term finance and is amortised on the straight-line basis over the terms of the relevant underlying borrowings.

Reusable packaging materials

Reusable packaging materials, comprising reusable bottles and plastic crates currently in use, are stated at cost less accumulated amortisation and any impairment losses. Amortisation is charged to the profit and loss account on the straight-line basis over a period of three to five years.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost in respect of raw materials, work in progress and finished goods is determined on the weighted average method. In the case of work in progress and finished goods, cost comprises direct materials, direct labour and an attributable proportion of production overheads. Net realisable value is based on estimated selling prices less any further costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) consultancy fee income, in the period in which such services are performed; and

(c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s PRC Subsidiaries are required to participate in a central pension scheme operated by the local municipal government. These PRC Subsidiaries are required to contribute 22% to 30% of their payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

Share option schemes

The Company operates two share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The financial impact of share options granted under the share option schemes are not recorded in the Company’s or the Group’s balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of subsidiaries operating in the Mainland China (the "PRC Subsidiaries") are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of the PRC Subsidiaries are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of the PRC Subsidiaries are translated into Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of the PRC Subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

No business or geographical segment information is presented as the Group's customers and operations, which related substantially to the production and distribution of beer, are located in Mainland China.

5. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, value-added tax and consumption tax.

An analysis of turnover and other revenue is as follows:

	2003	**2002**
	HK$'000	*HK$'000*
TURNOVER		
Sale of beer	1,401,821	1,118,642
OTHER REVENUE		
Sale of raw materials, packaging materials and by-products	6,600	4,006
Consultancy fee income	—	12,360
Government subsidies	4,404	11,297
Interest income	756	1,275
	11,760	28,938
	1,413,581	1,147,580

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2003	**2002**
	HK$'000	*HK$'000*
		(Restated)
Depreciation	125,445	97,311
Amortisation of intangible assets, other than goodwill and negative goodwill*	2,359	2,362
Amortisation of goodwill*	8,173	5,128
Amortisation of negative goodwill*	(68)	—
Amortisation of reusable packaging materials*	20,639	14,783
Minimum lease payments under operating leases on land and buildings	2,973	2,596
Auditors' remuneration	3,164	2,638
Staff costs (excluding directors' remuneration *(note 8)*):		
Wages and salaries	120,702	82,993
Pension scheme contributions	18,684	14,213
	139,386	97,206
Provision for doubtful debts	12,248	2,695
Loss on disposal of fixed assets	4,308	3,649
Government subsidies**	(4,404)	(11,297)
Exchange (gains)/losses, net	48	(27)
Interest income	(756)	(1,275)

* The amortisation of intangible assets, goodwill, negative goodwill and reusable packaging materials are included in "Other operating expenses" on the face of the consolidated profit and loss account.

** Various government grants have been received by certain PRC Subsidiaries in connection with tax refund and the implementation of the work relating to the environmental protection system. The government grants released have been included in other revenue. There are no unfulfilled conditions or contingencies relating to these grants.

7. FINANCE COSTS

	Group 2003 HK$'000	Group 2002 HK$'000
Interest on bank loans wholly repayable within five years	46,354	45,052
Interest on other loans	78	301
Interest on an amount due to a joint venture partner of a subsidiary	1,221	1,289
Interest on convertible notes	24	1,090
	47,677	47,732
Other finance cost:		
Amortisation of deferred expenditure	2,864	2,864
	50,541	50,596

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group 2003 HK$'000	Group 2002 HK$'000
Fees	1,263	810
Other emoluments:		
Salaries, allowances and benefits in kind	5,364	5,325
Pension scheme contributions	223	250
	6,850	6,385

Fees include HK$456,000 (2002: HK$210,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2002: Nil).

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2003	**2002**
Nil to HK$1,000,000	14	9
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$2,000,000	2	—
HK$2,500,001 to HK$3,000,000	—	1
	17	11

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2002: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2002: one) non-director, highest paid employees for the year are as follows:

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Salaries and allowances	1,900	560
Pension scheme contributions	24	7
	1,924	567

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2003	**2002**
Nil to HK$1,000,000	1	1
HK$1,000,001 to HK$1,500,000	1	—
	2	1

10. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the year (2002: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates, based on the existing legislation, interpretations and practices in respect thereof.

	2003 *HK$'000*	2002 *HK$'000* *(Restated)*
Group:		
Current — Mainland China		
Charge for the year	20,634	35,705
Under/(over) provision in prior years	(1,055)	265
Deferred (note 27)	(2,511)	(967)
Total tax charge for the year	17,068	35,003

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group — 2003

	Hong Kong		Mainland PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit before tax	(30,064)		169,072		139,008	
Tax at the statutory tax rate	(5,261)	(17.5)	55,794	33.0	50,533	36.4
Difference in tax rates applied for specific provinces or local authority	—	—	(34,617)	(20.5)	(34,617)	(24.9)
Adjustments in respect of current tax of previous periods	—	—	(1,055)	(0.6)	(1,055)	(0.8)
Estimated tax losses not recognised	5,418	18.0	7,623	4.5	13,041	9.4
Estimated income not subject to tax	—	—	(12,654)	(7.5)	(12,654)	(9.1)
Estimated expenses not deductible for tax	—	—	2,142	1.3	2,142	1.5
Others	(157)	(0.5)	(165)	(0.1)	(322)	(0.2)
Tax charge at the Group's effective rate	—	—	17,068	10.1	17,068	12.3

Group — 2002

	Hong Kong		Mainland PRC		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Profit before tax	(15,377)		175,448		160,071	
Tax at the statutory tax rate	(2,460)	(16.0)	57,898	33.0	55,438	34.6
Difference in tax rates applied for specific provinces or local authority	—	—	(21,502)	(12.3)	(21,502)	(13.4)
Adjustments in respect of current tax of previous periods	—	—	265	0.2	265	0.2
Tax loss utilised from previous periods	—	—	(478)	(0.3)	(478)	(0.3)
Estimated tax losses not recognised	2,460	16.0	341	0.2	2,801	1.8
Estimated income not subject to tax	—	—	(2,431)	(1.4)	(2,431)	(1.5)
Estimated expenses not deductible for tax	—	—	1,964	1.1	1,964	1.2
Others	—	—	(1,054)	(0.6)	(1,054)	(0.7)
Tax charge at the Group's effective rate	—	—	35,003	19.9	35,003	21.9

The Company's PRC Subsidiaries are exempt from the PRC corporate income tax for the first two profitable years of operation and, thereafter, are eligible for a 50% relief from the PRC corporate income tax for the following three years.

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The Group's net profit from ordinary activities attributable to shareholders for the year ended 31 December 2003 includes the profit for the year dealt with in the financial statements of the Company amounting to HK$112,523,000 (2002: loss of HK$9,927,000) (Note 30(b)).

12. DIVIDENDS

	2003	2002
	HK$'000	*HK$'000*
Interim — 1.4 cents (2002: Nil) per ordinary share	13,954	—
Proposed final — 2.1 cents (2002: Nil) per ordinary share	21,060	—
	35,014	—

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK$114,378,000 (2002 (restated): HK$110,181,000), and the weighted average of 976,583,168 (2002: 788,684,932) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2003 is based on the net profit attributable to shareholders for the year of HK$114,378,000 (2002 (restated): HK$110,181,000), as adjusted for the interest on convertible notes of HK$24,000 (2002: HK$1,090,000). The weighted average number of ordinary shares used in the calculation is the 976,583,168 (2002: 788,684,932) ordinary shares in issue during the year, as used in the basic earnings per share calculation; the weighted average of 306,287 (2002: 13,974,359) ordinary shares assumed to have been issued on the full conversion of the convertible notes outstanding during the year and the weighted average of 25,709,852 (2002: 7,238,942) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

14. FIXED ASSETS

Group

	Land and buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:						
At beginning of year	462,848	992,945	15,262	31,205	131,756	1,634,016
Additions	69,706	123,018	4,599	20,147	205,280	422,750
Acquisitions subsidiaries	52,593	45,639	3,203	1,327	903	103,665
Disposals	(259)	(32,370)	(384)	(5,564)	(354)	(38,931)
Transfers	56,353	192,077	2,587	—	(251,017)	—
Exchange realignment	(2,780)	(5,640)	(115)	(213)	(406)	(9,154)
At 31 December 2003	638,461	1,315,669	25,152	46,902	86,162	2,112,346
Analysis of cost or valuation:						
At cost	—	1,315,669	25,152	46,902	86,162	1,473,885
At valuation	638,461	—	—	—	—	638,461
	638,461	1,315,669	25,152	46,902	86,162	2,112,346
Accumulated depreciation:						
At beginning of year	12,031	222,084	3,899	10,467	—	248,481
Provided during the year	25,538	91,517	2,753	5,637	—	125,445
Disposals	(122)	(16,126)	(227)	(2,700)	—	(19,175)
Exchange realignment	(493)	(1,689)	(43)	(88)	—	(2,313)
At 31 December 2003	36,954	295,786	6,382	13,316	—	352,438
Net book value:						
At 31 December 2003	601,507	1,019,883	18,770	33,586	86,162	1,759,908
At 31 December 2002	450,817	770,861	11,363	20,738	131,756	1,385,535

Company

	Furniture fixtures and equipment
	HK$'000
Cost:	
Additions and at 31 December 2003	295
Accumulated depreciation:	
Provided during the year and at 31 December 2003	—
Net book value:	
At 31 December 2003	295

The Group's land and buildings were revalued individually at 30 April 2002 in connection with the listing of the Company's shares on 27 June 2002, by Vigers Hong Kong Limited, independent professionally qualified valuers, at an aggregate open market value of HK$355,398,000 based on their existing use. A revaluation surplus of HK$20,045,000, resulting from the above valuations, was credited to the fixed asset revaluation reserve. In the opinion of the directors, the fair values of these revalued land and buildings and the land and buildings acquired subsequent to the valuation approximated the carrying values of the respective assets at 31 December 2003.

Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$307,571,000.

The Group's land and buildings are held under medium term leases and are situated in the Mainland China.

At 31 December 2003, certain of the Group's land and buildings and plant and machinery, with net book values of approximately HK$700,983,000 (2002: HK$610,079,000), were pledged to secure certain banking facilities and an other loan granted to the Group (notes 25 and 26).

15. INTANGIBLE ASSETS

Group

	Trademarks	Right to use electricity	Technical know-how	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost:				
At beginning of year	19,561	15,191	566	35,318
Exchange realignment	(79)	(61)	(3)	(143)
At 31 December 2003	19,482	15,130	563	35,175
Accumulated amortisation:				
At beginning of year	5,956	5,315	57	11,328
Provided during the year	1,544	759	56	2,359
Exchange realignment	(29)	(24)	—	(53)
At 31 December 2003	7,471	6,050	113	13,634
Net book value:				
At 31 December 2003	12,011	9,080	450	21,541
At 31 December 2002	13,605	9,876	509	23,990

16. GOODWILL AND NEGATIVE GOODWILL

The amounts of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

Group

	Goodwill	**Negative goodwill**
	HK$'000	*HK$'000*
Cost:		
At beginning of year	141,982	—
Prior year adjustment:		
SSAP 12 - restatement of deferred tax	(3,962)	—
As restated	138,020	—
Acquisitions of subsidiaries (note 31(b))	33,179	—
Acquisition of additional interest in a subsidiary	—	2,736
At 31 December 2003	171,199	2,736
Accumulated amortisation:		
At beginning of year	7,617	—
Prior year adjustment:		
SSAP 12 - restatement of deferred tax	(365)	—
As restated	7,252	—
Provided during the year	8,173	68
At 31 December 2003	15,425	68
Net book value:		
At 31 December 2003	155,774	2,668
At 31 December 2002 (restated)	130,768	—

As detailed in note 3 to the financial statements, on the adoption of SSAP 30 in 2001, the Group applied the transitional provision of SSAP 30 that permitted negative goodwill in respect of acquisitions which occurred prior to the adoption of the SSAP, to remain credited to the capital reserve.

The amount of negative goodwill remaining in consolidated reserves, arising from the acquisition of a subsidiary prior to the adoption of the SSAP in 2001, was HK$94,000 as at 1 January and 31 December 2003.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2003	**2002**
	HK$'000	*HK$'000*
Unlisted shares, at cost	406,768	368,768
Due from subsidiaries	511,870	307,959
Due to subsidiaries	—	(8,732)
	918,638	667,995

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	**Place of incorporation/ registration and operations**	**Nominal value of issued ordinary/ registered share capital**	**Percentage of equity attributable to the Company**		**Principal activities**
			Direct	**Indirect**	
Harbin Brewery Investments Limited	British Virgin Islands	US$50,000	100	—	Investment holding
Harbin Brewing Company Limited*	PRC/Mainland China	RMB250,000,000	—	100	Production and distribution of bottled, barrel and canned beer, and investment holding
Harbin Brewing (Songjiang) Company Limited**	PRC/Mainland China	RMB32,500,000	—	100	Production and distribution of bottled beer
Harbin Brewing (Hegang) Company Limited**	PRC/Mainland China	RMB10,000,000	—	95	Production and distribution of bottled beer
Jilin Harbin Brewing Company Limited***	PRC/Mainland China	RMB5,000,000	—	70	Production and distribution of bottled beer
Harbin Brewing (Hailun) Company Limited*	PRC/Mainland China	RMB37,800,000	—	100	Production and distribution of bottled beer
King Victory Investments Inc.	British Virgin Islands	US$10	100	—	Investment holding
Harbin Brewery Jiamusi Jiafeng Company Limited** ("HB Jiamusi") (formerly Jiamusi Yuehai Jiafeng Brewery Company Limited)	PRC/Mainland China	RMB49,720,000	—	60	Production and distribution of bottled beer

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Harbin Beer (Mudanjiang Jingpo) Company Limited** (formerly Mudanjiang Jing Po Brewery Company Limited)	PRC/Mainland China	RMB64,120,000	—	55	Production and distribution of bottled and canned beer
Harbin Brewery (Changchun Yinpu) Company Limited** ("HB Yinpu")	PRC/Mainland China	RMB68,000,000	—	55	Production and distribution of bottled and canned beer
Harbin Brewery Trading Company Limited	Hong Kong	HK$100	100	—	Trading of beer
Ballantine Management Limited	British Virgin Islands	US$2	100	—	Investment holding
Harbin Brewing Jinzhou Company Limited*	PRC/Mainland China	RMB15,000,000	—	100	Production and distribution of bottled beer
Harbin Brewing Daqing Xiaoxue Company Limited** (formerly Daqing Xiaoxue Brewery Company Limited)	PRC/Mainland China	RMB15,000,000	—	60	Production and distribution of bottled beer
Tangshan Beer Company Limited** ("HB Tangshan")	PRC/Mainland China	RMB63,470,000	—	63	Production and distribution of bottled and canned beer
New-Biz Corporation#	British Virgin Islands	US$3	100	—	Investment holding
Harbin Brewing (Shenyang) Company Limited**/#	PRC/Mainland China	RMB36,800,000	—	70	Production and distribution of bottled beer
Noble Right Limited#	British Virgin Islands	US$3	100	—	Investment holding
Harbin Brewing (Yanji) Company Limited**/#	PRC/Mainland China	US$8,790,000	—	60	Production and distribution of bottled and canned beer

* these companies are registered as wholly foreign-owned enterprises under the PRC law

** these companies are registered as sino-foreign equity joint ventures under the PRC law

*** this company is registered as a limited liability company under the PRC law

newly acquired during the year

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. INVENTORIES

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Raw materials	91,862	85,120
Work in progress	32,871	28,241
Finished goods	27,000	17,090
Spare parts and consumables	50,339	32,793
Packaging materials	37,516	30,498
	239,588	193,742

No inventories were stated at net realisable value at 31 December 2003 (2002: Nil).

19. ACCOUNTS RECEIVABLE

The Group's sales are normally made on a cash on delivery basis. Credit terms are granted to certain major customers with terms ranging from 30 to 90 days. Each customer has a maximum credit limit which can be extended subject to the approval of sales director and general manager. Overdue balances are reviewed regularly by senior management.

An aged analysis of the accounts receivable as at the balance sheet date, based on invoice date and net of provisions, is as follows:

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Within 30 days	26,466	32,859
Between 31 and 60 days	9,611	48,797
Between 61 and 180 days	29,358	39,564
Between 181 and 365 days	15,395	11,860
	80,830	133,080

20. OTHER RECEIVABLES

		Group		Company	
	Note	**2003**	**2002**	**2003**	**2002**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments, deposits and other debtors		72,698	74,659	1,080	8,793
Due from joint venture partners of subsidiaries	21	131,829	35,820	—	—
		204,527	110,479	1,080	8,793

21. BALANCES WITH JOINT VENTURE PARTNERS OF SUBSIDIARIES

The balances with joint venture partners of subsidiaries included in the current assets and current liabilities sections are unsecured and have no fixed terms of repayment. Except for an amount of HK$1,877,000 (2002: Nil) due from a joint venture partner of a subsidiary which bears interest at the prevailing lending rate quoted by the People's Bank of China, the remaining balance is interest-free.

Included in the amounts due from joint venture partners of subsidiaries is an amount of HK$105,866,000 (2002: HK$28,308,000) due from Harbin Brewery Factory (note 35), the joint venture partner of HB Hegang and an entity under the Harbin Municipal Government, which is unsecured, interest-free and has no fixed terms of repayment. Harbin Tianlu Assets Management Company Limited, an entity under the Harbin Municipal Government, has guaranteed the Group in writing the repayment of the amount in 2004.

The amounts due to joint venture partners of subsidiaries included in non-current liabilities section included an amount of HK$18,668,000 (2002: HK$18,668,000) which is unsecured, bears interest at the prevailing lending rate quoted by the People's Bank of China, and is not repayable within one year. The remaining amount is unsecured and interest-free.

22. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Within 30 days	119,797	57,049
Between 31 and 60 days	32,111	18,421
Between 61 and 180 days	42,028	28,560
Between 181 and 365 days	9,626	35,288
Between 366 and 540 days	27,458	12,110
	231,020	151,428

23. OTHER PAYABLES AND ACCRUALS

		Group		Company	
	Note	**2003**	**2002**	**2003**	**2002**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals and other liabilities		426,496	324,321	2,653	2,683
Due to joint venture partners of subsidiaries	21	26,056	26,813	—	—
		452,552	351,134	2,653	2,683

24. CONVERTIBLE NOTES

On 30 October 2001, the Company issued a total of HK$21.8 million convertible notes (the "Notes") to two independent third parties. The Notes bear interest at 5% per annum with original maturity date on 28 October 2002. Pursuant to the subscription agreements dated 29 October 2001, if the date of listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Listing Date") falls within the period from 2 April 2002 to 28 October 2002, the noteholders may, at their sole discretion, extend the maturity date to eight months from the Listing Date. The issue price of the Notes was 100% of their principal amount.

On 21 October 2002 and 28 October 2002, the noteholders served notices to the Company to extend the maturity date of the Notes from the 28 October 2002 to 26 February 2003.

The Notes are, at the option of the noteholders, convertible into fully paid ordinary shares of HK$0.1 each in the Company at the offer price of HK$1.56. The conversion period for the Notes is from the Listing Date up to the fifth business day prior to the extended maturity date of the Notes (as may be amended pursuant to the subscription agreements), both dates inclusive. On conversion, the principal amount of the Notes being converted and the accrued interest thereon will be extinguished and released in exchange for the new shares to be issued by the Company.

Unless previously redeemed or converted, the outstanding Notes will be fully redeemed by the Company on the extended maturity date at their principal amount plus accrued and unpaid interest on the maturity date.

On 9 January 2003, the noteholders exercised their rights to fully convert the Notes into 13,974,358 shares of the Company at HK$1.56 per share, representing approximately 1.51% of the enlarged issued share capital of the Company.

25. OTHER LOANS

		Group	
	Notes	**2003**	**2002**
		HK$'000	*HK$'000*
Other loans:			
Secured	(i)	964	1,628
Unsecured	(ii)	6,880	9,399
		7,844	11,027

Notes:

(i) The loan is secured by certain of the Group's plant and machinery with net book value of HK$397,000 (2002: HK$455,000), interest-free and has no fixed terms of repayment.

(ii) The unsecured other loans are repayable within one year or have no fixed terms of repayment.

The balance as at 31 December 2003 included an amount of HK$999,000 which bears interest at a fixed rate of 7% per annum. The remaining amounts are interest-free.

The balance as at 31 December 2002 included an amount of HK$1,314,000 which bore interest at a fixed rate of 7% per annum and an amount of HK$2,139,000 in 2002 which bore interest at the prevailing bank lending rate quoted by the People's Bank of China. The remaining amounts were interest-free.

26. INTEREST-BEARING BANK BORROWINGS

	Group		Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans:				
Secured	485,780	542,036	53,485	89,143
Unsecured	352,529	212,202	—	—
	838,309	754,238	53,485	89,143
Bank loans repayable:				
Within one year	113,461	114,671	35,657	35,657
In the second year	720,156	611,373	17,829	35,657
In the third to fifth years, inclusive	4,692	28,914	—	17,829
	838,309	754,238	53,486	89,143
Portion classified as current liabilities	(113,461)	(114,671)	(35,657)	(35,657)
Long term portion	724,848	639,567	17,829	53,486

Certain of the Group's bank loans are secured by the Group's land and building and plant and machinery, which had an aggregate net book value at the balance sheet date of approximately HK$700,586,000 (2002: HK$609,624,000).

In addition, the Group's syndicated bank loan at the balance sheet date of approximately US$6.9 million (2002: US$11.4 million) is secured by the following:

(i) Floating charge over the assets of certain of the Company's subsidiaries; and

(ii) Share mortgage/assignment of the ownership rights of certain of the Group's interests in subsidiaries.

27. DEFERRED TAX

The movement in deferred tax liabilities and assets during the year is as follows:

Deferred tax liabilities

Group

	2003		
	Revaluation of properties	**Fair value adjustment arising from acquisition of subsidiaries**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2003			
As previously reported	—	—	—
Prior year adjustment:			
SSAP 12 - restatement of deferred tax	5,679	1,175	6,854
At 1 January 2003 as restated and gross deferred tax liabilities at 31 December 2003	5,679	1,175	6,854
Offset deferred tax assets related to income tax levied by the same tax authority on the same entity			(3,918)
			2,936

Deferred tax assets

Group

	2003		
	Future benefit of expenses	**Fair value adjustment arising from acquisition of subsidiaries**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2003			
As previously reported	—	—	—
Prior year adjustment:			
SSAP 12 - restatement of deferred tax	5,884	5,137	11,021
As restated	5,884	5,137	11,021
Deferred tax charged to the profit and loss account during the year	2,511	—	2,511
Exchange realignment	(46)	—	(46)
Gross deferred tax assets at 31 December 2003	8,349	5,137	13,486
Offset deferred tax liabilities related to income tax levied by the same tax authority on the same entity			(3,918)
			9,568
Net deferred tax assets at 31 December 2003			6,632

Deferred tax liabilities

Group

	2002		
	Revaluation of properties	**Fair value adjustment arising from acquisition of subsidiaries**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2002	—	—	—
Deferred tax charged to the revaluation reserve account during the year	5,679	—	5,679
Deferred tax debited to the goodwill account during the year	—	1,175	1,175
Gross deferred tax liabilities at 31 December 2002	5,679	1,175	6,854
Offset deferred tax assets related to income tax levied by the same tax authority on the same entity			(3,107)
			3,747

Deferred tax assets

Group

	2002		
	Future benefit of expenses	**Fair value adjustment arising from acquisition of subsidiaries**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2002			
As previously reported	—	—	—
Prior year adjustment:			
SSAP 12 - restatement of deferred tax	4,916	5,137	10,053
As restated	4,916	5,137	10,053
Deferred tax credited to the profit and loss account during the year	967	—	967
Exchange realignment	1	—	1
Gross deferred tax assets at 31 December 2002	5,884	5,137	11,021
Offset deferred tax liabilities related to income tax levied by the same tax authority on the same entity			(3,107)
			7,914
Net deferred tax assets at 31 December 2002			4,167

The Group has tax losses arising in Hong Kong of HK$118,000 (2002: Nil) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

SSAP 12 (Revised) was adopted during the year, as further explained in note 3 to the financial statements. This change in accounting policy has resulted in an increase in the Group's net deferred tax asset as at 31 December 2003 and 2002 by HK$6,632,000 and HK$4,167,000, respectively. As a consequence, the consolidated net profits attributable to shareholders for the years ended 31 December 2003 and 2002 have been increased by HK$1,804,000 and HK$1,412,000, respectively, the consolidated retained profits at 1 January 2003 and 2002 have been increased by HK$6,210,000 and HK$4,798,000, respectively, and the consolidated fixed assets revaluation reserve at 1 January 2003 has been reduced by HK$3,940,000, as detailed in the consolidated statement of changes in equity.

28. SHARE CAPITAL

Shares

	2003	**2002**
	HK$'000	*HK$'000*
Authorised:		
5,000,000,000 (2002: 5,000,000,000) ordinary shares of HK$0.10 each	500,000	500,000
Issued and fully paid:		
1,002,864,358 (2002: 913,000,000) ordinary shares of HK$0.10 each	100,286	91,300

During the year, the movements in share capital were as follows:

(a) On 9 January 2003, the holders of the Company's Notes (note 24) exercised their rights to convert the principal amount of the Notes in the sum of HK$21.8 million at HK$1.56 per share.

(b) On 26 February 2003, 44,000,000 existing ordinary shares of the Company held by CEDF Brewery (Holdings) Limited ("CEDF"), the major shareholder of the Company, were placed to independent placees at HK$2.1 per share. On the same date, CEDF subscribed for 44,000,000 new ordinary shares of the Company at HK$2.1 each for cash, totalling HK$92.4 million, for the acquisition of minority interests of the Group's subsidiary as well as the other breweries in Mainland China.

(c) The subscription rights attaching to 31,890,000 share options were exercised at the subscription price of HK$1.56 per share and HK$1.85 per share (note 29), resulting in the issue of 31,890,000 ordinary shares of HK$0.1 each for total cash consideration of HK$51,413,000.

The summary of the above movements in the issued share capital of the Company is as follows:

	Notes	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
Issued share capital as at 1 January 2002		1,000,000	100	—	100
New issue on listing		220,000,000	22,000	321,200	343,200
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of the new shares to the public		659,000,000	65,900	(65,900)	—
New issue on exercise of over-allotment option		33,000,000	3,300	48,180	51,480
Share issue expenses		—	—	(49,409)	(49,409)
Issued share capital as at 31 December 2002		913,000,000	91,300	254,071	345,371
New issue upon exercise of convertible rights of convertible notes	(a)	13,974,358	1,397	20,403	21,800
New issue on share placement	(b)	44,000,000	4,400	88,000	92,400
Share options exercised	(c)	31,890,000	3,189	48,224	51,413
Share issue expenses		—	—	(2,499)	(2,499)
Issued share capital as at 31 December 2003		1,002,864,358	100,286	408,199	508,485

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 29 to the financial statements.

29. SHARE OPTION SCHEMES

The Company has adopted a pre-IPO share option scheme (the "Pre-IPO Scheme") and a share option scheme (the "Share Option Scheme") under which directors and full-time employees of the Group were granted options to acquire shares of the Company.

The purpose of the share option schemes 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 to attract and retain the participants whose contributions are important to the long-term growth and profitability of the Group.

Pre-IPO Scheme

Pursuant to the terms of the Pre-IPO Scheme, options to subscribe for an aggregate of 67,340,000 shares of the Company were granted to nine directors and certain employees of the Group on 3 June 2002, at an exercise price of HK$1.56.

The following share options were outstanding under the Pre-IPO Scheme during the year:

	Number of share options					Price of Company's shares		
Name or category of participant	**At 1 January 2003**	**Exercised during the year**	**At 31 December 2003**	**Date of grant of share options**	**Exercise period of share options**	**Exercise price of share options** *HK$*	**Immediately preceeding the grant date of options** *HK$*	**Immediately preceeding the exercise date of options** *HK$*
Directors								
Li Wentao	4,400,000	4,400,000	—	3 June 2002	27 June 2003 to 26 June 2007	1.56	N/A	2.65
	4,400,000	—	4,400,000	3 June 2002	27 June 2004 to 26 June 2007	1.56	N/A	N/A
Lo Peter *(Note)*	4,400,000	4,400,000	—	3 June 2002	27 June 2003 to 26 June 2007	1.56	N/A	2.60
	4,400,000	—	4,400,000	3 June 2002	27 June 2004 to 26 June 2007	1.56	N/A	N/A
Fu Hui	3,300,000	3,300,000	—	3 June 2002	27 June 2003 to 26 June 2007	1.56	N/A	2.65
	3,300,000	—	3,300,000	3 June 2002	27 June 2004 to 26 June 2007	1.56	N/A	N/A
Au Peter Jeva	2,200,000	2,200,000	—	3 June 2002	27 September 2003 to 26 June 2007	1.56	N/A	3.10
	2,200,000	—	2,200,000	3 June 2002	27 June 2004 to 26 June 2007	1.56	N/A	N/A
	2,200,000	—	2,200,000	3 June 2002	27 June 2005 to 26 June 2007	1.56	N/A	N/A
Lee Kong Leong	2,200,000	2,200,000	—	3 June 2002	27 September 2003 to 26 June 2007	1.56	N/A	3.10
	2,200,000	—	2,200,000	3 June 2002	27 June 2004 to 26 June 2007	1.56	N/A	N/A
	2,200,000	—	2,200,000	3 June 2002	27 June 2005 to 26 June 2007	1.56	N/A	N/A
Bao Liusuo	2,250,000	2,250,000	—	3 June 2002	27 June 2003 to 26 June 2007	1.56	N/A	2.65
	2,250,000	—	2,250,000	3 June 2002	27 June 2004 to 26 June 2007	1.56	N/A	N/A
Tong Kay Tak Tom	1,760,000	1,760,000	—	3 June 2002	27 June 2003 to 26 June 2007	1.56	N/A	2.48
	1,760,000	—	1,760,000	3 June 2002	27 June 2004 to 26 June 2007	1.56	N/A	N/A
	1,760,000	—	1,760,000	3 June 2002	27 June 2005 to 26 June 2007	1.56	N/A	N/A
Tse Kwok Lam	1,760,000	1,760,000	—	3 June 2002	27 September 2003 to 26 June 2007	1.56	N/A	3.10
	1,760,000	—	1,760,000	3 June 2002	27 June 2004 to 26 June 2007	1.56	N/A	N/A
	1,760,000	—	1,760,000	3 June 2002	27 June 2005 to 26 June 2007	1.56	N/A	N/A
Chen Zhixiong	800,000	—	800,000	3 June 2002	27 June 2003 to 26 June 2007	1.56	N/A	N/A
	800,000	—	800,000	3 June 2002	27 June 2004 to 26 June 2007	1.56	N/A	N/A
	800,000	—	800,000	3 June 2002	27 June 2005 to 26 June 2007	1.56	N/A	N/A
Other employees								
In aggregate	4,160,000	3,880,000	280,000	3 June 2002	27 June 2003 to 26 June 2007	1.56	N/A	2.61
	4,160,000	—	4,160,000	3 June 2002	27 June 2004 to 26 June 2007	1.56	N/A	N/A
	4,160,000	—	4,160,000	3 June 2002	27 June 2005 to 26 June 2007	1.56	N/A	N/A
	12,480,000	3,880,000	8,600,000					
	67,340,000	26,150,000	41,190,000					

The 26,150,000 share options exercised during the year resulted in the issue of 26,150,000 ordinary shares of the Company and new share capital of HK$2,615,000 and share premium of HK$38,179,000 (before issue expenses), as detailed in note 28 to the financial statements.

Note: Lo Peter also has family interests in respect of the option granted by the Company to Ho Kar Yin (an employee of the Company), the spouse of Lo Peter, who had 1,800,000 options. Out of these, 600,000 options have been exercised during the year. Upon the full exercise of the remaining options, 1,200,000 shares will be allotted and issued to Ho Kar Yin.

Share Option Scheme

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of (i) motivating the participants to optimise their performance and efficiency; and (ii) attracting and retaining the participants whose contributions are important to the long term growth and profitability of the Group. Eligible participants of the Share Option Scheme include the executive and non-executive directors, officers, employees, substantial shareholders of the Company and its subsidiaries (or their respective associates).

The Share Option Scheme became effective on 17 June 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme of the Company (excluding options lapsed in accordance with the Scheme and any other schemes of the Company) may not in aggregate exceed 10% of the issued share capital of the Company, or to a maximum of 30% should the shareholders renew the 10% limit, from time to time which have been duly allocated and issued. The maximum number of shares issuable under share options to each eligible participant (including both exercised and outstanding options) in the Share Option Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The exercise period of the share options granted is determinable by the directors, but may not be later than ten years after the date of the grant of the option. According to the Share Option Scheme, there is no provision requiring a minimum holding period before an option may be exercised. A nominal consideration HK$1 is payable on acceptance of the grant of an option under the Share Option Scheme.

The exercise price of the share options is determinable by the directors, but may not less than the highest of (i) the nominal value of the shares; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Details of these options are as follows:

Name or category of participant	Number of share options: At 1 January 2003	Exercised during the year	At 31 December 2003	Date of grant of share options	Exercise period of share options	Exercise price of share options	Price of Company's shares: Immediately preceeding the grant date of options	Immediately preceeding the exercise date of options
						HK$	*HK$*	*HK$*
Other employees								
In aggregate	6,040,000	5,740,000	300,000	16 July 2002	27 June 2003 to 26 June 2007	1.85	1.85	2.48
	6,040,000	—	6,040,000	16 July 2002	27 June 2004 to 26 June 2007	1.85	1.85	N/A
	6,040,000	—	6,040,000	16 July 2002	27 June 2005 to 26 June 2007	1.85	1.85	N/A
	18,120,000	5,740,000	12,380,000					

The 5,740,000 share options exercised during the year resulted in the issue of 5,740,000 ordinary shares of the Company and new share capital of HK$574,000 and share premium of HK$10,045,000 (before issue expenses), as detailed in note 28 to the financial statements.

At the balance sheet date, the Company had 41,190,000 and 12,380,000 share options outstanding under the Pre-IPO Share Option Scheme and Share Option Scheme, respectively which represented approximately 4.10% and 1.23% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 53,570,000 additional ordinary shares of the Company and additional share capital of 5,357,000 and share premium of 81,802,400 (before issue expenses).

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 34 and 35 of the financial statements.

The Group's contributed surplus represents the difference between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to the Group reorganisation in preparation for the listing of the Company in 2002 over the nominal value of the share capital of the Company issued in exchange therefor.

The reserve fund and the enterprise expansion fund are non-distributable and the transfers to these funds are determined by the board of directors of the PRC Subsidiaries in accordance with the relevant laws and regulations of the Mainland China. The reserve fund and the enterprise expansion fund can be used to make good future losses or to increase the capital of the PRC Subsidiaries.

The negative goodwill arising on the acquisition of a subsidiary in previous year remains credited to the capital reserve, as explained in note 16 to the financial statements.

(b) **Company**

	Notes	**Share premium account** *HK$'000*	**Contributed surplus** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 1 January 2002		—	297,699	(7,124)	290,575
New issue on listing	28	321,200	—	—	321,200
Capitalisation issue of shares	28	(65,900)	—	—	(65,900)
New issue on exercise of over-allotment option	28	48,180	—	—	48,180
Share issue expenses	28	(49,409)	—	—	(49,409)
Net loss for the year		—	—	(9,927)	(9,927)
At 31 December 2002 and at 1 January 2003		254,071	297,699	(17,051)	534,719
New issue upon exercise of convertible rights of convertible notes	28(a)	20,403	—	—	20,403
New issue on share placement	28(b)	88,000	—	—	88,000
Share options exercised	28(c)	48,224	—	—	48,224
Share issue expenses	28	(2,499)	—	—	(2,499)
Net profit for the year		—	—	112,523	112,523
Interim 2003 dividend	12	—	—	(13,954)	(13,954)
Proposed final 2003 dividend	12	—	—	(21,060)	(21,060)
At 31 December 2003		**408,199**	**297,699**	**60,458**	**766,356**

The Company's contributed surplus represents the excess of the fair value of the shares of the PRC Subsidiaries acquired pursuant to the Group reorganisation in preparation for the listing of the Company in 2002, over the nominal value of the share capital of the Company issued in exchange therefor.

Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium of the Company of approximately HK$408,199,000 as at 31 December 2003 is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) **Major non-cash transactions**

The Group had the following major non-cash transactions during the year:

(i) As detailed in note 28(a) to the financial statements, the holders of the Company's Notes exercised their rights to convert the principal amount of the convertible notes in the sum of HK$21.8 million at HK$1.56 per share.

(ii) The capital contribution made by the minority shareholder of a subsidiary of the Group was in the form of non-current assets valued at HK$114,733,000, non-cash current assets valued at HK$14,840,000, current liabilities valued at HK$79,882,000 and non-current liabilities valued at HK$29,212,000.

In the prior year, an amount of HK$56,394,000 due to a joint venture partner of a subsidiary was capitalised as capital reserve of a subsidiary.

(b) **Acquisitions of subsidiaries**

	2003	**2002**
	HK$'000	*HK$'000*
		(Restated)
Net liabilities acquired:		
Fixed assets	103,665	166,889
Deposits paid for purchases of fixed assets	—	1,610
Reusable packaging materials	5,789	12,854
Inventories	8,045	13,184
Accounts receivable	104	201
Prepayments, deposits and other debtors	1,365	10,251
Due from joint venture partners of subsidiaries	—	4,972
Cash and bank balances	7,256	21,096
Accounts payable	(369)	(28,890)
Tax payable	(3,063)	—
Other payables and accruals	(41,656)	(61,102)
Bank and other loans	(38,585)	(103,663)
Due to joint venture partners of subsidiaries	—	(8,312)
Shareholder's loan	(16,321)	(20,000)
Minority interests	(37,730)	(11,065)
	(11,500)	(1,975)
Shareholder's loan to subsidiaries acquired	16,321	20,000
Goodwill arising from acquisitions *(note 16)*	33,179	51,975
	38,000	70,000
Satisfied by:		
Cash	38,000	70,000

An analysis of the net cash outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2003	**2002**
	HK$'000	*HK$'000*
Cash consideration	(38,000)	(70,000)
Cash and bank balances acquired	7,256	21,096
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(30,744)	(48,904)

The Group acquired a 100% interest in the New-Biz Corporation and its subsidiary (the "New-Biz Group") and the Noble Right Limited and its subsidiary (the "Noble Right Group") from independent third parties on 17 March 2003 and 9 April 2003, respectively. The New-Biz Group and the Noble Right Group are engaged in the production and distribution of beer.

Since its acquisition, the New-Biz Group contributed HK$19,269,000 to the Group's turnover and a loss of HK$5,922,000 to the consolidated profit after tax and before minority interests for the year ended 31 December 2003 and the Noble Right Group contributed HK$72,881,000 to the Group's turnover and HK$15,874,000 to the consolidated profit after tax and before minority interests for the year ended 31 December 2003.

The subsidiaries acquired in the prior year contributed HK$37,712,000 to turnover and HK$8,502,000 to the consolidated profit after tax and before minority interests for the year ended 31 December 2002.

32. CONTINGENT LIABILITIES

At 31 December 2003, the Group had given guarantees of approximately HK$5,401,000 (2002: HK$8,047,000) to a bank in connection with the credit facilities granted to certain employees of a subsidiary for financing the construction of employees' quarters. Upon the issuance of the building ownership certificate, the employees' quarters will be mortgaged to secure the credit facilities and the mortgage will then replace the guarantees.

33. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 30 years.

At 31 December 2003, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		**Company**	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	2,331	2,681	1,096	1,570
In the second to fifth years, inclusive	4,215	1,276	1,509	—
After five years	8,879	1,623	—	—
	15,425	5,580	2,605	1,570

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had the following commitments at the balance sheet date:

(a) Capital commitments

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Contracted for	88,717	50,988
Authorised, but not contracted for	—	8,293
	88,717	59,281

(b) Other commitments

The Group had committed (i) payment of HK$2,815,000 (2002: HK$3,769,000) to Yinpu Brewery Factory, a joint venture partner of a subsidiary, for the use of trademark; and (ii) payment of HK$123,336,000 (2002: HK$96,413,000) to suppliers for purchases of raw materials.

35. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2003**	**2002**
		HK$'000	*HK$'000*
Advances to joint venture partner of HB Hegang	(i)	109,591	48,597
Payment to joint venture partner of HB Jilin for the use of plant and machinery	(ii)	983	984
Payment to joint venture partner of HB Yinpu for the use of trademark	(iii)	941	943
Interest to joint venture partner of HB Jiamusi	(iv)	1,221	1,289
Payment to joint venture partner of HB Tangshan for the use of land	(v)	308	—

Notes:

(i) The advances were made to Harbin Brewery Factory, the joint venture partner of HB Hegang, and is unsecured, interest-free and has no fixed terms of repayment (note 21).

(ii) The payment for the use of plant and machinery was charged at 6.5% on the revalued amount of the relevant assets, which was based on a valuation at 31 December 1999 performed by an independent valuer in the Mainland China.

(iii) The payment for the use of trademark was charged at RMB1,000,000 per annum.

(iv) The interest was charged at the prevailing lending rate quoted by the People's Bank of China.

(v) The payment for the use of land was determined based on RMB5 per square metre with reference to the market price prevailing at the time of entering into the contract and was charged at RMB328,000 per annum commencing from 1 January 2003 until 31 December 2032.

The salaries in respect of the Group's employees and office rentals in Hong Kong prior to the listing of the Company's shares on the Stock Exchange were absorbed by one of the Company's shareholders.

In the opinion of the directors of the Company, the above transactions were carried out in the ordinary course of business of the Group.

36. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

Apart from the above, during the year, the Group reclassified reusable packaging materials (previously included in inventories) from the current assets section to the non-current assets section. The directors consider that such reclassification will allow a more appropriate presentation of the Group's financial position. The comparative amounts of reusable packaging materials and inventories have been restated to conform with the current year's presentation.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 April 2004.

3.1 ACCOUNTANTS' REPORT ON STATEMENT OF PRO FORMA ADJUSTED NET TANGIBLE ASSETS

ERNST & YOUNG
安永會計師事務所

15th Floor
Hutchison House
10 Harcourt Road
Central
Hong Kong

17 June 2004

The Directors
Harbin Brewery Group Limited
Suite 615, 6th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of Harbin Brewery Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on page 81 under the heading of pro forma adjusted net tangible assets in section 3.2 of Appendix I of the circular of the Company dated 17 June 2004 in connection with the mandatory cash offer by Anheuser-Busch Hong Kong Investment Company, Limited for the Company (the "Offer"), which has been prepared by the directors for illustrative purposes only, as if the cash offer by SABMiller plc for the Company (the "SABMiller Offer") and the Offer had been made on 31 December 2003, to provide information about how the SABMiller Offer and the Offer might have affected the relevant financial information presented.

Responsibilities of directors and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

It is our responsibility to form an opinion, as required by the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practice Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the historical financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company.

Our work does not constitute an audit or a review in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants and, accordingly, we do not express any such assurance on the pro forma financial information.

The pro forma financial information has been prepared on the basis set out in the first paragraph for illustrative purposes only and because of its nature, it may not be indicative of the financial position of the Group at 31 December 2003 or at any future date.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 29 of Chapter 4 of the Listing Rules.

Yours faithfully
Ernst & Young
Certified Public Accountants
Hong Kong

3.2 PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of pro forma adjusted net tangible assets of the Group as at 31 December 2003 which has been prepared for the purpose of illustrating the effect of the SABMiller Offer and the Offer as at 31 December 2003 and is based on the audited consolidated net assets of the Group as at 31 December 2003 as shown in the audited financial statements of the Group for the year ended 31 December 2003, and adjusted as follows:

	Audited net tangible assets of the Group as at 31 December 2003	Costs in connection with the SABMiller Offer and the Offer	Pro forma adjusted net tangible assets	Pro forma adjusted net tangible assets per share
	HK$'000	*HK$'000*	*HK$'000*	
	(Note 1)			*(Note 2)*
Net tangible assets as at 31 December 2003	892,249	(36,150)	856,099	HK$0.85

Notes:

(1) The audited net tangible assets of the Group as at 31 December 2003 is calculated as follows:

	HK$'000
Audited published consolidated net assets of the Group as at 31 December 2003	1,069,608
Less: Group's share of intangible assets, goodwill, negative goodwill and deferred expenditure	(177,359)
Audited net tangible assets of the Group as at 31 December 2003	892,249

(2) The pro forma adjusted net tangible assets per Share is calculated based on 1,002,864,358 Shares in issue as at 31 December 2003.

NB: The excess of the fair value of the Group's land and buildings of HK$39,254,000 as at 30 April 2004 (arising as a result of an independent valuation conducted pursuant to the requirements of Rule 11 of the Code) over their net book value has not been taken into account in the above statement for the fair value adjustment.

A proposed dividend of HK$0.021 per Share was announced by the Company on 22 April 2004. Subject to approval by the Shareholders at the AGM, this will be paid on 16 July 2004 to those Shareholders on the register of members of the Company as at the close of business on 25 June 2004.

4. INDEBTEDNESS

At the close of business on 31 March 2004, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this Document, the Group had outstanding borrowings of approximately HK$920.2 million, comprising secured bank loans of approximately HK$465.2 million; unsecured bank loans of approximately HK$393.8 million; secured other loan of approximately HK$1.0 million; unsecured other loans of approximately HK$6.8 million; and unsecured amounts due to joint venture partners of subsidiaries of approximately HK$53.4 million.

In addition, the Group had contingent liabilities in respect of guarantees given to a bank of approximately HK$5.2 million in connection with credit facilities granted to certain employees of a subsidiary of the Company.

Amounts denominated in foreign currencies have, for the purpose of the indebtedness statement, been translated into Hong Kong dollars at the applicable rate of exchange prevailing as at the close of business on 31 March 2004.

As at 31 March 2004, the Group's banking facilities were secured by, among others (i) mortgage over certain land and buildings and plant and machinery of the Group; (ii) floating charge over the assets of certain of the Company's subsidiaries; and (iii) share mortgage / assignment of the ownership rights of the Group's interests in its subsidiaries.

Save as referred to above and apart from intra-Group liabilities, the Group did not have, at the close of business on 31 March 2004, any mortgages, charges, debentures or other loan capital or bank overdrafts, loans or other similar indebtedness or hire purchase commitments or any guarantees or other material contingent liabilities.

5. MATERIAL CHANGE

Save for the costs relating to the SABMiller Offer and the Offer, and the unaudited movements in the assets in connection with the Valuations, the Board is not aware of any material change in the financial or trading position or prospects of the Group since 31 December 2003, the date to which the latest published audited consolidated accounts of the Group were made up.

Set out below are the texts of a letter, summary of valuation and valuation certificates received from Vigers in connection with their valuation, as at 30 April 2004, of certain property interests of the Group in Hong Kong and the PRC, prepared for the purposes of this Document.

Vigers Appraisal & Consulting Limited
International Asset Appraisal Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

17 June 2004

The Directors
Harbin Brewery Group Limited
Suite 615, 6th Floor
One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Dear Sirs,

Mandatory Cash Offer
by Morgan Stanley Dean Witter Asia Limited
on behalf of Anheuser-Busch Hong Kong Investment Company, Limited
for all the issued shares of Harbin Brewery Group Limited
(other than those held by the Offeror and parties acting in concert with it)

In accordance with your instructions for us to value the property interests of Harbin Brewery Group Limited (hereinafter referred to as the "Company") and its subsidiaries (hereinafter together referred to as the "Group") located in Hong Kong and the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such property interests as at 30 April 2004 ("the date of valuation") for the purpose of the Company's circular to shareholders in response to the Takeover offer.

Our valuation is our opinion of the open market value as at the date of valuation which we would define as intended to mean:- "the best price at which the sale of an interest in a property would have been completed unconditionally for cash consideration on the date of valuation assuming:

(a) a willing seller;

(b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;

(c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

(d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and

(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion."

Our valuations have been made on the assumption that the owner sells the properties in the open market in their existing state without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the value of the property interests.

In valuing the properties in Group II, which are owned by the Group in the PRC, we have adopted a combination of the open market and depreciated replacement cost approaches in assessing the land portions of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property as a whole. In the valuation of the land portions, reference has been made to the standard land price in Heilongjiang Province and Jilin Province respectively and the sales comparables in the locality. As the nature of the buildings and structures cannot be valued on the basis of open market value, they have therefore been valued on the basis of their depreciated replacement cost. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar buildings and structures in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales.

The property interests in Group I and Group III, which are rented and occupied by the Group, have no commercial value due mainly to the short term nature of the tenancy or the prohibitions against assignment or sub-letting or otherwise due to the lack of substantial and marketable profit rents.

In undertaking our valuation of the properties in Group II and Group III, we have relied on the legal opinion provided by the Group's PRC legal advisers Commerce and Finance Law Offices, ("the PRC Legal Opinion").

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the relevant properties but have assumed that the areas shown on the documents and official plans handed to us are correct. Based on our experience of valuation of similar properties in Hong Kong and the PRC, we consider the assumptions so made to be reasonable. All dimensions, measurements and areas are approximations.

We have been shown copies of various title and lease documents and official site plans relating to the properties in Group II and Group III which are located in the PRC. However, we have not searched the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. Due to the nature of the land registration system in the PRC, we are unable to search the original documents to verify the existing title of the properties or any material encumbrances that might be attached to the properties.

For the property interests in Group I, which are located in Hong Kong, we have caused searches to be made at the Land Registry in Hong Kong and in some instances, we have been provided with extracts of title documents and copies of tenancy agreements. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us.

We have inspected the exterior and, where possible, the interior of the properties included in the attached valuation certificates. However, no structural survey has been made, but in the course of our inspection we did not note any apparent serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have relied to a considerable extent on the information provided by the Group and the PRC Legal Opinion and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, rentals, site and floor areas and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought and received confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

According to the information provided by the Group, the potential tax liability which would arise on the disposal of property interests in Hong Kong is stamp duty (charged at a rate of HK$100 to 3.75% of the consideration paid) and in the PRC are business tax (5%), land appreciation tax (approximately 30% to 60% of the appreciation amount) and corporate income tax (33%). As advised by the Group, had the property interests been disposed of, the potential tax liability would amount to HK$16,342,000. However, in the course of our valuation, we have not considered such tax liability. Since the Group uses the properties for business operation, there is no intention for the Group to dispose of these properties at present and such tax liabilities are not going to crystalise.

In valuing the property interests in the PRC, we have complied with all the requirements contained in the Practice Note 12 to the Listing Rules issued by The Stock Exchange of Hong Kong Limited.

Our valuations have been prepared in accordance with the Hong Kong Guidance Notes on the Valuation of Property Assets (2nd Edition) published by the Hong Kong Institute of Surveyors in March 2000.

Unless otherwise stated, all monetary amounts stated are in Renminbi. The exchange rate used in converting the value of the properties in the PRC into Hong Kong Dollars as at 30 April 2004 was HK$1=RMB1.06 and no significant fluctuation in such exchange rate has been found between the date of valuation and the date of this letter.

Our summary of values and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
VIGERS APPRAISAL & CONSULTING LIMITED
Raymond Ho Kai Kwong,
Registered Professional Surveyor
MRICS, MHKIS, MSc(e-com)
Executive Director

Note: Raymond Ho Kai Kwong, Chartered Surveyor, MRICS, MHKIS, MSc(e-com) has extensive experience in undertaking valuations of properties in Hong Kong and Macau and has over ten years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATION

GROUP I — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN HONG KONG

	Property	Open market value in existing state as at 30 April 2004	Open market value in existing state attributable to the Group as at 30 April 2004
1.	Suite 615 and 616 on 6th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong	No commercial value	No commercial value
2.	Apartment C on 34th Floor of Tower 1, Park Towers, No. 1 King's Road, North Point, Hong Kong	No commercial value	No commercial value
	Sub-total	Nil	Nil

GROUP II — PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN PRC

	Property	Open market value in existing state as at 30 April 2004	Interest attributable to the Group as at 30 April 2004	Open market value in existing state attributable to the Group as at 30 April 2004
3.	A brewery complex of Harbin Brewing Company Limited located in No. 20 You Fang Street, Xiang Fang District, Harbin City, Heilongjiang Province, PRC	RMB99,500,000	100%	RMB99,500,000

	Property	Open market value in existing state as at 30 April 2004	Interest attributable to the Group as at 30 April 2004	Open market value in existing state attributable to the Group as at 30 April 2004
4.	A brewery complex of Harbin Brewing (Songjiang) Company Limited located in No. 2 Tong Xiang Street, Dongli District, Harbin City, Heilongjiang Province, PRC	RMB42,000,000	100%	RMB42,000,000
5.	A brewery complex of Harbin Brewing (Hegang) Company Limited located in No. 1 Pi Jiu Chang Street (formerly known as San Dao Street and Si Dao Street), Gong Nong District, Hegang City, Heilongjiang Province, PRC	No commercial value	95%	No commercial value
6.	A brewery complex of Harbin Brewing (Hailun) Company Limited located in Yi Wei and San Wei, Tie Lu Street, Hailun City, Heilongjiang Province, PRC	No commercial value	100%	No commercial value
7.	A brewery complex of Jilin Harbin Brewing Company Limited located in Cha Lu He Town, Yongji County, Jilin Province, PRC	No commercial value	70%	No commercial value

	Property	Open market value in existing state as at 30 April 2004	Interest attributable to the Group as at 30 April 2004	Open market value in existing state attributable to the Group as at 30 April 2004
8.	A brewery complex of Harbin Brewery Jiamusi Jiafeng Company Limited located in No. 94 You Yi Road, Jiamusi City, Heilongjiang Province, PRC	RMB66,000,000	60%	RMB39,600,000
9.	A brewery complex of Harbin Beer (Mudanjiang Jingpo) Company Limited located in No. 77 Dong Xin Rong Street, Aimin District, Mudanjiang City, Heilongjiang Province, PRC	RMB17,600,000	55%	RMB9,680,000
10.	A brewery complex of Harbin Brewery (Changchun Yinpu) Co., Ltd. located in No. 125 Tong Yang Road, Shuangyang District, Changchun City, Jilin Province, PRC.	RMB90,300,000	55%	RMB49,665,000
11.	A brewery complex of Harbin Brewing (Shenyang) Company Limited located in No. 19 Er Jia Bai Ta Street, Hunnan New District, Shenyang City, Liaoning Province, PRC	No commercial value	70%	No commercial value

	Property	Open market value in existing state as at 30 April 2004	Interest attributable to the Group as at 30 April 2004	Open market value in existing state attributable to the Group as at 30 April 2004
12.	A brewery complex of Harbin Brewing (Jinzhou) Company Limited located in No.5 duan 39 Nan Jing Road, Ling He District, Jinzhou City, Liaoning Province, PRC	RMB11,000,000	100%	RMB11,000,000
13.	A brewery complex of Harbin Brewing (Tangshan) Co., Ltd. located in No.20 Wei Guo Road, Tangshan City, Hebei Province, PRC	No commercial value	63.02%	No commercial value
14.	A brewery complex of Harbin Brewing Daqing Xiaoxue Company Limited located in No. 8 Zhong Xing Bei Street, Daqing City, Heilongjiang Province, PRC.	RMB59,700,000	60%	RMB35,820,000
15.	A brewery complex of Harbin Brewing (Yanji) Company Limited located in No. 92 Gong Yuan Road, Yanji City, Jilin Province, PRC.	No commercial value	60%	No commercial value
	Sub-total:	RMB386,100,000		RMB287,265,000

GROUP III — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN PRC

	Property	Open market value in existing state as at 30 April 2004	Open market value in existing state attributable to the Group as at 30 April 2004
16.	No.8 Hui Wen Road, Nanguan District, Changchun City, Jilin Province, PRC	No commercial value	No commercial value
17.	Unit 305, Xing Hua Yuan, Changchun City, Jilin Province, PRC	No commercial value	No commercial value
18.	Unit 604, Xing Hua Yuan, Changchun City, Jilin Province, PRC	No commercial value	No commercial value
19.	Nanyi Road Wang Dian, Hui Gong Street, Shenhe District, Shenyang City, Liaoning Province, PRC	No commercial value	No commercial value
20.	No.98 Shun Cheng Shi Street, Chuanying District, Jilin City, Jilin Province, PRC	No commercial value	No commercial value
21.	No.2 Jin Hai Le Yuan, Xigang District, Dalian City, Liaoning Province, PRC	No commercial value	No commercial value

	Property	Open market value in existing state as at 30 April 2004	Open market value in existing state attributable to the Group as at 30 April 2004
22.	No.118 Fu Min Road, Hedong District, Tianjin City, PRC	No commercial value	No commercial value
23.	Unit 601, No.16 Hua Fu Yuan, Nanjing City, Jiangsu Province, PRC	No commercial value	No commercial value
24.	Unit 905, No.49 Ci Yuan Si Xiao Qu, Chaoyang District, Beijing City, PRC	No commercial value	No commercial value
25.	Unit 606, No.49 Ci Yuan Si Xiao Qu, Chaoyang District, Beijing City, PRC	No commercial value	No commercial value
26.	Unit B902, Business Centre, 2000, Ba Li Zhuang, Chaoyang District, Beijing City, PRC	No commercial value	No commercial value
27.	Unit 102-103, Dan Yuan 5, Block 15, Zone 2, Bei Yuan Liang Fu Xiao Qu, Tian Qiao District, Jinan City, Shandong Province, PRC	No commercial value	No commercial value

	Property	Open market value in existing state as at 30 April 2004	Open market value in existing state attributable to the Group as at 30 April 2004
28.	Dan Yuan 1, Block 3, No.257 Shang Cheng Road, Guan Cheng District, Zhengzhou City, Henan Province, PRC	No commercial value	No commercial value
29.	Dan Yuan 2 of Block 3, No. 257 Shang Cheng Road, Guan Cheng District, Zhenzhou City, Henan Province, PRC	No commercial value	No commercial value
30.	Inner of Sheng Zong Gong Hui Zhao Dai Suo, No. 288 Gong Nong Road, Shijiazhuang City, Hebei Province, PRC	No commercial value	No commercial value
31.	No.93 Song Cheng Road, Fang Cheng District, Hangzhou City, Zhejiang Province, PRC	No commercial value	No commercial value
32.	3538 Factory, Cao Chang Po, Bei Lin District, Xian City, Shaanxi Province, PRC	No commercial value	No commercial value
33.	Unit 10-4-102, Jia He Yuan Xiao Qu, Cao Chang Po, Bei Lin District, Xian City, Shaanxi Province, PRC	No commercial value	No commercial value

	Property	Open market value in existing state as at 30 April 2004	Open market value in existing state attributable to the Group as at 30 April 2004
34.	Unit 2, Level l0, Jia He Yuan Xiao Qu, Cao Chang Po, Bei Lin District, Xian City, Shaanxi Province, PRC	No commercial value	No commercial value
35.	Unit 1406, No.26 Da Lian Xi Road, Shanghai City, PRC	No commercial value	No commercial value
36.	Unit 1104, No.82 Tian He Bei Road, Tian He District, Guangzhou City, Guangdong Province, PRC	No commercial value	No commercial value
37.	Unit 1105, No.82 Tian He Bei Road, Tian He District, Guangzhou City, Guangdong Province, PRC	No commercial value	No commercial value
38.	No.6, Dan Yuan 3, No.26 Fang Hua Street, Gao Xin District, Chengdu City, Sichuan Province, PRC	No commercial value	No commercial value
	Sub-total	Nil	Nil
	Grand-total	RMB386,100,000	RMB287,265,000

VALUATION CERTIFICATE

GROUP I — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN HONG KONG

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
1.	Suite 615 and 616 on 6th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong	The property comprises two office unit on the 6th floor of a 40-storey (in addition 3-storey basements) commercial building completed in or about 1998. The total saleable area of the property is approximately 1,256 sq.ft.	The property is leased to the Company by MTR Corporation Limited, an independent third party, for a term of three years commencing from 2 October 2003 to 1 October 2006 at a monthly rental of HK$51,678 exclusive of government rates, service charges and all outgoings of recurring and non-capital nature. The property is at present occupied by the Group for office use.	No commercial value

Notes: According to the record in the Land Registry, the registered owner of the property is MTR Corporation Limited, an independent third party.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
2.	Apartment C on 34th Floor of Tower 1, Park Towers, No. 1 King's Road, North Point, Hong Kong	The property comprises a residential unit on the 34th floor of a 40-storey residential building erected on a 10-storey car parking podium completed in or about 1989. The saleable area of the property is approximately 1,033 sq.ft.	The property is leased to the Company by Wong Wai Gin Lydia, an independent third party, under a Tenancy Agreement dated 20 October 2001 for a term of 2 years commencing from 1 November 2003 to 31 May 2005 with a right to terminate by giving 6 months' prior written notice or 6 months' rent in lieu at a monthly rental of HK$32,000 inclusive of government rent, rates and management fees. The property is at present used by the Group as Director's quarters.	No commercial value

Note: According to the record in the Land Registry, the registered owner of the property is Wong Wai Gin Lydia, an independent third party.

GROUP II — PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN PRC

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
3.	A brewery complex of Harbin Brewing Company Limited located in No. 20 You Fang Street, Xiang Fang District, Harbin City, Heilongjiang Province, PRC	The property comprises 3 parcels of land with a total site area of approximately 101,146.6 sq.m. and 25 items of buildings and structures erected thereon. The buildings and structures were completed in various stages between 1960's and 1990's. The buildings and structures of the property have a total gross floor area of approximately as follows: 18 buildings with Building Ownership Certificates: 58,387.80 sq.m. 7 buildings without Building Ownership Certificates: 32,344.98 sq.m. Total: 90,732.78 sq.m. The main buildings include factory buildings, office tower, boiler rooms, a garage, a cooling station, a sewage treatment station, canteen, transformer room, etc. Three parcels of land were granted with the land use rights for a term of 25 years commencing from 1 March 2001, 8 March 2001 and 8 March 2001 respectively.	The property is at present occupied by the Group as a beer brewery and ancillary purposes.	RMB99,500,000 (100% attributable to the Group: RMB99,500,000) *(See Note 7)*

Notes:

1. According to the State-owned Land Use Rights Certificate No. 哈國用 (2001)字第 21163號 dated 8 March 2001, the land use rights of the land with a site area of approximately 39,290.4 sq.m. for a term of 25 years commencing from 8 March 2001 to 8 March 2026 for industrial use have been granted to Harbin Brewing Company Limited ("哈爾濱啤酒有限公司") ("HB Company") (a wholly owned subsidiary of the Company).

   According to the State-owned Land Use Rights Certificate No. 哈國用 (2001)字第 21164號 dated 1 March 2001, the land use rights of the land with a site area of approximately 3,000 sq.m. for a term of 25 years commencing from 1 March 2001 to 1 March 2026 for warehouse purpose have been granted to HB Company.

   According to the State-owned Land Use Rights Certificate No. 哈國用 (2001)字第 21162號 dated 8 March 2001, the land use rights of the land with a site area of approximately 58,856.20 sq.m. for a term of 25 years commencing from 8 March 2001 to 8 March 2026 for industrial use have been granted to HB Company.

2. Pursuant to three State-owned Land Use Rights Grant Contracts dated 1 March 2001, 9 March 2001 and 9 March 2001 respectively entered into between Harbin City Land Administration Bureau ("Party A") and HB Company, Party A agreed to grant the land use rights of the property to HB Company for a term of 25 years commencing from 1 March 2001, 9 March 2001 and 9 March 2001 respectively at a total consideration of RMB4,753,591.2.

3. According to the Building Ownership Certificate Nos. 哈房權證香字第 00001836, 00001837, 00001838, 00001839, 00001840, 00001841, 00001842, 00001843, 00001844, 00001845, 00001846, 00001847, 00001848, 0001849 all dated 27 February 2001 and 00001868, 00001869, 00001870, 00001871 all dated 19 March 2001, the building ownerships of the 18 buildings of the property with a total gross floor area of 58,387.80 sq.m. are vested in HB Company.

4. Building Ownership Certificates Nos. 哈房權證香字第 00001842, 00001847, 00001871, 00001844, 00001846 are pledged to Commercial Bank of China Harbin City Zhongshan Branch for the period from 25 July 2002 to 25 July 2006.

5. According to the letter dated 26 October 2001 issued by Harbin City Real Property Transaction Centre, the Building Ownership Certificates of 7 buildings of the property, with a total gross floor area of approximately 32,344.98 sq.m. are currently under application.

6. In the course of our valuation of the property, we have excluded the value of the 7 buildings, with a total gross floor area of approximately 32,344.98 sq.m., for which the Building Ownership Certificates are under application. Since the transferability of legal ownership of these 7 buildings is unknown, we have ascribed no commercial value to these 7 buildings. However, for indicative purposes, the depreciated replacement cost of the 7 buildings as at 30 April 2004 was RMB49,100,000.

7. The PRC Legal Opinion contains, inter alia, that:

    i) The legal title of the granted land use rights of the property and the buildings erected thereon with Building Ownership Certificates issued are vested in HB Company.

    ii) HB Company is entitled to freely transfer, let, or mortagage the subject land and the 18 buildings with Building Ownership Certificates issued without payment of any land grant premium and additional fees in accordance with the PRC laws except those 5 buildings mentioned in Note 4 which are subject to mortgage.

    (iii) HB Company is in the process of applying for the building ownership certificate of 7 buildings of the property with a total gross floor area of approximately 32,344.98 sq.m.

8. HB Company is with the following particulars:

(1)	Term of operation:	From 9 October 1995 to 8 October 2025
(2)	Registered capital:	RMB250,000,000
(3)	Type of enterprise:	Wholly foreign-owned enterprise

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
4.	A brewery complex of Harbin Brewing (Songjiang) Company Limited located in No. 2 Tong Xiang Street, Dongli District, Harbin City, Heilongjiang Province, PRC	The property comprises 2 parcels of land with a site area of approximately 138,888.3 sq.m. and 16 items of buildings and structures erected thereon. The buildings and structures were completed in various stages between 1985 and 2000. The buildings and structures of property have a total gross floor area of approximately as follows: 12 buildings with Building Ownership Certificates: 28,670.28 sq.m. 4 building without Building Ownership Certificates: 4,462.28 sq.m. Total: 33,132.56 sq.m. The main buildings include factory buildings, a physical and chemical building, warehouses, a cooling station, mechanical building etc. The parcel of land was granted with the land use rights for a term of 25 years commencing from 25 July 2001 to 24 July 2026.	The property is at present occupied by the Group as a beer brewery and ancillary purposes.	RMB42,000,000 (100% attributable to the Group: RMB42,000,000) *(See Note 8)*

Notes:

1. According to the State-owned Land Use Rights Certificate No. 哈國用 (2001)字第 44986號 dated 3 September 2001, the land use rights of the land with a site area of approximately 121,050.60 sq.m for a term of 25 years commencing from 25 July 2001 to 24 July 2026 for industrial use have been granted to Harbin Brewing (Songjiang) Company Limited ("哈爾濱啤酒(松江)有限公司") ("HB Songjiang") (a wholly owned subsidiary of the Company).

2. Pursuant to a State-owned Land Use Rights Grant Contract dated 25 July 2001 entered into between Harbin City Land Administration Bureau ("Party A") and HB Songjiang, Party A agreed to grant the land use rights of the property to HB Songjiang for a term of 25 years commencing from 25 July 2001 at a total consideration of RMB5,635,300.

3. Pursuant to the State-owned Land Use Rights Transfer Contract dated 10 November 2003, HB Songjiang agreed to purchase a site with an area of approximately 17,837.7 sq.m. for the consideration of RMB12,042,890.

4. According to the Building Ownership Certificates Nos. 哈房權證動字第 00001570, 00001554, 00001552, 00001555, 00001553, 00001562, 00001560, 00001556, 00001558, 00001557, 00001559, 00001561號 all dated 27 February 2001 the building ownership of 12 buildings of the property with a total gross floor area of 28,670.28 sq.m. are vested in HB Songjiang.

5. According to the letter dated 26 October 2001 issued by the Harbin City Real Property Transaction Centre, the Building Ownership Certificate of 1 building of the property, with a gross floor area of approximately 1,004 sq.m. is currently under application.

6. In the course of our valuation, we have excluded the value of the site with an area of approximately 17,837.7 sq.m. for which the land use rights certificate is under application.

7. In the course of our valuation of the property, we have excluded the value of the building with a gross floor area of approximately 4,462.28 sq.m., for which the Building Ownership Certificate is under application. Since the transferability of the legal ownership of this building is unknown, we have ascribed no commercial value to this building. However, for indicative purposes, the depreciated replacement cost of the building as at 30 April 2004 was RMB11,600,000.

8. The PRC Legal Opinion contains, inter alia, that:

   i) The legal title of the granted land use rights of the land and the buildings erected thereon with Building Ownership Certificates issued are vested in HB Songjiang.

   ii) The property is not subject to any sale, transfer, pre-sale, mortgage, encumbrances or any third party rights.

   iii) Upon full payment of all the land grant premium, HB Songjiang is entitled to freely transfer, sublet, or mortagage the subject land and the 12 buildings with Building Ownership Certificates issued without payment of any land grant premium and additional fees in accordance with the PRC laws.

   iv) For the building, with a gross floor area of approximately 4,462.28 sq.m., for which the Building Ownership Certificate is currently under application.

   v) The occupancy and use of the land and the buildings erected thereon with Building Ownership Certificates issued does not breach the terms and conditions of the State-owned Land Use Right Grant Contract, State-owned Land Use Rights Certificate, Building Ownership Certificates in respect of the property and the laws of the PRC.

9. HB Songjiang is with the following particulars:

   (1) By virtue of having obtained its business licence, HB Songjiang has been duly incorporated and is validly existing under the laws of the PRC as a sino-foreign equity joint venture with limited liability and capable of suing and being sued.

   (2) HB Songjiang has full corporate power and authority to carry on the businesses specified in the Business Licence.

   (3) The joint venture term of HB Songjiang is 30 years commencing from 25 August 1994 and ending on 25 August 2024.

(4)	Term of operation:	From 25 August 1994 to 25 August 2024
(5)	Parties:	Harbin Brewing Company Limited (a wholly owned subsidiary of the Company) Harbin Brewery Investments Limited (a wholly owned subsidiary of the Company)
(6)	Total investment amount:	RMB65,000,000
(7)	Registered capital:	RMB32,500,000
(8)	Proportion of capital: contribution/profit sharing	Harbin Brewing Company Limited (75%) Harbin Brewery Investments Limited (25%)

10. According to the information provided by the Company, HB Songjiang had paid part of the land grant premium and the outstanding balance of the land grant premium (RMB3,000,000) will be payable by 31 December 2004.

11. In our valuation, we have assumed that the land grant premium had been fully paid by HB Songjiang.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
5.	A brewery complex of Harbin Brewing (Hegang) Company Limited located in No. 1 Pi Jiu Chang Street (formerly known as San Dao Street and Si Dao Street), Gong Nong District, Hegang City, Heilongjiang Province, PRC	The property comprises 3 parcels of land with a total site area of approximately 35,820 sq.m. and 23 items of buildings and structures erected thereon. The buildings and structures were completed in various stages between 1974 and 2003. The buildings and structures of the property have a total gross floor area of approximately as follows: 19 buildings with Building Ownership Certificates: 16,133.95 sq.m. 4 buildings without Building Ownership Certificates: 3,868.56 sq.m. Total: 20,002.51 sq.m. The main buildings include factory buildings, office tower, boiler rooms, a garage, a cooling station, a sewage treatment station, canteen, transformer room, etc. Three parcels of land were granted with the land use rights for a term of 5 years commencing from 1999 respectively.	The property is at present occupied by the Group as a beer brewery and ancillary purposes.	No commercial value *(See Note 5)*

Notes:

1. According to the State-Owned Land Use Rights Certificate No. 鶴國用(99)字第 180763號 dated 7 June 1999, the land use rights of the land with a site area of approximately 16,970 sq.m. for a term of 5 years commencing from 7 June 1999 to 6 June 2004 for industrial use have been allocated to Harbin Brewing (Hegang) Company Limited ("哈爾濱啤酒(鶴崗)有限公司") ("HB Hegang") (in which the Company indirectly holds 95% interest).

   According to the State-Owned Land Use Rights Certificate No. 鶴國用(99)字第 180764號 dated 7 June 1999, the land use rights of the land with a site area of approximately 2,210 sq.m. for a term of 5 years commencing from 7 June 1999 to 6 June 2004 for warehouse purpose have been allocated to HB Hegang.

   According to the State-Owned Land Use Rights Certificate No. 鶴國用(99)字第 190034號 dated 7 June 1999, the land use rights of the land with a site area of approximately 16,640 sq.m. for a term of 5 years commencing from 7 June 1999 to 6 June 2004 for warehouse purpose have been allocated to HB Hegang.

2. According to the Building Ownership Certificates Nos. 鶴崗市房權證工農字第 0000188-100, 0000189-99, 0000194-94, 0000198-90, 0000193-95, 0000197-91, 0000202-86, 0000195-93, 0000190-98, 0000196-92, 0000201-87 dated 17 July 2001, 0000746-209 dated 31 August 2001, 0001791-97, 0001792-96, 0001800-88 dated 27 December 2000 and 00001071-285, 0001074-282, 0001072-284, 0001070-286 dated 8 January 2002, the building ownership of 19 buildings of the property with total gross floor area of 16,133.95 sq.m. are vested in HB Hegang.

3. Since the land use rights of the subject land are allocated to HB Hegang for industrial and/or warehouse use, whereby alienation of the property is prohibited and transfer, sale, mortgage and/or lease of the subject land and the buildings erected thereon is subject to governmental approval and payment of land grant premium to be determined by the government, we have attributed no commercial value to the property.

4. In the course of our valuation of the property, we have excluded the value of the 4 buildings, with a total gross floor area of approximately 3,868.56 sq.m., for which the Building Ownership Certificates are under application. Since the transferability of legal ownership of these 4 buildings is unknown, we have ascribed no commercial value to these 4 buildings. However, for indicative purposes, the depreciated replacement cost of the 23 buildings as at 30 April 2004 was RMB10,300,000.

5. The PRC Legal Opinion contains, inter alia, that:

   (i) HB Hegang has duly obtained the land use rights of the property by allocation. HB Hegang is in the process of applying for: renewal of the land use rights certificate and there is no legal impediment in obtaining the land use rights certificate of the property.

   (ii) The legal title of the buildings erected on the subject land of the property with Building Ownership Certificates issued are vested in HB Hegang.

   (iii) The property is not subject to any sale, transfer, pre-sale, mortgage, encumbrances or any third party rights.

   (iv) For the four buildings in note 4, for which the Building Ownership Certificate is currently under application.

   (v) The occupancy and use of the three parcels of land and the buildings erected thereon does not breach any of the terms and conditions of the State-owned Land Use Rights Certificates, Building Ownership Certificates in respect of the property and the laws of the PRC.

6. HB Hegang is with the following particulars:

(1)	Term of operation:	From 8 August 1999 to 29 December 2020
(2)	Parties:	Harbin Brewing Company Limited ("哈爾濱啤酒有限公司") (a wholly owned subsidiary of the Company) Harbin Brewery Factory ("哈爾濱啤酒廠") (independent third party)
(3)	Registered capital:	RMB10,000,000
(4)	Proportion of capital: contribution/profit sharing	Harbin Brewing Company Limited ("哈爾濱啤酒有限公司") (95%) Harbin Brewery Factory ("哈爾濱啤酒廠") (5%)

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
6.	A brewery complex of Harbin Brewing (Hailun) Company Limited located in Yi Wei and San Wei, Tie Lu Street, Hailun City, Heilongjiang Province, PRC	The property comprises 3 parcels of land with a total site area of approximately 92,273.7 sq.m. and 22 items of buildings and structures are erected thereon. The buildings and structures were completed in various stages between 1996 and 2002 with a total gross floor area of approximately 17,990.13 sq.m. The main buildings and structures include factory buildings, an office building, a dormitory building, a canteen, a chimney, boiler rooms, warehouses, etc. Two parcels of land were allocated with the land use rights for an undefined term.	The property is at present occupied by the Group as a beer brewery and ancillary purposes.	No commercial value *(See Note 5)*

Notes:

1. According to the State-Owned Land Use Rights Certificate No. 海國用字(2002)字第 24583號 dated 13 December 2002; 海國用字(2004)字第102906號 dated 6 February 2004; 海國用字(2004)字第24854號 dated 8 April 2004, the land use rights of the land with a site area of approximately 92,273.7 sq.m. for undefined term for industrial use have been granted to Harbin Brewing (Hailun) Company Limited ("哈爾濱啤酒(海倫)有限公司") ("HB Hailun") (a wholly owned subsidiary of the Company).

2. According to Building Ownership Certificates Nos. 房權證海字第00033176, 00033162, 00033164, 00033175, 00033171, 00033166, 00033167, 0003317, 00033168, 00033173, 00033174, 00033163, 00033170, 00033169, 00033165 dated 23 December 2002 and 00040800, 00040598, 00040652, 00040799, 00040798, 00040597, 00040599 dated 14 May 2004, the building ownerships of 22 buildings of the property with total gross floor area of 17,990.13 sq.m. are vested in HB Hailun.

3. The Building Ownership Certificates states in Note 2 above have been pledged to Bank of China Hailun Branch for a term of from 17 January 2004 to 30 June 2009.

4. For indicative purposes, the depreciated replacement cost of the 22 buildings and structures erected on the subject land as at 30 April 2004 was RMB21,800,000.

5. The PRC Legal Opinion contains, inter alia, that:

   (i) HB Hailun has duly obtained the land use rights of the property by allocation.

   (ii) The legal title of the buildings erected on the subject land of the property with Building Ownership Certificates issued are vested in HB Hailun.

(iii) The property is not subject to any sale, transfer, pre-sale, mortgage, encumbrances or any third party rights.

(iv) The occupancy and use of the two parcels of land and the buildings erected thereon does not breach any of the terms and conditions of the State-owned Land Use Rights Certificates, Building Ownership Certificates in respect of the property and the laws of the PRC.

(v) Buildings with building ownership certificate nos. 房權證海字第 00033169, 00033165, 00033170, 00033175, 0003317, 00033163, 00033174, 00033162, 00033171, 00033173, 00033167, 00033166, 00033164, 00033176號 are pledged to Bank of China (Hailun Branch) for the period from 17 January 2004 to 30 June 2009.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
7.	A brewery complex of Jilin Harbin Brewing Company Limited located at Cha Lu He Town, Yongji County, Jilin Province, PRC	The property comprises 2 parcels of land with a total site area of approximately 49,728 sq.m. and 13 items of buildings and structures erected thereon. The buildings and structures were completed in various stages between 1973, 1997 and 2003. The buildings and structures of the property have a total gross floor area of approximately as follows: 7 buildings with Building Ownership Certificates: 7,336.09 sq.m. 6 buildings without Building Ownership Certificates: 7,792.18 sq.m. Total: 15,128.27 sq.m. The main buildings and structures include factory building, an office building, a cooling station, electricity distribution room, a boiler room, water pump room, warehouses and etc. Two parcels of land were allocated with land use rights for an undefined term.	The property is at present occupied by the Group as a beer brewery and ancillary purposes.	No commercial value *(See Notes 4 and 7)*

Notes:

1. According to a State-owned Land Use Rights Certificate No. 永吉國用(2000)字第022120282號 dated 12 December 2000, the land use rights of the land with a site area of approximately 36,728 sq.m. for an undefined term for industrial use have been allocated to Jilin Harbin Brewing Company Limited (“吉林哈爾濱啤酒有限公司”) (“HB Jilin”) (in which the Company indirectly holds 70% interest).

   According to a State-owned Land Use Rights Certificate No. 永吉國用(2001)字第05090089號 dated 1 August 2001, the land use rights of the land with a site area of approximately 13,000 sq.m. for an undefined term for industrial use have been allocated to HB Jilin.

2. According to Building Ownership Certificates Nos. 永吉縣房權証岔路河字第 3-02561, 3-02547, 3-02543, 3-02541, 3-02551, 3-02540 all dated 12 December 2000, and 3-01166 dated 5 May 1999, the building ownership of the 7 buildings and structures of the property with a total gross floor area of approximately 7,336.09 sq.m. is vested in HB Jilin.

3. As advised by the Group, the Building Ownership Certificates of the other 6 buildings of the property, with a total gross floor area of approximately 7,792.18 sq.m. are currently under application.

4. Since the land use rights of the subject land are allocated to HB Jilin for industrial use, whereby alienation of the property is prohibited and transfer, sale, mortgage and/or lease of the subject land and the buildings erected thereon is subject to governmental approval and payment of land grant premium to be determined by the government, we have attributed no commercial value to the property.

5. For indicative purposes, the depreciated replacement cost of the 13 buildings and structures erected on the subject land as at 30 April 2004 was RMB13,400,000.

6. As advised by the Group, there were a number of items of construction in progress erected on the subject site. The incurred cost and estimated total cost of completing the developments as at 30 April 2004 were RMB1,200,000 and RMB1,000,000 respectively. The anticipated date of completion is end of 2004. The value of the development after completion is RMB2,200,000.

7. The PRC Legal Opinion contains, inter alia, that:

   (i) HB Jilin has duly obtained the land use rights of the property by allocation.

   (ii) The legal title of the buildings erected on the subject land of the property with Building Ownership Certificates issued are vested in HB Jilin.

   (iii) The property is not subject to any sale, transfer, pre-sale, mortgage, encumbrances or any third party rights.

   (iv) HB Jilin is in the process of applying for the building ownership certificates of the 6 buildings and there is no legal impediment for HB Jilin to obtain the certificates.

   (v) The occupancy and use of the 2 parcels of land and the buildings erected thereon by HB Jilin does not breach any of the terms and conditions of the two State-owned Land Use Rights Certificates, Building Ownership Certificates in respect of the property and the laws of the PRC.

8. HB Jilin is with the following particulars:

(1)	Term of operation:	From 3 January 2000 to 2 January 2020
(2)	Parties:	Jilin Province Guoren Beer Company Limited ("吉林省國人啤酒有限公司") (independent third party) Harbin Brewing Company Limited ("哈爾濱啤酒有限公司") (a wholly owned subsidiary of the Company)
(3)	Registered capital:	RMB5,000,000
(4)	Proportion of capital contribution/profit sharing:	Jilin Province Guoren Beer Company Limited ("吉林省國人啤酒有限公司") (30%) Harbin Brewing Company Limited ("哈爾濱啤酒有限公司") (70%)

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
8.	A brewery complex of Harbin Brewery Jiamusi Jiafeng Company Limited located in No. 94 You Yi Road, Jiamusi City, Heilongjiang Province, PRC	The property comprises 2 parcels of land (hereinafter refered to as "Lands A and B") with a total site area of approximately 139,476.70 sq.m. and 32 items of buildings and structures erected thereon. The buildings and structures were completed in various stages between 1986 and 2000 with a total gross floor area of approximately 44,349.75 sq.m. The main buildings include an office building, factory buildings, a boiler room, a pump room, etc. One parcel of land A of 90,966.70 sq.m., were granted with the land use right for a term of 50 years commencing from 30 June 1997 to 30 June 2047. One parcel of land B of 48,510.00 sq.m., was allocated.	The property is at present occupied by the Group as a beer brewery and ancillary purposes.	RMB66,000,000 (60% attributable to the Group: RMB39,600,000) *(See Notes 5 and 6)*

Notes:

1. According to the State-owned Land Use Rights Certificate No. 黑佳木斯國用(公)字第 0400440 dated 27 September 2003, the land use rights of the land with a site area of approximately 90,966 .7 sq.m. (Land A) for a term of 50 years commencing from 30 June 2003 to 30 June 2047 for industrial use have been granted to Harbin Brewery Jiamusi Jiafeng Company Limited ("哈爾濱啤酒佳木斯佳鳳有限公司") ("Jiamusi JV") (in which the Company indirectly holds 60% interest).

   According to State-owned Land Use Rights Certificate (document no.: 黑佳木斯國用(公)字第 0400430) dated 14 May 2002, the land use rights of the land with a site area of approximately 48,510 sq.m. (Land B) has been allocated to Jiamusi JV.

2. According to Building Ownership Certificates Nos. 佳房權證永字第 2002001522, 2002000718, 2002000715, 2002000713, 2002002522, 2002002524, 2002002523, 2002002521, 2002002525, 2002000724, 2002002519, 2002001513, 2002000714, 2002000716, 2002000722, 2002000723, 2002001511, 2002001515, 2002001516, 2002001521, 2002002520, 2002001512, 2002001519, 002001518, 2002001520, 2002000720, 2002001514, 2002001517, 2002000717, 2002000721, 2002000719 ,2002000711 all dated 28 February 2002, dated the building ownership of 32 buildings of the property with total gross floor areas of 44,349.75 sq.m. are vested in 粵海佳鳳公司 (now known as Jiamusi JV).

3. According to the joint venture agreement of Jiamusi JV, the land use rights were obtained by way of capital injection contributed by Jiamusi Brewery Factory. Therefore, the Land Use Right Grant Contract is not applicable and required in this case.

4. As advised by the Group, there were a number of items of construction in progress erected on the subject site. The incurred cost and estimated total cost of completing the developments as at 30 April 2004 were RMB4,300,000 and RMB2,100,000 respectively. The anticipated date of completion is end of 2004. The value of the development after completion is RMB6,400,000.

5. Since the land use rights of Land B are allocated to Jiamusi JV, whereby alienation of the property is prohibited and transfer, sale, mortgage an/ or lease of the subject land and buildings erected thereon is subject to governmental approval and payment of land grant premium to be determined by the government, we have attributed no commercial value to Land B.

6. The PRC Legal Opinion contains, inter alia, that:

   (i) Jiamusi JV has duly obtained the land use rights of Land A by alienation and the land use rights of Land B by allocation.

   (ii) Building Ownership Certificate of the property is being in the process of changing the name of owner of the building to Jiamusi JV. There is no legal impediment for Jiamusi JV in obtaining the building ownership certificate.

   (iii) Jiamusi JV is entitled to freely transfer, let or mortgage Land A and the buildings erected thereon with Building Ownership Certificate issued without payment of any land grant premium and additional fees in accordance with the PRC laws upon amount in relation to the mitigation of land premium has been paid.

   (iv) The legal title of the granted land use rights of the property is vested in Jiamusi JV.

   (v) The property is not subject to any sale, transfer, pre-sale, mortgage, encumbrances or any third party rights.

   (vi) The occupancy and use of the land and the buildings erected thereon does not breach any of the terms and conditions of the State-owned Land Use Rights Certificate, Building Ownership Certificates in respect of the property and the laws of the PRC.

7. Jiamusi JV is with the following particulars:

   (1) By virtue of having obtained its business licence, Jiamusi JV has been duly incorporated and is validly existing under the laws of the PRC as a sino-foreign equity joint venture with limited liability and capable of suing and being sued.

   (2) Jiamusi JV has full corporate power and authority to carry on the businesses specified in its business licence.

   (3) The joint venture term of Jiamusi JV is 30 years commencing from 20 March 1996 and ending on 19 March 2026.

(4)	Term of operation:	From 20 March 1996 to 19 March 2026
(5)	Parties:	Fung Heng Investment Limited (a wholly owned subsidiary of the Company) Jiamusi Brewery Factory (independent third party)
(6)	Total investment amount:	US$8,433,700
(7)	Registered capital:	US$5,984,000
(8)	Proportion of capital: contribution/profit sharing	Fung Heng Investment Limited (60%) Jiamusi Brewery Factory (40%)

8. In our valuation, we have assumed that the shortfall of the land grant premium of Land A has been settled by Jiamusi JV.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
9.	A brewery complex of Harbin Beer (Mudanjiang Jingpo) Company Limited located in No. 77 Dong Xin Rong Street, Aimin District, Mudanjiang City, Heilongjiang Province, PRC	The property comprises 4 parcels of land (hereinafter referred to as "Lands A, B, C and D") with a total site area of approximately 79,895.34 sq.m. and 58 items of buildings and structures erected thereon. The buildings and structures were completed in various stages between 1958 and 2001 with a total gross floor area of approximately 69,694.71 sq.m. The main buildings include factory buildings, office buildings, warehouses, boiler rooms, an electricity distribution station, etc. Three parcels of land, Lands A, B and C of the property, with a total site area of 22,994.08 sq.m., were granted with the land use rights for a term of 50 years commencing from 20 August 1997 to 20 August 2047. One parcel of land, Land D of the property, with an area of 56,901.23 sq.m. is leased to Mudanjiang Jing Po Brewery Co., Ltd. from Mudanjiang City Land Administration Bureau, an independent third party, for a term of 20 years commencing from 25 September 2001 to 24 September 2021 at an annual rental of RMB182,083.94. *(See Note 2)*	The property is at present occupied by the Group as a beer brewery and ancillary purposes.	RMB17,600,000 (55% attributable to the Group: RMB9,680,000) *(See Note 7)*

Notes:

1. According to the State-owned Land Use Rights Certificate No. 牡土國用籍字第95000395號 dated 26 December 1997, the land use rights of the land ("Land A") with a site area of approximately 7,291.54 sq.m. for a term of 50 years commencing from 20 August 1997 and expiring on 20 August 2047 for industrial use have been granted to Mudanjiang Jing Po Brewery Co., Ltd. ("牡丹江鏡泊啤酒有限公司") ("Mudanjiang JV) (in which the Company indirectly holds 55% interest).

   According to the State-owned Land Use Rights Certificate No. 牡土國用(2001)第2001400396號 dated 11 September 2001, the land use rights of the land ("Land B") with a site area of approximately 7,029.67 sq.m. for a term of 50 years commencing from 20 August 1997 and expiring on 20 August 2047 for industrial use have been granted to Mudanjiang JV.

   According to the State-owned Land Use Rights Certificate No. 牡土國用(2001)第2001400397號 dated 11 September 2001, the land use rights of the land ("Land C") with a site area of approximately 8,672.90 sq.m. for a term of 50 years commencing from 20 August 1997 and expiring on 20 August 2047 for industrial use have been granted to Mudanjiang JV.

2. According to a State-owned Land Use Rights Tenancy Agreement dated 25 September 2001, the land use rights of Land D of the property, with an area of 56,901.23 sq.m., are leased to Mudanjiang JV by Mudanjiang City Land Administration Bureau for a term of 20 years from 25 September 2001 to 24 September 2021 for industrial use.

3. Pursuant to a State-owned Land Use Rights Grant Contract — GF-92-001 dated 7 November 1997 and its supplemental agreement dated 15 November 2001 both entered into between Mudanjiang City Land Administration Bureau and Mudanjiang JV, the land use rights of Lands A, B and C of the property are agreed to be granted to Mudanjiang JV for a term of 50 years commencing from 20 August 1997 to 20 August 2047 for industrial use at a total consideration of RMB5,860,000.

4. According to the Building Ownership Certificate Nos. 牡房權證愛民區字第 323284, 323294, 323304, 323311, 323308, 323312, 323307, 323310, 323301, 323287, 323319, 323327, 323323, 323318, 323290, 323324, 323286, 323322, 323291, 323288, 323309, 323281, 323315, 323292, 323293, 323306, 323320, 323326, 323316, 323317, 323302, 323285, 323300, 323295, 323298, 323289, 323314 323325, 323313, 323330, 323305, 323321, 323283, 323297, 323303, 323328, 323296, 323280 all dated 24 November 2001 and 323415, 323414, 323416, 323413 all dated 30 November 2001, the building ownerships of 58 buildings of the property with total gross floor area of 69,694.71 sq.m. are vested in Mudanjiang JV.

5. The open market value of the property only includes the value of the granted land use rights of Lands A, B and C and the 9 buildings erected thereon. Since Land D is leased to Mudanjiang JV, we have attributed no commercial value to Land D and the 48 buildings and structures erected thereon.

6. In the valuation of the property, we have excluded the value of the 48 buildings, which are erected on Land D, with a total gross floor area of approximately 56,604.86 sq.m. However, for indicative purposes, the depreciation replacement cost of the 48 buildings erected on Land D of the property as at 30 April 2004 was RMB36,600,000.

7. The PRC Legal Opinion contains, inter alia, that:

   (i) The legal title of the granted land use rights of Lands A, B and C of the property and the buildings erected thereon with Building Ownership Certificates issued are vested in Mudanjiang JV.

   (ii) The property is not subject to any sale, transfer, pre-sale, mortgage, encumbrances or any third party rights.

   (iii) Mudanjiang JV is entitled to freely transfer, let, or mortgage Lands A, B and C and the 11 buildings erected thereon with Building Ownership Certificates issued without payment of any land grant premium and additional fees in accordance with the PRC laws.

   (iv) The occupancy and use of the four parcels of land and the buildings erected thereon does not breach any of the terms and conditions of the State-owned Land Use Rights Certificates, State-owned Land Use Right Grant Contract, State-owned Land Use Rights Tenancy Agreement, Building Ownership Certificates in respect of the property and the laws of the PRC.

   (v) Mudanjiang JV has validly and legally leased and obtained the possession of Land D and is the sole land use rights user of Land D.

8. Mudanjiang JV is with the following particulars:

(1) By virtue of having obtained its business licence, Mudanjiang JV has been duly incorporated and is validly existing under the laws of the PRC as a sino-foreign equity joint venture with limited liability and capable of suing and being sued.

(2) Mudanjiang JV has full corporate power and authority to carry on the businesses specified in its business licence.

(3) The joint venture term of Mudanjiang JV is 30 years commencing from 28 December 1995 and ending on 27 December 2025.

(4) Term of operation:From 28 December 1995 to 27 December 2025

(5)	Parties:	Extra Lucky Investment Limited (a wholly owned subsidiary of the Company) Mudanjiang Brewery Factory (independent third party)
(6)	Total investment amount:	RMB160,000,000
(7)	Registered capital:	RMB64,120,000
(8)	Proportion of capital: contribution/profit sharing	Extra Lucky Investment Limited (55%) Mudanjiang Brewery Factory (45%)

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
10.	A brewery complex of Harbin Brewery (Changchun Yinpu) Co., Ltd. located in No. 125 Tong Yang Road, Shuangyang District, Changchun City, Jilin Province, PRC	The property comprises 2 parcels of land with a total site area of approximately 140,255.3 sq.m. and 23 items of buildings and structures erected thereon. The buildings and structures were completed in various stages between 1986, 1997 and 2003. The buildings and structures of property have a total gross floor area of approximately 38,879.12 sq.m. The main buildings and structures include factory buildings, office buildings, cooling stations, a garage, warehouses, an electricity distribution room, a boiler room, a water supply station, etc. Two parcels of land were both granted with the land use rights for a term of 50 years commencing on 31 December 2001 and expiring on 31 December 2051 for industrial use.	The property is at present occupied by the Group as a beer brewery and ancillary purposes.	RMB90,300,000 (55% attributable to the Group: RMB49,665,000) *(See Note 6)*

Notes:

1. According to the State-owned Land Use Rights Certificate No. 長雙國用 (2003)字第 011210318 dated 29 May 2003, the land use rights of the land with a site area of approximately 2,648.00 sq.m. ("Lot 1") for a term of 50 years commencing on 31 December 2001 and expiring on 31 December 2051 for industrial use have been granted to Harbin Brewery (Changchun Yinpu) Co., Ltd. ("哈爾濱啤酒(長春銀瀑)有限公司 ") ("Yinpu JV") (in which the Company indirectly holds 55% interest).

2. Accordingly to the State-owned Land Use Rights Certificate No. 長雙國用 (2003) 字第 011210319 dated 29 May 2003, the land use rights of the land with a site area of approximately 137,607.30 sq.m. ("Lot 2") for a term of 50 years till 31 December 2051 for industrial use have been granted to Yinpu JV.

3. According to three State-owned Land Use Rights Grant Contracts dated 5 March 1997 and 31 December 2001 respectively entered into between Changchun City Shuangyang District Land Administration Bureau and Yinpu JV, the land use rights of the subject site of the property are granted to Yinpu JV for a term of 50 years at a total consideration of RMB15,545,512.23.

4. According to Building Ownership Certificates Nos. 房權證長房權字第 60900003, 60900004, 60900007, 60900008, 60900010, 60900011, 60900012, 60900013, 60900014, 60900015, 60900017, 60900018, 60900006, 60900009, 60900016, 60900106, 60900107, 60900108, 60900110 all dated 29 May 2003 and 60900105 dated 30 May 2003 and 60900005, 60900109, 60900104 all dated 2 June 2003, the building ownership of the 23 buildings and structures of the property with a total gross floor area of approximately 38,879.12 sq.m. are vested in Yinpu JV.

5. In the course of valuation of the property, we have excluded the value of the 3 buildings, with a total gross floor area of approximately 13,801 sq.m. for which the Building Ownership Certificates are under application. Since the transferability of legal ownership of these 3 buildings is unknown, we have ascribed no commercial value to these 3 buildings. However, for indicative purposes, the depreciated replacement cost of the 3 buildings as at 30 April 2004 was RMB10,100,000.

6. The PRC Legal Opinion contains, inter alia, that:

 (i) The legal title of the granted land use rights of the property and the buildings erected thereon with Building Ownership Certificate issued are vested in Yinpu JV.

 (ii) Yinpu JV is entitled to freely transfer, sublet, or mortgage Lot 1 and Lot 2 (subject to full repayment of the existing mortgage) without payment of any land grant premium and additional premium and additonal fees in accordance with the PRC Laws.

 (iii) Lot 2 of the property is subject to two mortgages: (a) with the land use rights of a land area of 48,357.00 sq.m. and 12 buildings with a total gross floor area of 19,817.23 sq.m. erected thereon to China Industrial and Commercial Bank Changchun City Shuangyang District Branch for a term from 27 November 2003 to 27 November 2005 for the land use rights and from 18 June 2003 to 17 June 2005 for the buildings; and (b) with the land use rights of a land area of 87,250.30 sq.m. and 5 buildings with a total gross floor area of 16,785.43 sq.m. erected thereon to Agricultural Bank of China Changchun City Shuangyang District Branch for a term from 27 November 2003 to 27 November 2005 for the land use rights and from 18 June 2003 to 18 June 2005 for the buildings.

 (iv) The occupancy and use of the 2 parcels of land and the buildings erected thereon with Building Ownership Certificates issued does not breach any of the terms and conditions of the State-owned Land Use Rights Grant Contracts, the State-owned Land Use Rights Certificates, Building Ownership Certificates in respect of the property and the laws of the PRC.

7. Yinpu JV is with the following particulars:

 (1) By virtue of having obtained its business licence, Yinpu JV has been duly incorporated and is validly existing under the laws of the PRC as a sino-foreign equity joint venture with limited liability and capable of suing and being sued.

 (2) Yinpu JV has full corporate power and authority to carry on the businesses specified in its business licence.

 (3) The joint venture term of Yinpu JV is 30 years commencing from 21 March 1997 and ending on 20 March 2027.

(4)	Term of operation:	From 21 March 1997 to 20 March 2027
(5)	Parties:	Prestige Full Investment Limited ("香港謽豐投資有限公司") (a wholly owned subsidiary of the Company) Yinpu Brewery Factory, Jilin Province ("吉林省銀瀑啤酒廠") (independent third party) Shenzhen Guangdong Industrial Investment Company Limited ("深圳粵海實業投資發展有限公司") (independent third party)
(6)	Total investment amount:	RMB170,000,000
(7)	Registered capital:	RMB68,000,000
(8)	Proportion of capital: contribution/profit sharing	Prestige Full Investment Limited (55%) Yinpu Brewery Factory, Jilin Province (10%) Shenzhen Guangdong Industrial Investment Company Limited (35%)

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
11.	A brewery complex of Harbin Brewing (Shenyang) Company Limited located in No. 19 Er Jia Bai Ta Street, Hunnan New District, Shenyang City, Liaoning Province, PRC	The property comprises 1 parcel of land with a total site area of approximately 46,488 sq.m. and 11 items of buildings and structures erected thereon. The buildings and structures were completed in various stages between 1988's and 1995's. The buildings and structures of the property without Building Ownership Certificates have a total gross floor area of approximately 9,413 sq.m. The main buildings include factory buildings, office tower, boiler rooms, a cooling station, a sewage treatment station, transformer room, a water supply station, etc. All of land were granted with the land use rights for a term of 50 years commencing from September 1998.	The property is at present occupied by the Group as a beer brewery and ancillary purposes.	No commercial value *(See note 2)*

Notes:

1. In the course of our valuation of the property, we have excluded the value of the 11 buildings, with a total gross floor area of approximately 9,413 sq.m., for which the Building Ownership Certificates are under application. Since the transferability of legal ownership of these 11 buildings is unknown, we have ascribed no commercial value to these 11 buildings. However, for indicative purposes, the depreciated replacement cost of the 11 buildings as at 30 April 2004 was RMB13,300,000.

2. The PRC Legal Opinion contains, inter alia, that Harbin Brewing (Shenyang) Company Limited (in which the Company indirectly holds 70% interest) is in the process of applying for the land use rights certificate and the building ownership certifcate of the property.

3. Harbin Brewing (Shenyang) Company Limited is with the following particulars:

   (1) By virtue of having obtained its business licence, Harbin Brewing (Shenyang) Company Limited has been duly incorporated and is validly existing under the laws of the PRC as a sino-foreign equity joint venture with limited liability and capable of suing and being sued.

   (2) Harbin Brewing (Shenyang) Company Limited has full corporate power and authority to carry on the businesses specified in its business licence.

   (3) The joint venture term of Harbin Brewing (Shenyang) Company Limited is 30 years commencing from 5 December 2000 and ending on 4 December 2032.

   (4) Term of operation: From 5 December 2000 to 4 December 2032

(5)	Parties:	遼寧斯巴露股份有限公司 (independent third party) New-Biz Corporation ("英屬維爾京群島新意有限公司") (a wholly owned subsidiary of the Company)
(6)	Total investment amount:	US$5,638,500
(7)	Registered capital:	US$4,433,700
(8)	Proportion of capital: contribution/profit sharing	遼寧斯巴露股份有限公司 (30%) New-Biz Corporation ("英屬維爾京群島新意有限公司") (70%)

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
12.	A brewery complex of Harbin Brewing (Jinzhou) Company Limited located in No.5 duan 39 Nan Jing Road, Ling He District, Jinzhou City, Liaoning Province, PRC	The property comprises 1 parcel of land with a total site area of approximately 42,352.20 sq.m. and 28 items of buildings and structures erected thereon. The buildings and structures were completed in various stages between 1951's and 1998's. The buildings and structures of the property without Building Ownership Certificate having a total gross floor area of approximately 36,578.33 sq.m. The main buildings include factory buildings, office tower, boiler rooms, a cooling station, a sewage treatment station, transformer room, a water supply station etc. The land was granted with the land use rights for a term of 49 years and 4 months commencing from 1 September 1998.	The property is at present occupied by the Group as a beer brewery and ancillary purposes.	RMB11,000,000 (100% attributable to the Group: RMB11,000,000) *(see Note 4)*

Notes:

1. According to the State-owned Land Use Rights Certificate No. 錦州國用(2003)字第000346號 dated 1 September 2003, the land use rights of the land with a site area of approximately 42,352.20 sq.m. for a term expiring on 31 December 2052 for industrial use have been granted to Harbin Brewing (Jinzhou) Company Limited (a wholly owned subsidiary of the Company).

2. Pursuant to three State-owned Land Use Rights Grant Contracts dated 30 July 2003 entered into between Jinzhou City Land Administration Bureau ("Party A") and Harbin Brewing(Jinzhou) Company Limited, Party A agreed to grant the land use rights of the property to Harbin Brewing (Jinzhou) Company Limited for a term of 50 years commencing from 1 January 2003 at a total consideration of RMB8,800,000.

3. In the course of our valuation of the property, we have excluded the value of the 28 buildings and structures, with a total gross floor area of approximately 36,578.33 sq.m., for which the Building Ownership Certificates are under application. Since the transferability of legal ownership of these 28 buildings is unknown, we have ascribed no commercial value to these 28 buildings. However, for indicative purposes, the depreciated replacement cost of the 28 buildings as at 30 April 2004 was RMB50,100,000.

4. The PRC Legal Opinion contains, inter alia, that:

   (i) The legal title of the granted land use rights of the property issued are vested in Harbin Brewing (Jinzhou) Company Limited.

   (ii) Harbin Brewing (Jinzhou) Company Limited is entitled to freely transfer, let, or mortagage the subject land without payment of any land grant premium and additional fees in accordance with the PRC laws.

   (iii) For the 28 buildings, with a total gross floor area of approximately 36,578.33 sq.m., for which the Building Ownership Certificates are currently under application.

(iv) The occupancy and use of the three parcels of land and the buildings erected thereon with Building Ownership Certificates issued by Harbin Brewing (Jinzhou) Company Limited does not breach any of the terms and conditions of State-owned Land Use Rights Certificates in respect of the property and the laws of the PRC.

5. Harbin Brewing (Jinzhou) Company Limited is a wholly owned subsidiary of the Company.

6. Harbin Brewing (Jinzhou) Company Limited is with the following particulars:

(1) By virtue of having obtained its business licence, Harbin Brewing (Jinzhou) Company Limited has been duly incorporated and is validly existing under the laws of the PRC as a wholly foreign-owned enterprise with limited liability and capable of suing and being sued.

(2) Harbin Brewing (Jinzhou) Company Limited has full corporate power and authority to carry on the businesses specified in its business licence.

(3) The joint venture term of Harbin Brewing (Jinzhou) Company Limited is 30 years commencing from 24 March 2000 and ending on 23 March 2030.

(4)	Term of operation:	From 24 March 2000 to 23 March 2030
(5)	Parties:	Ballantine Management Limited (“柏寧管理有限公司”) (a wholly owned subsidiary of the Company)
(6)	Total investment amount:	RMB15,000,000
(7)	Registered capital:	RMB15,000,000
(8)	Proportion of capital: contribution/profit sharing	Ballantine Management Limited (“柏寧管理有限公司”) (100%)

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
13.	A brewery complex of Harbin Brewing (Tangshan) Co., Ltd. located in No. 20 Wei Guo Road, Tangshan City, Hebei Province, PRC	The property comprises 3 parcels of land with a total site area of approximately 65,618.55 sq.m. and 39 items of buildings and structures erected thereon. The buildings and structures were completed in various stages between 1980's and 2000's. The buildings and structures of the property without Building Ownership Certificate have a total gross floor area of approximately 37,458.52 sq.m. The main buildings include factory buildings, office tower, boiler rooms, a cooling station, a sewage treatment station, transformer room, a water supply station etc. Three parcels of land were rented for a term of 30 years commencing from 1 January 2003.	The property is at present occupied by the Group as a beer brewery and ancillary purposes.	No commercial value *(See note 4)*

Notes:

1. Pursuant to a Land Lease Agreement, Tangshan Brewery Factory agreed to lease the land use rights of a land with a site area of 65,618.55 sq.m. to Tangshan Beer Co., Ltd. for a term of 30 years commencing from 1 January 2003 to 31 December 2032 at an annual unit rent of RMB1.1 per sq.m..

2. As advised by the Group, the 39 items of buildings with a total gross floor area of approximately 37,458.52 sq.m. are in the process of applying for the building ownership certificates.

3. In the course of our valuation of the property, we have excluded the value of 39 buildings with a total gross floor area of approximately 37,458.52 sq.m., for which the Building Ownership Certificates are under application. Since, the transferability of legal ownership of these 39 buildings is unknown, we have ascribed no commercial value to these 39 buildings. However, for indicative purpose, the depreciated replacement cost of the 39 buildings as at 30 April 2004 was RMB60,900,000.

4. The PRC Legal Opinion contains, inter alia, that:

   (i) After the change in name of Tangshan Beer Co., Ltd. to Harbin Brewing (Tangshan) Co., Ltd. (in which the Company indirectly holds 63.02% interest), Harbin Brewing (Tangshan) Co., Ltd. can be in succession to the rights and obligation under the Land Lease Agreement.

   (ii) For the 39 buildings, with a total gross floor area of approximately 37,458.82 sq.m., for which the Building Ownership Certificates are currently under application.

5. Tangshan Beer Co., Ltd. is with the following particulars:

(1) By virtue of having obtained its business licence, Tangshan Beer Co., Ltd. has been duly incorporated and is validly existing under the laws of the PRC as a wholly foreign-owned enterprise with limited liability and capable of suing and being sued.

(2) Tangshan Beer Co., Ltd. has full corporate power and authority to carry on the businesses specified in its business licence.

(3) The joint venture term of Tangshan Beer Co., Ltd. is 30 years commencing from 13 November 2002 and ending on 12 November 2032.

(4)	Term of operation:	From 13 November 2002 to 12 November 2032
(5)	Parties:	Tangshan Brewery Factory ("唐山市啤酒廠") (independent third party) Ballantine Management Limited ("柏寧管理有限公司") (a wholly owned subsidiary of the Company)
(6)	Total investment amount:	RMB83,470,000
(7)	Registered capital:	RMB63,470,000
(8)	Proportion of capital: contribution/profit sharing	Tangshan Brewery Factory ("唐山市啤酒廠") (36.98%) Ballantine Management Limited ("柏寧管理有限公司") (63.02%)

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
14.	A brewery complex of Harbin Brewing Daqing Xiaoxue Company Limited located in No. 8 Zhong Xing Bei Street, Daqing City, Heilongjiang Province, PRC.	The property comprises 1 parcels of land with a total site area of approximately 78,997.5 sq.m. and 30 items of buildings and structures erected thereon. The buildings and structures were completed in various stages between 1982 and 2004. The buildings and structures of the property have a total gross floor area of approximately as follows: 29 buildings with Building Ownership Certificates: 24,594.23 sq.m. 1 buildings without Building Ownership Certificates: 351.5 sq.m. Total: 24,945.73 sq.m. The main buildings include factory buildings, office tower, boiler rooms, a garage, a cooling station, a sewage treatment station, canteen, transformer room, etc. One parcels of land were granted with the land use rights for a term expiring on 17 July 2047.	The property is at present occupied by the Group as a beer brewery and ancillary purposes.	RMB59,700,000 (60% attributable to the Group: RMB35,820,000) *(See Note 6)*

Notes:

1. According to the State-owned Land Use Rights Certificate No. 大慶國用(04)第6963號 dated 23 March 2004, the land use rights of the land with a site area of approximately 78,997.5sq.m. for a term expiring on 17 July 2047 for industrial use have been granted to Harbin Brewing Daqing Xiaoxue Company Limited (in which the Company indirectly holds 60% interest).

2. According to the Building Ownership Certificate Nos. 慶房權證薩爾圖區字第 NA068665, NA068679, NA068668, NA068689, NA068655, NA068685, NA068647, NA068639, NA009295, NA068676, NA068621, NA068651, NA068649, NA068633, NA068696, the building ownerships of the property with a total gross floor area of 11,067.62 sq.m. are vested in Harbin Brewing Daqing Xiaoxue Company Limited.

3. There is one building being pledged to Construction Bank of China Daqing Branch: NA009018 for the period from 20 September 2001 to 19 September 2004.

4. As advised by the Group, there were a number of items of construction in progress erected on the subject site. The incurred cost and estimated total cost of completing the developments as at 30 April 2004 were RMB4,900,000 and RMB2,200,000 respectively. The anticipated date of completion is end 2004. The value of the development after completion is RMB7,100,000.

5. Harbin Brewing Daqing Xiaoxue Company Limited is in the process of applying building ownership certificate for the property with a total gross floor area of approximately 351.5 sq.m.

6. The PRC Legal Opinion contains, inter alia, that:

   (i) Building Ownership Certificate of 12 buildings with a total gross floor area of approximately 18,222.76 sq.m. is being in the process of changing the name of these buildings to Harbin Brewing Daqing Xiaoxue Company Limited. There is no legal impediment for Harin Brewing Daqing Xiaoxu Company Limited in obtaining the building ownership certificate for these 12 buildings.

   (ii) The legal title of the granted land use rights of the property and the buildings erected thereon with Building Ownership Certificates are vested in Harbin Brewing Daqing Xiaoxue Company Limited.

   (iii) Harbin Brewing Daqing Xiaoxue Company Limited is entitled to freely transfer, let, or mortagage the subject land and the buildings with Building Ownership Certificates with a gross floor area of approximately 24,594.23 sq.m. issued without payment of any land grant premium and additional fees in accordance with the PRC laws.

   (iv) For a building, with a total gross floor area of approximately 351.5 sq.m., for which the Building Ownership Certificates are currently under application.

7. Harbin Brewing Daqing Xiaoxue Company Limited is with the following particulars:

(1)	Term of operation:	From 7 June 2001 to 6 June 2021
(2)	Registered capital:	RMB15,000,000
(3)	Type of enterprise:	Wholly foreign-owned enterprise

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
15.	A brewery complex of Harbin Brewing (Yanji) Company Limited located in No. 92 Gong Yuan Road, Yanji City, Jilin Province, PRC.	The property comprises 3 parcels of land with a total site area of approximately 65,049.82 sq.m. and 21 items of buildings and structures erected thereon. The buildings and structures were completed in various stages between 1970's and 1990's. The buildings and structures of the property have a total gross floor area of approximately 18,796.1 sq.m. The main buildings include factory buildings, garage, transformer room, pump room, guard room, composite blocks, warehouses, etc. The 3 parcels of land were rented by the Group for a common term of 3 years commencing from 1 January 2003 for industrial use at a total annual rent of RMB116,283.15.	The property is at present occupied by the Group as a beer brewery and ancillary purposes.	No commercial value *(see notes 4 and 7)*

Notes:

1. According to the State-owned Land Use Rights Leasing Agreement dated 1 January 2003, Harbin Brewing (Yanji) Company Limited ("哈爾濱啤酒(延吉)有限公司) (in which the Company indirectly holds 60% interest) leased the land use rights of a land with a site area of approximately 53,130.55 sq.m. for a term of 3 years commencing from 1 January 2003 to 31 December 2005 for industrial at an annual rent of RMB95,634.99.

   According to the State-owned Land Use Rights Leasing Agreement dated 1 January 2003, Harbin Brewing (Yanji) Company Limited ("哈爾濱啤酒(延吉)有限公司) leased the land use rights of a land with a site area of approximately 3,853.97 sq.m. for a term of 3 years commencing from 1 January 2003 to 31 December 2005 for industrial at an annual rent of RMB6,937.15.

   According to the State-owned Land Use Rights Leasing Agreement dated 1 January 2003, Harbin Brewing (Yanji) Company Limited ("哈爾濱啤酒(延吉)有限公司) leased the land use rights of a land with a site area of approximately 8,065.30 sq.m. for a term of 3 years commencing from 1 January 2003 to 31 December 2005 for industrial at an annual rent of RMB13,711.01.

   Harbin Brewing (Yanji) Company Limited has obtained three State-owned Land Use Rights Certificates of the above three land dated 29 July 2003 with document Nos. 延國用(2003)字第010960427, 010900170A and 010960426.

2. According to the State-owned Land Use Rights Certificate No. 延國用(2004)第010116873A dated 1 April 2004, the land use rights of a land with a site area of approximately 58.16 sq.m. for residential use has been allocated to Harbin Brewing (Yanji) Company Limited.

3. According to Building Ownership Certificate Nos. 房權證延字第 142606, 142607, 142611, 142613, 142614, 142617, 142619, 142620, 142621, 142622, 146701, 146702, 146703, 146704, 146705, 146706, 146707, 146708, 146709, 146710 dated 12 June 2003 and 124680 dated 23 March 2004, the building ownerships of the 21 buildings of the property with a total gross floor area of 18,796.1 sq.m. are vested in Harbin Brewing (Yanji) Company Limited.

4. Since the land use rights of the subject land are leased by or allocated to Harbin Brewing (Yanji) Company Limited and the transfer, lease, mortgage of the subject land are subject to the payment of land grant premium to be determined by the government, therefore, we have attributed no commercial value to the property.

5. For indicative purposes, the depreciated replacement cost of the 21 buildings and structures erected on the subject land as at 30 April 2004 was RMB25,400,000.

6. As advised by the Group, there were a number of items of construction in progress erected on the subject site. The incurred cost and estimated total cost of completing the developments as at 30 April 2004 were RMB880,000 and RMB340,000 respectively. The anticipated date of completion is end of 2004, The value of the development after completion is RMB1,220,000.

7. The PRC Legal Opinion contains, inter alia, that:

   (i) The legal title of the leased and allocated land use rights of the property are vested in Harbin Brewing (Yanji) Company Limited.

   (ii) The legal title of the buildings erected on the subject land of the property with Building Ownership Certificates issued are vested in Harbin Brewing (Yanji) Company Limited.

   (iii) The property is not subject to any sale, transfer, pre-sale, mortgage, encumbrances or any third party rights.

8. Harbin Brewing (Yanji) Company Limited is with the following particulars:

   (1) By virtue of having obtained its business licence, Harbin Brewing (Yanji) Company Limited has been duly incorporated and is validly existing under the laws of the PRC as a sino-foreign equity joint venture with limited liability and capable of suing and being sued.

   (2) Harbin Brewing (Yanji) Company Limited has full corporate power and authority to carry on the businesses specified in its business licence.

   (3) The joint venture term of Harbin Brewing (Yanji) Company Limited is 30 years commencing from 2 April 2003 and ending on 1 April 2033.

(4)	Term of operation:	From 2 April 2003 to 1 April 2033
(5)	Parties:	吉林新元集團實業有限公司 (independent third party) Noble Right Limited (“英屬維爾京群島諾寶瑞特有限公司”) (a wholly owned subsidiary of the Company)
(6)	Total investment amount:	US$14,260,000
(7)	Registered capital:	US$8,790,000
(8)	Proportion of capital: contribution/profit sharing	吉林新元集團實業有限公司 (40%) Noble Right Limited (“英屬維爾京群島諾寶瑞特有限公司”) (60%)

GROUP III — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN PRC

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
16.	No.8 Hui Wen Road, Nanguan District, Chungchun City, Jilin Province, PRC	The property comprises levels 1-4 of a 4-storey building completed in or about 1996. The property has a gross floor area of approximately 600 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated 1 July 2000 for a term commencing from 1 July 2000 to 1 July 2005 at an annual rent of RMB100,000. The property is occupied by the Group for sales office purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
17.	Unit 305, Xing Hua Yuan, Changchun City, Jilin Province, PRC	The property comprises a unit of a 21-storey building completed in or about 2003. The property has a gross floor area of approximately 78 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated 3 November 2003 for a term commencing from 3 November 2003 to 3 November 2004 at an annual rent of RMB16,244. The property is occupied by the Group for residential purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
18.	Unit 604, Xing Hua Yuan, Changchun City, Jilin Province, PRC	The property comprises a unit of a 21-storey building completed in or about 2003. The property has a gross floor area of approximately 75 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated 26 August 2003 for a term commencing from 26 June 2003 to 26 May 2004 at an annual rent of RMB15,700. The property is occupied by the Group for residential purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
19.	Nanyi Road Wang Dian, Hui Gong Street, Shenhe District, Shenyang City, Liaoning Province, PRC	The property comprises a unit of a 15-storey building completed in or about 2002. The property has a gross floor area of approximately 103.5 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated 1 June 2003 for a term commencing from 1 June 2003 to 1 June 2004 at an annual rent of RMB15,000. The property is occupied by the Group for warehouse purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
20.	No.98 Shun Cheng Shi Street, Chuanying District, Jilin City, Jilin Province, PRC	The property comprises a unit and a carparking space of a 6-storey building completed in or about 2000. The property has a gross floor area of approximately 360 sq.m. (excluding carparking space).	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated 29 February 2000 for a term commencing from 1 March 2000 to 1 March 2005 at an annual rent of RMB40,000. The property is occupied by the Group for office and car park purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
21.	No.2 Jin Hai Le Yuan, Xigang District, Dalian City, Liaoning Province, PRC	The property comprises a unit of a 5-storey building completed in or about 1999. The property has a gross floor area of approximately 500 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated 31 August 2001 for a term commencing from 1 September 2001 to 1 September 2020 at an annual rent of RMB136,000. The property is occupied by the Group for office and warehouse purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
22.	No.118 Fu Min Road, Hedong District, Tianjin City, PRC	The property comprises a unit of a 3-storey building completed in or about 1995. The property has a gross floor area of approximately 300 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated 1 January 2004 for a term commencing from 1 January 2004 to 31 December 2004 at an annual rent of RMB80,000. The property is occupied by the Group for office and residential purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
23.	Unit 601, No.16 Hua Fu Yuan, Nanjing City, Jiangsu Province, PRC	The property comprises a unit of a 7-storey building completed in or about 1988. The property has a gross floor area of approximately 100 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated 30 October 2003 for a term commencing from 1 November 2003 to 30 October 2004 at an annual rent of RMB24,000. The property is occupied by the Group for office purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
24.	Unit 905, No.49 Ci Yuan Si Xiao Qu, Chaoyang District, Beijing City, PRC	The property comprises a unit of a 18-storey building completed in or about 1998. The property has a gross floor area of approximately 82 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated 16 December 2003 for a term commencing from 18 December 2003 to 17 December 2004 at an annual rent of RMB22,800. The property is occupied by the Group for residential purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
25.	Unit 606, No.49 Ci Yuan Si Xiao Qu, Chaoyang District, Beijing City, PRC	The property comprises a unit of a 18-storey building completed in or about 1998. The property has a gross floor area of approximately 85 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated 16 December 2003 for a term commencing from 18 December 2003 to 17 December 2004 at an annual rent of RMB21,600. The property is occupied by the Group for residential purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
26.	Unit B902, Business Centre, 2000, Ba Li Zhuang, Chaoyang District, Beijing City, PRC	The property comprises a unit of a 23-storey building completed in or about 2003. The property has a gross floor area of approximately 131 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated 11 January 2004 for a term commencing from 1 February 2004 to 31 January 2005 at an annual rent of RMB120,000. The property is occupied by the Group for office purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
27.	Unit 102-103, Dan Yuan 5, Block 15, Zone 2, Bei Yuan Liang Fu Xiao Qu, Tian Qiao District, Jinan City, Shandong Province, PRC	The property comprises 2 units of a 6-storey building completed in or about 1997. The property has a gross floor area of approximately 386 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated 17 August 2003 for a term commencing from 17 August 2003 to 17 August 2008 at an annual rent of RMB60,000. The property is occupied by the Group for office purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
28.	Dan Yuan 1, Block 3, No.257 Shang Cheng Road, Guan Cheng District, Zhengzhou City, Henan Province, PRC	The property comprises a unit of a 7-storey building completed in or about 1997. The property has a gross floor area of approximately 170 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated 16 December 2003 for a term commencing from 18 December 2003 to 18 December 2004 at an annual rent of RMB31,200. The property is occupied by the Group for office, warehouse purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
29.	Dan Yuan 2 of Block 3, No.257 Shang Cheng Road, Guan Cheng District, Zhengzhou City, Henan Province, PRC	The property comprises a unit of a 7-storey building completed in or about 1997. The property has a gross floor area of approximately 170 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated 12 December 2003 for a term commencing from 15 December 2003 to 15 December 2004 at an annual rent of RMB31,200. The property is occupied by the Group for office, warehouse purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
30.	Inner of Sheng Zong Gong Hui Zhao Dai Suo, No. 288 Gong Nong Road, Shijiazhuang City, Hebei Province, PRC	The property comprises a unit of a single storey building completed in or about 1996. The property has a gross floor area of approximately 288 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated 30 November 2002 for a term commencing from 30 November 2002 to 30 November 2007 at an annual rent of RMB64,000. The property is occupied by the Group for office and warehouse purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
31.	No.93 Song Cheng Road, Fang Cheng District, Hangzhou City, Zhejiang Province, PRC	The property comprises a unit of a single storey building completed in or about 1980. The property has a gross floor area of approximately 350 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated December 2003 for a term commencing from 1 January 2004 to 31 December 2004 at an annual rent of RMB70,000. The property is occupied by the Group for residential, office and warehouse purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
32.	3538 Factory, Cao Chang Po, Bei Lin District, Xian City, Shaanxi Province, PRC	The property comprises a unit of a single storey building completed in or about 1999. The property has a gross floor area of approximately 98 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated 28 December 2003 for a term commencing from 1 January 2003 to 1 January 2005 at an annual rent of RMB25,200. The property is occupied by the Group for warehouse purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
33.	Unit 10-4-102, Jia He Yuan Xiao Qu, Cao Chang Po, Bei Lin District, Xian City, Shaanxi Province, PRC	The property comprises a unit of a 8-storey building completed in or about 2001. The property has a gross floor area of approximately 134 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated 22 December 2003 for a term commencing from 1 January 2004 to 1 January 2005 at an annual rent of RMB18,000. The property is occupied by the Group for office and residential purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
34.	Unit 2, Level 10, Jia He Yuan Xiao Qu, Cao Chang Po, Bei Lin District, Xian City, Shaanxi Province, PRC	The property comprises a unit of a 8-storey building completed in or about 2001. The property has a gross floor area of approximately 158 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated 20 December 2003 for a term commencing from 1 January 2004 to 31 December 2004 at an annual rent of RMB21,600. The property is occupied by the Group for office purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
35.	Unit 1406, No. 26 Da Lian Xi Road, Shanghai City, PRC	The property comprises a unit of a 25-storey building completed in or about 1998. The property has a gross floor area of approximately 220 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated 30 December 2003 for a term commencing from 1 January 2004 to 1 January 2005 at an annual rent of RMB110,000. The property is occupied by the Group for office and residential purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
36.	Unit 1104, No. 82 Tian He Bei Road, Tian He District, Guangzhu City, Guangdong Province, PRC	The property comprises a unit of a 21-storey building completed in or about 1989. The property has a gross floor area of approximately 83.1 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated 30 November 2003 for a term commencing from 1 December 2003 to 30 November 2004 at an annual rent of RMB24,000. The property is occupied by the Group for office and residential purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
37.	Unit 1105, No. 82 Tian He Bei Road, Tian He District, Guangzhou City, Guangdong Province, PRC	The property comprises a unit of a 21-storey building completed in or about 1989. The property has a gross floor area of approximately 83.1 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third party under a lease agreement dated 30 November 2003 for a term commencing from 1 December 2003 to 30 November 2004 at an annual rent of RMB24,000. The property is occupied by the Group for office and residential purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

	Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30 April 2004
38.	No. 6, Dan Yuan 3, No. 26 Fang Hua Street, Gao Xin District, Chengdu City, Sichuan Province, PRC	The property comprises a unit of a 7-storey building completed in or about 2000. The property has a gross floor area of approximately 90 sq.m.	The property is rented to Harbin Brewing Company Limited from an independent third part under a lease agreement dated 8 March 2004 for a term commencing from 8 March 2004 to 7 March 2005 at an annual rent of RMB24,000. The property is occupied by the Group for office and residential purposes.	No commercial value

Notes:

1. Harbin Brewing Company Limited ("HB Company") is an indirect wholly-owned subsidiary of the Company.

2. According to the PRC Legal Opinion, the Lease Agreement has not been registered/filed by the landlord with the relevant land authority in accordance with PRC laws. However, the Lease Agreement is still binding on both parties and non-registration/filing would only result in no priority to HB Company should a third party register a lease agreement of the same property but would not affect the legality and effectiveness of the Lease Agreement or the use of the property by HB Company. Further, the PRC Legal Opinion is given on the assumptions that (i) the landlord is the lawful owner of the property and has obtained the relevant building ownership certificate, state-owned land use rights certificate; (ii) has the right to lease the property to HB Company in accordance with the terms and conditions contained in the relevant building ownership certificate and state-owned land use rights certificate and the Lease Agreement; (iii) the landlord has obtained all the prior necessary approvals (including Lease Certificate, Lease Permit and like certificates) in accordance with PRC laws for the leasing of the property; (iv) the actual use of the property by HB Company is in compliance with the relevant requirements of PRC laws. Should any of the above assumptions is incorrect, the Lease Agreement is void according to PRC laws. However, HB Company has the right to require the landlord to return all paid rental and/or fees and compensate it with any loss arising as a result.

1. RESPONSIBILITY STATEMENT

This Document includes particulars given in compliance with the Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Document have been arrived at after due and careful consideration and there are no other facts not contained in this Document, the omission of which would make any statement contained in this Document misleading. Unless otherwise indicated, the information contained in this Document relating to the terms of the Offer, the Offeror, parties acting in concert with the Offeror and the Offeror's intentions, has been extracted or derived from the Offer Document, and/or other published sources and the Directors jointly and severally take full responsibility only for ensuring that such information has been correctly and fairly reproduced or presented.

2. DISCLOSURE OF INTERESTS

2.1 Interests of and dealings in Securities of the Offeror

As at the Latest Practicable Date, neither the Company nor any Director owned or controlled or was interested in any Securities of the Offeror and neither the Company nor any Director had dealt for value in any such Securities of the Offeror during the Disclosure Period.

2.2 Interests of and dealings by the Directors in Securities of the Company

(i) *Securities of the Company*

Save as disclosed in sub-paragraph (ii) below, as at the Latest Practicable Date, none of the Directors owned or controlled or was interested in any Securities of the Company.

(ii) *Directors' Options*

As at the Latest Practicable Date, the Directors held the following Pre-IPO Options:

Name of Director	Number of Pre-IPO Options	Date of grant of Pre-IPO Options	Exercise period of Pre-IPO Options *(Note 1)*	Exercise price of Pre-IPO Options *(HK$)*
Mr Li Wentao	4,400,000	3 June 2002	27 June 2004 to 26 June 2007	1.56
Mr Peter Lo *(Note 2)*	4,400,000	3 June 2002	27 June 2004 to 26 June 2007	1.56
Mr Fu Hui	3,300,000	3 June 2002	27 June 2004 to 26 June 2007	1.56
Mr Peter Jeva Au	2,200,000	3 June 2002	27 June 2004 to 26 June 2007	1.56
	2,200,000	3 June 2002	27 June 2005 to 26 June 2007	1.56
Mr Bao Liusuo	2,250,000	3 June 2002	27 June 2004 to 26 June 2007	1.56
Dr. Tong Kay Tak Tom	1,760,000	3 June 2002	27 June 2004 to 26 June 2007	1.56
	1,760,000	3 June 2002	27 June 2005 to 26 June 2007	1.56

Note 1: Under clause 7.03 of the Pre-IPO Share Option Scheme, 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 shareholders (or all such holders other than the offeror and/or any person 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 holders of the Pre-IPO Options shall be entitled to exercise the Pre-IPO Options in full (to the extent not already exercised) at any time within one month of the date on which the offer becomes or is declared unconditional.

Note 2: The spouse of Mr Peter Lo (Ho Kar Yin, who is currently employed by the Company in the position of project manager) has an additional 1,200,000 Pre-IPO Options as at the Latest Practicable Date which are exercisable at the price of HK$1.56 per Share. Out of these, 600,000 Pre-IPO Options are exercisable during the period from 27 June 2004 to 26 June 2007 and the remaining 600,000 Pre-IPO Options are exercisable during the period from 27 June 2005 to 26 June 2007.

Save as disclosed above, none of the Directors nor any party acting in concert with any of them had an interest in any Options as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the Directors held any Post-IPO Options.

(iii) *Directors' Dealings in Securities of the Company*

None of the Directors has dealt for value in any Securities of the Company during the Disclosure Period.

2.3 **Arrangements affecting Directors**

As at the Latest Practicable Date:

(a) No benefit is or will be paid to any Director as compensation for loss of office or otherwise in connection with the Offer.

(b) Save for the irrevocable undertakings, details of which are set out in paragraph 4 of this Appendix, no agreement or arrangement exists between any Director and any other person which is conditional upon or dependent upon the outcome of the Offer or otherwise in connection with the Offer.

(c) In respect of sub-paragraphs (a) and (b) of this paragraph 2.3, the Company does not consider that the Put Option Arrangements give rise to any benefit, agreement or arrangement referred to in paragraphs 10 and 11 of Schedule II of the Code.

(d) No material contract has been entered into by the Offeror in which any Director has a material personal interest.

(e) Each of Mr Li Wentao, Mr Peter Lo, Mr Fu Hui and Mr Bao Liusuo entered into a service contract with the Company on 3 June 2002 (prior to which none of such Directors had any service contract with the Company) for an initial term of three years commencing from 1 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 or six months' prior notice in writing respectively, which notice period shall not expire at any time during the first year. The aggregate fixed remuneration payable under these contracts, excluding arrangements for pension payments is HK$4,020,000. Under the service contract of Mr Peter Lo, a sign-on payment, amounting to HK$1.5 million, was paid by the Company when he signed his service contract. Each service contract provides for incentive and gratuity payments that will be paid to the Directors by the Company when the service contracts are terminated. Such payments amount, in aggregate, to HK$9 million (being HK$3 million to each of Mr Li Wentao and Mr Peter Lo; HK$2 million to Mr Fu Hui and HK$1 million to Mr Bao Liusuo). Under the terms of the service contracts, each of the executive Directors is entitled to an annual discretionary bonus provided that the aggregate amount of such discretionary bonuses shall not exceed 10% of the audited consolidated net profit after tax but before extraordinary and exceptional items of the Group (the "Profit") for the year in question and provided further that the Profit before payment of any bonus shall exceed HK$80 million. The annual discretionary bonus terms (as detailed above) are the same in each service contract. Each of the executive Directors is also entitled to all reasonable expenses properly incurred in the course of his employment or in connection with the business of the Company and Mr Peter Lo, pursuant to his service contract, is entitled to rent-free accommodation including outgoings in respect of such accommodation.

Save as disclosed above, none of the Directors has a service contract with any member of the Group or any of the Company's associated companies in force which has more than 12 months to run or which has been entered into or amended during the Disclosure Period.

2.4 Other interests of and dealings in Securities of the Company

As at the Latest Practicable Date,

(i) Save as disclosed in paragraph (ii) below, no subsidiary of the Company, or any pension fund of the Group, or adviser (as specified in class (2) of the definition of "associate" in the Code) of the Company (excluding exempt principal traders) owned or controlled any Securities of the Company or dealt for value in any Securities of the Company during the period starting on the date of commencement of the Offer Period and ending on the Latest Practicable Date.

(ii) CLSA Limited ("CLSA Ltd"), an associated company of CLSA under the same control as CLSA, is a registered securities dealer under the SFO. In the normal and ordinary course of its business, CLSA Ltd undertakes trading in Securities for both (i) third party non-discretionary investment client account purposes and (ii) proprietary or house account purposes. Prior to CLSA's appointment on 12 May 2004 as the financial adviser to the Company in connection with the SABMiller Offer, CLSA Ltd purchased for its own house account an aggregate total of 310,000 Shares on 6 May 2004 and 7 May 2004 at prices between HK$4.50 and HK$4.90 per Share. Upon it becoming apparent on 7 May 2004 that there was a possibility that CLSA might be appointed as financial adviser to the Company in connection with the SABMiller Offer, CLSA Ltd immediately sold all 310,000 Shares on 7 May 2004 at prices between HK$4.525 and HK$4.55 per Share, with a resultant aggregate loss to CLSA Ltd of HK$62,000 (excluding related transaction and stamp duty charges). In addition, as at the Latest Practicable Date, CLSA Ltd owned a total of 2,500 Shares, being the aggregate of two odd-lots of 1,500 Shares and 1,000 Shares taken onto its books for the purpose of facilitating the execution of sell orders on 6 May and 21 May 2004 in respect of a third party non-discretionary client account. Save as disclosed in this sub-paragraph (ii), none of CLSA, CLSA Ltd or CLSA group companies owned or controlled any Securities of the Company or dealt for value in any Securities of the Company during the Disclosure Period.

(iii) No person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Code with the Company (or with any person who is an associate of the Company by virtue of classes (1) to (4) of the definition of "associate" in the Code) and therefore no such person owned or controlled any Securities of the Company or dealt for value in any Securities of the Company during the period starting on the date of commencement of the Offer Period and ending on the Latest Practicable Date.

(iv) No fund manager (other than exempt fund managers) connected with the Company (and which manage accounts on a discretionary basis) owned or controlled any Securities of the Company or dealt for value in any Securities of the Company during the period starting on the date of commencement of the Offer Period and ending on the Latest Practicable Date.

3. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company was 5,000,000,000 Shares of par value HK$0.10 each, of which 1,002,864,358 Shares were issued and fully paid. All issued Shares rank pari passu with each other in terms of capital, dividend and voting. Since 31 December 2003 and up to the Latest Practicable Date, the Company has not issued or repurchased any Shares.

As at the Latest Practicable Date, save for the Options, the Company has not issued any options, warrants or conversion rights affecting Shares which are outstanding.

3.1 Pre-IPO Options

As at the Latest Practicable Date, the Company had 41,190,000 Pre-IPO Options outstanding which have been granted under the Pre-IPO Option Scheme. Details of the outstanding Pre-IPO Options are as follows:

Holder of Pre-IPO Options	Number of Pre-IPO Options	Date of grant of Pre-IPO Options	Exercise period of Pre-IPO Options *(Note 1)*	Exercise price of Pre-IPO Options *(HK$)*
Li Wentao	4,400,000	3 June 2002	27 June 2004 to 26 June 2007	1.56
Lo Peter *(Note 2)*	4,400,000	3 June 2002	27 June 2004 to 26 June 2007	1.56
Fu Hui	3,300,000	3 June 2002	27 June 2004 to 26 June 2007	1.56
Au Peter Jeva	2,200,000	3 June 2002	27 June 2004 to 26 June 2007	1.56
	2,200,000	3 June 2002	27 June 2005 to 26 June 2007	1.56
Lee Kong Leong	2,200,000	3 June 2002	27 June 2004 to 26 June 2007	1.56
	2,200,000	3 June 2002	27 June 2005 to 26 June 2007	1.56
Bao Liusuo	2,250,000	3 June 2002	27 June 2004 to 26 June 2007	1.56
Tong Kay Tak Tom	1,760,000	3 June 2002	27 June 2004 to 26 June 2007	1.56
	1,760,000	3 June 2002	27 June 2005 to 26 June 2007	1.56
Tse Kwok Lam	1,760,000	3 June 2002	27 June 2004 to 26 June 2007	1.56
	1,760,000	3 June 2002	27 June 2005 to 26 June 2007	1.56
Chen Zhixiong	800,000	3 June 2002	27 June 2003 to 26 June 2007	1.56
	800,000	3 June 2002	27 June 2004 to 26 June 2007	1.56
	800,000	3 June 2002	27 June 2005 to 26 June 2007	1.56
Other employees in aggregate	280,000	3 June 2002	27 June 2003 to 26 June 2007	1.56
	4,160,000	3 June 2002	27 June 2004 to 26 June 2007	1.56
	4,160,000	3 June 2002	27 June 2005 to 26 June 2007	1.56
Total	41,190,000			

Note 1: Under clause 7.03 of the Pre-IPO Scheme, 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 shareholders (or all such holders other than the offeror and/or any person 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 holders of the Pre-IPO Options shall be entitled to exercise the Pre-IPO Options in full (to the extent not already exercised) at any time within one month of the date on which the offer becomes or is declared unconditional.

Note 2: The spouse of Mr Peter Lo (Ho Kar Yin, who is currently employed by the Company in the position of project manager) has an additional 1,200,000 Pre-IPO Options as at the Latest Practicable Date which are exercisable at the price of HK$1.56 per Share. Out of these, 600,000 Pre-IPO Options are exercisable during the period from 27 June 2004 to 26 June 2007 and the remaining 600,000 Pre-IPO Options are exercisable during the period from 27 June 2005 to 26 June 2007. These Pre-IPO Options have been included above in the aggregate number of Pre-IPO Options held by the employees.

3.2 Post-IPO Options

As at the Latest Practicable Date, the Company had 12,380,000 Post-IPO Options outstanding which have been granted under the Share Option Scheme. Details of the outstanding Post-IPO Options are as follows, none of which are held by the Directors:

Holder of Post-IPO Options	**Number of Post-IPO Options**	**Date of grant of Post-IPO Options**	**Exercise period of Post-IPO Options** *(Note 1)*	**Exercise price of Post-IPO Options** *(HK$)*
Employees in aggregate	300,000	16 July 2002	27 June 2003 to 26 June 2007	1.85
Employees in aggregate	6,040,000	16 July 2002	27 June 2004 to 26 June 2007	1.85
Employees in aggregate	6,040,000	16 July 2002	27 June 2005 to 26 June 2007	1.85
Total	12,380,000			

Note 1: Under clause 7.03 of the Share Option Scheme, 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 shareholders (or all such holders other than the offeror and/or any person 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 holders of the Post-IPO Options shall be entitled to exercise the Post-IPO Options in full (to the extent not already exercised) at any time within one month of the date on which the offer becomes or is declared unconditional.

4. INTENTIONS OF THE DIRECTORS IN RESPECT OF THEIR SHARES/ OPTIONS

As set out in paragraph 2.2(i) of this Appendix III, as at the Latest Practicable Date, none of the Directors owned or controlled any Shares. Each of the executive Directors (being Mr Li Wentao, Mr Peter Lo, Mr Fu Hui, Mr Peter Jeva Au and Mr Bao Liusuo) has given an irrevocable undertaking to the Offeror to exercise all his Options (as detailed in column 2 of the table set out in paragraph 3.1 above) within two business days of them becoming exercisable (as detailed in column 4 of the table set out in paragraph 3.1 above) and to accept the Offer in respect of the Shares issued on exercise of such Options. The undertakings cannot be withdrawn unless the Offer lapses or is withdrawn. The undertakings relate to a total of 18,750,000 Shares, representing approximately 1.8% of the Company (expressed as a percentage of the current issued share capital plus the number of Shares which would be issued upon the exercise of all Options which are the subject of irrevocable undertakings (i.e. 21,750,000 which includes the undertaking given in relation to a total of 3,000,000 Shares by Mr Lam Pong Sui, the company secretary of the Company)).

5. LITIGATION

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

6. MATERIAL CONTRACTS

The following is a summary of all contracts (not being contracts entered into in the ordinary course of business) that have been entered into by members of the Group during the Relevant Period which are, or may be, material:

(a) an agreement (in Chinese) dated 27 May 2002 entered into between Jilin GD-Yinpu Beer Co., Ltd. ("Yinpu JV") and Yinpu Brewery Factory, Jilin Province ("Yinpu Brewery") pursuant to which the parties agreed to clarify and amend certain terms of an agreement dated 23 February 1997 entered into by the then joint venture parties of Yinpu JV which include Yinpu Brewery, Shenzhen Guangdong Industrial Investment Co., Ltd. and Sino Truth Resources Limited and a trademark licence agreement dated 14 October 1999 entered into between Yinpu JV and Yinpu Brewery for the use of "Yinpu" trademark for approximately seven and a half years starting from 14 October 1999 to 9 April 2007 at an aggregate consideration of RMB10,000,000;

(b) the Pre-IPO Share Option Scheme adopted by the Company on 3 June 2002 and amended on 17 June 2002 for the purpose of splitting the existing scheme into two share option schemes, comprising the Pre-IPO Share Option Scheme and the Share Option Scheme. The amendment did not contain any other material change in the terms thereof;

(c) the Share Option Scheme adopted by the Company on 17 June 2002;

(d) a deed of indemnity dated 17 June 2002 executed by CEDF (Brewery) Holdings Limited ("CEDF (Brewery)"), China Enterprise Development Fund Limited ("CEDF"), Harbin Brewery Factory (BVI) Limited ("HBF (BVI)") and Kwok Nea Development Limited ("Kwok Nea") in favour of the Company and its subsidiary containing the indemnities in connection with the listing of the Shares on the Stock Exchange (entered into at no consideration);

(e) a deed of non-competition dated 17 June 2002 entered into between the Company and HBF (BVI), CEDF (Brewery), CEDF, Brewery Investors Limited ("Brewery Investors") and Kwok Nea pursuant to which each of HBF (BVI), CEDF (Brewery), CEDF, Brewery

Investors and Kwok Nea undertakes to the Company, amongst other things, that it will not and will procure that its respective associates (as defined in the Listing Rules) 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;

(f) a deed of indemnity dated 17 June 2002 entered into between the Company and CEDF (Brewery) pursuant to which CEDF (Brewery) covenants with the Company that, amongst other things, it will indemnify the Company against all losses and expenses incurred by the Company as a result of forfeiture of any of the principal tenancies of its previous office in Hong Kong and tenancy agreements in respect of properties leased in the PRC disclosed in the valuation report of the Company's prospectus dated 18 June 2002 (the "Prospectus");

(g) the placing underwriting agreement dated 21 June 2002 relating to the conditional placing entered into between the Company and Cazenove Asia Limited ("Cazenove"), First Shanghai Securities Limited ("First Shanghai Securities"), The Hongkong and Shanghai Banking Corporation Limited ("HSBC Limited") and Nomura International Hong Kong Limited ("Nomura") (collectively, the "Placing Underwriters") pursuant to which, amongst other things, the Placing Underwriters agreed, upon the fulfilment of certain conditions, to procure the subscription or failing which, to subscribe itself as principal from the Company the 195,800,000 Shares (the "New Placing Shares") initially being offered for subscription by the Company at not more than HK$1.59 per Share (the "Issue Price"), and from HBF (BVI) the 22,000,000 Shares (the "Sale Shares") initially being offered for sale by HBF (BVI) at the Issue Price. The underwriting commission paid to Cazenove, for itself and on behalf of other Placing Underwriters, was calculated at the rate of 4.00% of the aggregate Issue Price of the New Placing Shares and the Sales Shares;

(h) the price determination agreement dated 21 June 2002 entered into between the Company and Cazenove pursuant to which the issue price of the Shares of the Company was determined at HK$1.56 per Share;

(i) the public offer underwriting agreement dated 17 June 2002 relating to the the offer by the Company of the 24,200,000 new Shares of par value HK$0.10 each ("Public Offer Shares") for subscription by the public in Hong Kong entered into between, amongst others, the Company and Cazenove, First Shanghai Securities, HSBC Limited, Nomura, China Everbright Capital Limited, Guotai Junan Securities (Hong Kong) Limited, Ka Wah Capital Limited, SinoPac Securities (H.K.) Limited and UOB Asia (Hong Kong) Limited (collectively, the "Public Offer Underwriters") pursuant to which, amongst other things, the Public Offer Underwriters agreed, upon the fulfilment of certain conditions, to underwrite the Public Offer Shares at the Issue Price. The underwriting commission paid to Cazenove, for itself and on behalf of other Public Offer Underwriters was calculated at the rate of 2.50% of the aggregate Issue Price of the Public Offer Shares;

(j) the Prospectus dated 18 June 2002 in respect of the international offering of the Shares and the white application form(s) and yellow application form(s);

(k) the sale and purchase agreement dated 28 August 2002 entered into between Goldenite International Limited ("Goldenite") and the Company pursuant to which the Company agreed to purchase the shareholder's loans of HK$20,000,000 and the entire issued share capital of Ballantine Management Limited ("Ballantine") for an aggregate consideration of HK$70 million. Goldenite was an independent third party not connected with the Company and Ballantine was then a wholly owned subsidiary of Goldenite. None of the Directors is a director of either Goldenite or Ballantine. This agreement was announced by the Company in its results announcement dated 29 August 2002;

(l) the deed of assignment dated 28 August 2002 entered into between Goldenite, the Company and Ballantine pursuant to which Goldenite assigned to the Company absolutely all its rights, title and interest in the shareholder's loans of HK$20 million in respect of Ballantine;

(m) the placing and subscription agreement dated 26 February 2003 entered into between CEDF (Brewery), the Company and Cazenove pursuant to which the Company agreed to issue up to a maximum of 44,000,000 Shares to CEDF (Brewery) at a subscription price of HK$2.10 per Share. This agreement was announced by the Company on 26 February 2003;

(n) the sale and purchase agreement dated 17 March 2003 entered into between Sun Fai Limited ("Sun Fai") and the Company pursuant to which the Company agreed to purchase the entire issued share capital and shareholder's loans of HK$16,320,754 of New-Biz Corporation ("NBC") for an aggregate consideration of HK$18,000,000. Sun Fai was an independent third party not connected with the Company and NBC was then a wholly owned subsidiary of Sun Fai. None of the Directors is a director of either Sun Fai or NBC. This agreement was announced by the Company in its annual report 2002;

(o) the deed of assignment dated 17 March 2003 entered into between Sun Fai, the Company and NBC pursuant to which Sun Fai assigned to the Company absolutely all its rights, title and interest in the shareholder' loans of HK$16,320,754 in respect of NBC;

(p) the sale and purchase agreement dated 9 April 2003 entered into between Star Treasure Holdings Limited ("Star Treasure") and the Company pursuant to which the Company agreed to purchase the entire issued share capital of Noble Right Limited for a consideration of HK$20,000,000. Star Treasure was an independent third party not connected with the Company and Noble Right Limited was then a wholly owned subsidiary of Star Treasure. None of the Directors is a director of either Star Treasure or Noble Right Limited. This agreement was announced by the Company in its annual report 2002;

(q) the strategic investor agreement (the “SI Agreement”), which was conditional upon the completion of the conditional share sale and purchase agreement dated 27 June 2003 between CEDF, CEDF (Brewery) and Gardwell Limited, entered into between the Company and SABMiller Asia BV (“SABMiller Asia”), which was entered into at no consideration on 28 July 2003, the objectives of which were to enhance the strategic, market and financial position of the parties in the PRC beer industry. The SI Agreement was announced by the Company on 28 July 2003. Pursuant to the SI Agreement, SABMiller Asia and persons (other than Mr Peter Lo, Mr Li Wentao, Mr Fu Hui, Mr Bao Liusuo, Mr Peter Jeva Au and Mr Lam Pong Sui) acting in concert with it were prevented from increasing their holding of voting rights in the Company beyond 29.7% for a period of three years commencing from the date of the SI Agreement; and

(r) the notice of termination dated 1 May 2004 issued by the Company terminating the SI Agreement, which was announced by the Company on 4 May 2004.

7. CONSENTS AND QUALIFICATION

CLSA, a deemed licensed corporation under the SFO, has given and has not withdrawn its written consent to the issue of this Document with the inclusion in this Document of references to its name in the form and context in which it appears.

Somerley, a deemed licensed corporation under the SFO, has given and has not withdrawn its written consent to the issue of this Document with the inclusion in this Document of its letter and/or references to its name in the form and context in which it appears.

Ernst & Young has given and has not withdrawn its written consent to the issue of this Document with the inclusion in this Document of its letter and/or references to its name in the form and context in which it appears.

Vigers, independent professional property valuers, has given and has not withdrawn its written consent to the issue of this Document with the inclusion in this Documents of its report and/or references to its name in the form and context in which it appears.

8. MISCELLANEOUS

(a) The English text of this Document shall prevail over the Chinese text, in the event of a conflict.

(b) This Document contains certain statements that are or may be forward-looking (statements which are not historical facts), including, without limitation, statements regarding the Group’s business prospects and the market for the Shares. By their nature, forward-looking statements involve risks and uncertainties that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, those identified elsewhere in this Document.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours (except Sundays and public holidays in Hong Kong) at the offices of Herbert Smith, 23rd Floor, Gloucester Tower, 11 Pedder Street, Central, Hong Kong while the Offer remains open for acceptance:

(a) the Memorandum and Articles of Association of the Company;

(b) the audited consolidated accounts of the Group for each of the two financial years ended 31 December 2003;

(c) the property valuation report and the valuation certificate by Vigers, the full text or extracts of which are set out in Appendix II to this Document;

(d) the letter of advice from Somerley, the text of which is set out on pages 8 to 32 of this Document;

(e) the letter of Ernst & Young, the text of which is set out on pages 79 to 80 of this Document;

(f) the letters of consent from CLSA, Somerley, Ernst & Young and Vigers referred to in the paragraph headed "Consents and Qualification" of this Appendix III;

(g) the material contracts referred to in the section headed "Material Contracts" in this Appendix III;

(h) each service contract referred to in the section headed "Arrangements affecting Directors" in this Appendix III; and

(i) the irrevocable undertakings, all dated 1 June 2004 from Mr Li Wentao, Mr Peter Lo, Mr Fu Hui, Mr Peter Jeva Au, Mr Bao Liusuo and Mr Lam Pong Sui.

In this Document, unless the context otherwise requires, the following expressions have the following meanings:

"acting in concert"	has the meaning assigned to that expression in the Code
"AGM"	the annual general meeting of the Company to be held on Friday, 25 June 2004 at 4.00 p.m. at Oregon Room, The American Club Hong Kong, 47/F., Exchange Square Two, Central, Hong Kong
"Anheuser-Busch"	Anheuser-Busch Companies, Inc., a company incorporated in Delaware, United States of America with limited liability
"Announcement"	the Company's announcement dated 3 June 2004 regarding the announcement by SABMiller that the SABMiller Offer will not be extended beyond its first closing date (being 21 June 2004) and if Anheuser-Busch posted its Offer Document before that date, the SABMiller Offer would be formally withdrawn
"associate"	has the meaning assigned to that expression in the Code
"Board"	the board of Directors of the Company
"CLSA" or "Financial Adviser"	CLSA Equity Capital Markets Limited, a deemed licensed corporation under the SFO, licensed to carry on Types 4, 6 and 9 regulated activities under the SFO, being the financial adviser to the Company in relation to the Offer
"Code"	the Hong Kong Code on Takeovers and Mergers
"Company"	Harbin Brewery Group Limited, a company incorporated in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands, whose shares are listed on the Stock Exchange
"Directors"	the directors of the Company
"Disclosure Period"	the period beginning on 4 November 2003 (being the date which is six months prior to the commencement of the Offer Period) and ending on the Latest Practicable Date (both dates inclusive)
"Document"	this response document dated 17 June 2004 issued by the Company in accordance with the provisions of the Code
"Executive"	The Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director

"Form of Acceptance"	the form of acceptance in respect of the Offer, which accompanies the Offer Document
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	a committee of the Board, comprising Dr. Tong Kay Tak Tom, Dr. Sit Fung Shuen Victor, Mr. Zhu Wenwei and Mr. Sam Zuchowski
"Independent Shareholders"	the Shareholders of the Company other than the Offeror and parties acting in concert with it
"Latest Practicable Date"	14 June 2004, being the latest practicable date prior to the printing of this Document for ascertaining certain information for inclusion in this Document
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Morgan Stanley"	Morgan Stanley Dean Witter Asia Limited, a registered institution registered for types 1, 4, 6 and 7 regulated activities under the SFO
"Offer"	the mandatory cash offer made by Morgan Stanley on behalf of the Offeror for all the Shares not beneficially owned by the Offeror and parties acting in concert with it
"Offer Document"	the Offeror's document dated 17 June 2004 containing the Offer and the accompanying Form of Acceptance and transfer
"Offer Period"	the period commencing on 4 May 2004 and ending on whichever is the later of (i) the date on which the Offer closes for acceptances or (ii) the date on which the Offer lapses or is withdrawn
"Offeror"	Anheuser-Busch Hong Kong Investment Company, Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of Anheuser-Busch
"Option(s)"	the Pre-IPO Options and the Post-IPO Options
"Optionholder(s)"	holder(s) of the Option(s)
"Option Offer"	the offer to Optionholders to be made by Morgan Stanley, on behalf of the Offeror, as further described in the Offer Document

"Post-IPO Options"	the options granted under the Share Option Scheme
"Pre-IPO Options"	the options granted under the Pre-IPO Share Option Scheme
"Pre-IPO Share Option Scheme"	the Company's share option scheme adopted on 3 June 2002 and amended on 17 June 2002
"PRC"	the People's Republic of China
"Put Option Arrangements"	the arrangements between SABMiller Holdings Limited and Advent Strategic Limited in respect of shares in Gardwell Limited, as set out in paragraph 5 of Appendix II of the offer document dated 24 May 2002 which contains the SABMiller Offer
"Relevant Period"	the period beginning two years prior to the date of commencement of the Offer Period and ending on the Latest Practicable Date (both dates inclusive)
"RMB"	Renminbi, the lawful currency of the PRC
"SABMiller"	SABMiller plc, a company incorporated in England and Wales with limited liability, the shares of which are listed on both the London and the Johannesburg stock exchanges
"SABMiller Offer"	the conditional voluntary cash offer made by Anglo Chinese Corporate Finance, Limited on behalf of SABMiller (PRC) Holdings Limited to acquire all the issued Shares (other than those already held by SABMiller (PRC) Holdings Limited and parties acting in concert with it) (which offer will formally be withdrawn)
"Securities"	any shares, convertible securities, warrants, options and derivatives in respect of shares
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) of HK$0.10 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option Scheme"	the Company's share option scheme adopted on 17 June 2002

"Somerley" or "Independent Financial Adviser"	Somerley Limited, a deemed licensed corporation under the SFO, licensed to carry on Types 1, 4, 6, and 9 regulated activities under the SFO, which has been appointed as the independent financial adviser to the Independent Board Committee in relation to the Offer
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries" or "subsidiary"	has the meaning assigned to that expression in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"US$"	United States dollars, the lawful currency of the United States of America
"Valuations"	the valuations of the property interests of the Group as at 30 April 2004 carried out by Vigers, a summary of which is set out in Appendix II to this Document
"Vigers"	Vigers Appraisal & Consulting Limited.