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CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the six months ended 30 June	
		2004	2003
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
TURNOVER	3	780,030	658,186
Cost of sales		<u>(458,871)</u>	<u>(381,765)</u>
Gross profit		321,159	276,421
Other revenue	3	15,254	3,751
Selling and distribution costs		(105,566)	(78,431)
Administrative expenses		(109,315)	(91,491)
Other operating expenses		<u>(58,858)</u>	<u>(17,182)</u>
PROFIT FROM OPERATING ACTIVITIES	4	62,674	93,068
Finance costs	5	<u>(25,172)</u>	<u>(26,841)</u>
PROFIT BEFORE TAX		37,502	66,227
Tax	6	<u>(16,024)</u>	<u>(13,236)</u>
PROFIT BEFORE MINORITY INTERESTS		21,478	52,991
Minority interests		<u>(7,145)</u>	<u>(7,228)</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>14,333</u>	<u>45,763</u>
DIVIDEND	7	<u>—</u>	<u>13,954</u>
EARNINGS PER SHARE	8		
- Basic		<u>1.43 cents</u>	<u>4.80 cents</u>
- Diluted		<u>1.38 cents</u>	<u>4.67 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Fixed asset revaluation reserve (Unaudited) HK\$'000
At 1 January 2003					
As previously reported	91,300	254,071	232,243	176	13,964
Prior year adjustment: SSAP 12 "Income taxes"	—	—	—	—	(3,940)
As restated	91,300	254,071	232,243	176	10,024
Transfers	—	—	—	—	—
Issued upon exercise of convertible rights of convertible notes	1,397	20,403	—	—	—
New issue on placing	4,400	85,501	—	—	—
Exercise of share options	780	13,053	—	—	—
Exchange realignment	—	—	—	—	—
Net losses not recognised in the profit and loss account	—	—	—	—	—
Net profit for the period	—	—	—	—	—
Interim 2003 dividend	—	—	—	—	—
At 30 June 2003	97,877	373,028	232,243	176	10,024
At 1 January 2004	100,286	408,199	232,243	176	10,024
Transfers	—	—	—	—	—
Exercise of share options	2,175	31,755	—	—	—
Additions	—	—	—	245	—
Surplus on revaluation	—	—	—	—	19,664
Exchange realignment	—	—	—	—	—
Net profit for the period	—	—	—	—	—
At 30 June 2004	102,461	439,954	232,243	421	29,688

Enterprise expansion fund (Unaudited) HK\$'000	Reserve fund (Unaudited) HK\$'000	Proposed enterprise expansion fund (Unaudited) HK\$'000	Proposed reserve fund (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
16,499	16,499	4,768	4,768	3,222	170,040	—	807,550
—	—	—	—	(2)	5,636	—	1,694
16,499	16,499	4,768	4,768	3,220	175,676	—	809,244
4,768	4,768	(4,768)	(4,768)	—	—	—	—
—	—	—	—	—	—	—	21,800
—	—	—	—	—	—	—	89,901
—	—	—	—	—	—	—	13,833
—	—	—	—	(161)	—	—	(161)
—	—	—	—	(161)	—	—	(161)
—	—	—	—	—	45,763	—	45,763
—	—	—	—	—	(13,954)	13,954	—
<u>21,267</u>	<u>21,267</u>	<u>—</u>	<u>—</u>	<u>3,059</u>	<u>207,485</u>	<u>13,954</u>	<u>980,380</u>
21,267	21,267	10,875	10,875	(528)	233,864	21,060	1,069,608
10,875	10,875	(10,875)	(10,875)	—	—	—	—
—	—	—	—	—	—	—	33,930
—	—	—	—	—	—	—	245
—	—	—	—	—	—	—	19,664
—	—	—	—	3,897	—	—	3,897
—	—	—	—	—	14,333	—	14,333
<u>32,142</u>	<u>32,142</u>	<u>—</u>	<u>—</u>	<u>3,369</u>	<u>248,197</u>	<u>21,060</u>	<u>1,141,677</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		1,823,766	1,759,908
Intangible assets		21,598	21,541
Goodwill:			
Goodwill		151,479	155,774
Negative goodwill		(2,600)	(2,668)
Deferred expenditure		2,884	4,315
Deferred tax assets		12,490	9,568
Deposits paid for purchases of fixed assets		104,983	98,855
Reusable packaging materials		122,773	85,002
		<u>2,237,373</u>	<u>2,132,295</u>
CURRENT ASSETS			
Inventories		217,262	239,588
Accounts receivable	9	100,263	80,830
Prepayments, deposits and other receivables		265,661	204,527
Tax recoverable		—	5,357
Cash and bank balances		180,322	139,839
		<u>763,508</u>	<u>670,141</u>

CONDENSED CONSOLIDATED BALANCE SHEET (Cont'd)

		30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
CURRENT LIABILITIES			
Accounts payable	10	250,781	231,020
Tax payable		8,599	1,620
Accruals and other liabilities		464,650	452,552
Other loans		9,154	7,844
Interest-bearing bank borrowings		<u>760,527</u>	<u>113,461</u>
		<u>1,493,711</u>	<u>806,497</u>
NET CURRENT LIABILITIES		<u>(730,203)</u>	<u>(136,356)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,507,170</u>	<u>1,995,939</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		(154,190)	(724,848)
Due to joint venture partners of subsidiaries		(28,082)	(28,082)
Deferred tax liabilities		<u>(10,268)</u>	<u>(2,936)</u>
		<u>(192,540)</u>	<u>(755,866)</u>
MINORITY INTERESTS		<u>(172,953)</u>	<u>(170,465)</u>
		<u>1,141,677</u>	<u>1,069,608</u>
CAPITAL AND RESERVES			
Issued capital	11	102,461	100,286
Reserves		<u>1,039,216</u>	<u>969,322</u>
		<u>1,141,677</u>	<u>1,069,608</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM:		
OPERATING ACTIVITIES	114,880	165,312
INVESTING ACTIVITIES	(156,900)	(272,776)
FINANCING ACTIVITIES	82,503	212,080
	<hr/>	<hr/>
INCREASE IN CASH AND CASH EQUIVALENTS	40,483	104,616
Cash and cash equivalents at beginning of period	139,839	168,346
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>180,322</u>	<u>272,962</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements have been prepared in accordance with SSAP 25 "Interim Financial Reporting" and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the Group's audited financial statements for the year ended 31 December 2003.

2. SEGMENT INFORMATION

During the period, the Group was principally involved in the production and distribution of beer. Over 90% of the Group's revenue, results, assets and liabilities were derived from Mainland China and, accordingly, no business or geographical segment information is presented.

3. 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:

	For the six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
TURNOVER		
Sale of beer	<u>780,030</u>	<u>658,186</u>
OTHER REVENUE		
Sale of raw materials, packaging materials and by-products	8,735	2,833
Government subsidies	6,054	612
Interest income	465	306
	<u>15,254</u>	<u>3,751</u>
	<u>795,284</u>	<u>661,937</u>

4. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	63,263	57,272
Amortisation of intangible assets, other than goodwill*	1,099	1,181
Amortisation of goodwill*	4,296	3,830
Amortisation of negative goodwill*	(68)	(68)
Amortisation of reusable packaging materials*	10,827	8,762
Minimum lease payments under operating leases in respect of land and buildings	1,931	2,587
Auditors' remuneration	481	369
Staff costs (including directors' remuneration)		
Wages and salaries	75,791	56,383
Pension contributions	9,010	9,019
	<u>84,801</u>	<u>65,402</u>
Provision/(write back) for doubtful debts	453	(963)
Loss/(gain) on disposal of fixed assets	(394)	1,411
Interest income	(465)	(306)
	<u><u>84,801</u></u>	<u><u>65,402</u></u>

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

5. FINANCE COSTS

	For the six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Interest on bank loans wholly repayable within five years	23,740	25,386
Interest on convertible notes	—	23
	<u>23,740</u>	<u>25,409</u>
Other finance cost:		
Amortisation of deferred expenditure	1,432	1,432
	<u>25,172</u>	<u>26,841</u>

6. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the period (2003: 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 existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Group:		
Current - Mainland China	15,823	12,936
Deferred	201	300
	<u>16,024</u>	<u>13,236</u>
Tax charges for the period	<u>16,024</u>	<u>13,236</u>

7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2004 (2003: HK1.4 cents per ordinary share).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the unaudited net profit attributable to shareholders for the period of HK\$14,333,000 (2003: HK\$45,763,000) and the weighted average of 1,003,820,402 (2003: 953,955,602) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30 June 2004 is based on the unaudited net profit attributable to shareholders for the period of HK\$14,333,000. The weighted average number of ordinary shares used in the calculation is the 1,003,820,402 ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average of 31,257,311 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

The calculation of diluted earnings per share for the six months ended 30 June 2003 is based on the unaudited net profit attributable to shareholders for the period of HK\$45,763,000. The weighted average number of ordinary shares used in the calculation is the 953,955,602 ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average of 25,785,971 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

9. 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 days 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 accounts receivable, based on invoice date and net of provisions, is as follows:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Within 30 days	25,386	26,466
Between 31 and 60 days	12,542	9,611
Between 61 and 180 days	31,692	29,358
Between 181 and 365 days	30,643	15,395
	<u>100,263</u>	<u>80,830</u>

10. ACCOUNTS PAYABLE

An aged analysis of accounts payable, based on invoice date, is as follows:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Within 30 days	72,130	119,797
Between 31 and 60 days	32,750	32,111
Between 61 and 180 days	89,026	42,028
Between 181 days and 365 days	41,486	9,626
Between 366 and 540 days	15,389	27,458
	<u>250,781</u>	<u>231,020</u>

11. SHARE CAPITAL

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
<i>Authorised:</i>		
5,000,000,000 (2003: 5,000,000,000) ordinary shares of HK\$0.10 each	<u>500,000</u>	<u>500,000</u>
<i>Issued and fully paid:</i>		
1,024,614,358 (2003: 1,002,864,358) ordinary shares of HK\$0.10 each	<u>102,461</u>	<u>100,286</u>
	Number of issued shares '000	Par value HK\$'000
Issued share capital as at 1 January 2004 (Audited)	1,002,864	100,286
Exercise of share options	<u>21,750</u>	<u>2,175</u>
Share capital as at 30 June 2004 (Unaudited)	<u>1,024,614</u>	<u>102,461</u>

12. CONTINGENT LIABILITIES

At 30 June 2004, the Group had given guarantees of HK\$4,767,000 (31 December 2003: HK\$5,401,000) to a bank in connection with credit facilities granted to certain employees of a subsidiary for financing the construction of employees' quarters. Upon the issuance of building ownership certificate, the employees' quarters will be mortgaged to secure the credit facilities and replace the guarantees.

13. PLEDGE OF ASSETS

At 30 June 2004, 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\$554,528,000 (31 December 2003: HK\$700,586,000).

In addition, the Group's syndicated bank loan at the balance sheet date of approximately US\$4.6 million (31 December 2003: US\$6.9 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.

14. 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 30 June 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Within one year	2,463	2,331
In the second to fifth years, inclusive	3,344	4,215
After five years	8,699	8,879
	14,506	15,425

15. COMMITMENTS

In addition to the operating lease commitments detailed in note 14 above, the Group had the following commitments at 30 June 2004:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
(a) Capital commitments		
Contracted for	50,507	88,717
Authorised, but not contracted for	180,395	—
	<u>230,902</u>	<u>88,717</u>
(b) Other commitments		

The Group had committed (i) payment of HK\$2,815,000 (31 December 2003: HK\$2,815,000) to Yinpu Brewery Factory, a joint venture partner of a subsidiary, for the use of trademark; and (ii) payment of HK\$108,077,000 (31 December 2003: HK\$123,336,000) to suppliers for purchases of raw materials.

16. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the period:

Nature of transaction	Notes	For the six months ended 30 June	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Joint venture partners of subsidiaries:			
Payment to Jilin Province Guoren Beer Company Limited for the use of plant and machinery	(i)	491	492
Payment to Yinpu Brewery Factory for the use of trademark	(ii)	471	471
Interest to Jiamusi Brewery Factory	(iii)	544	611
Payment to Tangshan Brewery Factory for the use of land	(iv)	<u>154</u>	<u>155</u>

Notes:

- (i) 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 Mainland China.
- (ii) The payment for the use of trademark was charged at RMB1,000,000 per annum.
- (iii) The interest was charged at the prevailing lending rate quoted by the People's Bank of China.
- (iv) 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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's turnover reached HK\$780.0 million for the six months ended 30 June 2004, an increase of 18.5% over the same period in 2003. Effective market penetration into areas outside the Northeast Region of China, a strengthened product mix as well as further improved operating efficiencies in the acquired breweries all contributed to this growth.

During the period, output volume was up 19.9% to 647,880 kl. Nevertheless, market competition drove down the average turnover slightly by 1.1% to HK\$1,204 per kl. Growth in the sale of Classic and Premium products boosted the respective gross margins, demonstrating better economies of scale. This helped to minimize the effect of an overall increase in raw material cost such as rice and barley. As such, the Group was able to maintain an overall gross margin at 41.2% for the six months ended 30 June 2004.

Profit from operating activities amounted to HK\$62.7 million, representing a decrease of 32.7%. This was attributable to the one-off administrative expenses incurred in the Company as a result of the general offer came about during the period. Net profit attributable to shareholders during the period was HK\$14.3 million, representing a decrease of 68.7% from the corresponding period in 2003. Basic earnings per share were HK1.43 cents. Excluding the expenses incurred due to the general offer, profit from operating activities and net profit attributable to shareholders, on the contrary, increased by 6.3% and 11.6% respectively as compared with the corresponding period in 2003, while basic earnings per share were HK5.09 cents.

Business Review

The Group's brand equity is an important driver to sustain growth in the competitive marketplace. Improved operating efficiencies, stronger presence outside the Northeast Region, as well as an enhanced national distribution network paved the way for the Group to elevate its market position in China.

(i) *Turnover analysis by product mix*

The Group's products are offered in three categories, namely Original, Classic and Premium, targeting at the mass, middle-income and premium markets respectively. As the major revenue contributor, the sale of Original products grew at a stable rate of 14.9% to HK\$625.9 million, contributing 80.2% of the Group's turnover.

Robust growth in the sale of Classic and Premium products as a result of an expanded distribution network and stronger sales force led to increased contribution to the Group's turnover from 17.3% in the first half of 2003 to 19.8% in the same period in 2004, which translated into a growth of 35.7% in turnover.

(ii) *Turnover analysis by geographical location*

Increased contribution from areas outside Heilongjiang Province was recorded during the first half of 2004. Market penetration in Jilin Province and Liaoning Province was promising, which resulted in an impressive growth in turnover by 38.9% and 66.1% respectively. Their aggregate contribution to the Group's turnover increased from 24.4% in the first half of 2003 to 30.8% in the same period in 2004. Sales from the Non-northeast Region sustained its strong growth of 47.6% and accounted for 13.9% of the Group's turnover.

Heilongjiang Province remained the major market of the Group despite industry competition, and contributed to 55.3% of the Group's turnover.

(iii) *Overall production operations*

Harbin Brewery's business scale expanded substantially in recent years through a series of acquisitions and internal advancement measures. By operating 13 breweries in China, the Group's aggregate designed production capacity reached approximately 1,615,000 kl per annum.

Change of Substantial Shareholder

On 20 March 2004, Global Conduit Holdings Limited ("Global Conduit") entered into a conditional sale and purchase agreement with one of the Company's substantial shareholders, Harbin Brewery Factory (BVI) Limited ("HBF (BVI)"), to acquire 291,500,000 shares of the Company from HBF (BVI) at a consideration of HK\$3.25 per share. It was equivalent to approximately 29.07% of the Company's issued share capital at that time.

Subsequently, on 2 May 2004, Capital Select Enterprises Limited ("Capital Select") entered into a conditional sale and purchase agreement for the sale of Global Conduit, which was the purchaser of 291,500,000 shares of the Company, to Anheuser-Busch Companies, Inc. ("Anheuser-Busch") at a consideration of HK\$3.70 per share. Upon completion of the sale and purchase agreement on 19 May 2004, Anheuser-Busch owned 291,500,000 shares of the Company, which was equivalent to approximately 29.07% of the Company's issued share capital at that time, through its wholly owned subsidiary, Global Conduit.

On 31 May 2004, Anheuser-Busch Hong Kong Investment Company, Limited ("Anheuser-Busch HK") entered into an unconditional sale and purchase agreement to acquire a further 69,565,501 shares of the Company, representing approximately 6.9% of the Company's issued share capital at that time, from funds managed by Capital International, Inc. at a consideration of HK\$5.58 per share. With Anheuser-Busch and parties acting in concert with it ("Anheuser-Busch parties") owning 361,065,501 shares of the Company, representing approximately 36.0% of the Company's issued share capital at that time, a mandatory cash offer was made by Anheuser-Busch HK for all the remaining shares of the Company not owned by Anheuser-Busch parties at an offer price of HK\$5.58 per share.

At the close of the mandatory cash offer on 18 August 2004, taken together with the 361,065,501 shares of the Company which Anheuser-Busch parties owned prior to making the mandatory cash offer, Anheuser-Busch parties owned 1,023,706,544 shares of the Company in aggregate, representing approximately 99.91% of the Company's total issued share capital at that time. A compulsory acquisition for the unacquired shares is under progress and the Company will apply for the withdrawal of listing from the Stock Exchange of Hong Kong upon completion of the compulsory acquisition.

Prospects

China is one of the largest beer consuming nations in the world and is recording the highest consumption growth rate. While offering tremendous opportunities for expansion, Harbin Brewery will also implement prudent measures to tackle the challenges of intense market competition and rising raw material cost.

Market consolidation in China's beer industry has been dominantly led by large brewery groups and foreign players. While the Company is currently under the process of privatization and will withdraw its listing status from the Stock Exchange of Hong Kong upon completion of relevant procedures, its presence in the consumer market offering quality beer products will prevail. The "Harbin" brand equity will be upheld and enhanced to maximize its market capture.

Financial Resources and Liquidity

The Group's total assets were approximately HK\$3,001 million as at 30 June 2004, increasing by 7.1% as compared to that as at 31 December 2003. Net assets were approximately HK\$1,142 million as at 30 June 2004, increasing by 6.7% as compared to that as at 31 December 2003. The increase in net assets was mainly attributable to the net cash inflow from the Group's operating activities. Cash and bank balances amounted to approximately HK\$180 million as at 30 June 2004.

The debt to equity ratio of the Group was 80.9% as at 30 June 2004, while the net debt to equity ratio was 65.1%.

Exposure to Foreign Exchange Risks

The Group conducts most of its business transactions in currencies of Hong Kong dollars and Renminbi. In view of the stability of the exchange rate of these currencies during the period under review, the Group has not been subject to exchange rate fluctuation exposure and thus no financial instrument has been adopted for hedging purposes.

Use of Proceeds

The net proceeds from the share offer of the Group's listing on the Stock Exchange on 27 June 2002 and the over-allotment option exercised on 15 July 2002 were approximately HK\$345 million. As at 30 June 2004, the Group had fully utilised the net proceeds. Of that amount, the Group utilised approximately HK\$149 million for the repayment of shareholders' and bank loans. A further approximately HK\$109 million was used for the acquisition and capital expenses of the breweries acquired during 2002. Approximately HK\$87 million of the remaining net proceeds were used for the Group's working capital requirements, of which approximately HK\$70 million was used for the purchase and downpayment of raw materials, such as barley.

On 10 March 2003, the Group raised net proceeds of approximately HK\$90 million by issuing 44 million new ordinary shares at HK\$2.1 per share upon the completion of the top-up placement. As at 30 June 2004, the Group fully utilised the net proceeds for the acquisition and capital expenses of the breweries acquired during 2003.

Human Resources and Remuneration of Employees

The Group employs a total of 8,138 full time employees in Hong Kong and the PRC. The Group recognises the importance of its human resources to its success. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industry practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related commissions.

DISCLOSURE OF ADDITIONAL INFORMATION

Directors' interests in shares

At 30 June 2004, the interests of Directors in the share capital of the Company or its associated corporations, as defined in the Part XV of the Securities and Futures Ordinance (the "SFO") or, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(1) Ordinary shares of the Company

Name of Director	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
Li Wentao	Beneficial owner	Personal interest	4,400,000	0.4294%
Lo Peter	Beneficial owner	Personal interest	4,400,000	0.4294%
Au Peter Jeva	Beneficial owner	Personal interest	4,400,000	0.4294%
Fu Hui	Beneficial owner	Personal interest	3,300,000	0.3221%
Bao Liusuo	Beneficial owner	Personal interest	2,250,000	0.2196%

(2) Ordinary shares of an associated corporation

Anheuser-Busch Companies, Inc.*

Name of Director	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
Stephen J. Burrows	Beneficial owner	Personal interest	1,110,537	0.1366%
John Koykka	Beneficial owner	Personal interest	377,237	0.0464%
Cheng Yeh-Ran	Beneficial owner	Personal interest	190,000	0.0234%
Cheng Yan Jun	Beneficial owner	Personal interest	98,000	0.0121%
Larry Dean Baumann	Beneficial owner	Personal interest	63,245	0.0078%
Chiu Ten Young Alex	Beneficial owner	Personal interest	55,512	0.0068%
Lai Kai Kee Chester	Beneficial owner	Personal interest	9,197	0.0011%

* Anheuser-Busch Companies, Inc. ("A-B Companies") is an associated corporation of the Company as A-B Companies held an interest of approximately 83.54% in the issued ordinary share capital of the Company.

The interests of the Directors in the share options of the Company are separately disclosed under the section headed "Share option schemes" below.

Save as disclosed above, none of the Directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SFO.

Directors' right to acquire shares or debentures

Save as disclosed under the section headed "Share option schemes" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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.

(a) 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 the then 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 period:

Name or category of participant	Notes	Number of share options			Date of grant of share options	Exercise period of share options	Price of Company's shares		
		At 1 January 2004	Exercised during the period	At 30 June 2004			Exercise price of share options	Immediately preceding the grant of share options	Immediately preceding the exercise of share options
						HK\$	HK\$	HK\$	
Directors									
Li Wentao		4,400,000	4,400,000	—	3 June 2002	27 June 2004 to 26 June 2007	1.56	N/A	5.55
Lo Peter	(1)	4,400,000	4,400,000	—	3 June 2002	27 June 2004 to 26 June 2007	1.56	N/A	5.55
Fu Hui		3,300,000	3,300,000	—	3 June 2002	27 June 2004 to 26 June 2007	1.56	N/A	5.55
Au Peter Jeva		2,200,000	2,200,000	—	3 June 2002	27 June 2004 to 26 June 2007	1.56	N/A	5.55
	(2)	2,200,000	2,200,000	—	3 June 2002	27 June 2005 to 26 June 2007	1.56	N/A	5.55
Lee Kong Leong	(3)	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

Name or category of participant	Notes	Number of share options			Date of grant of share options	Exercise period of share options	Price of Company's shares		
		At 1 January 2004	Exercised during the period	At 30 June 2004			Exercise price of share options	Immediately preceding the grant date of share options	Immediately preceding the exercise date of share options
		HK\$	HK\$	HK\$			HK\$	HK\$	HK\$
Bao Liusuo		2,250,000	2,250,000	—	3 June 2002	27 June 2004 to 26 June 2007	1.56	N/A	5.55
Tong Kay Tak Tom	(3)	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	(3)	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	(3)	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 2004 to 26 June 2007	1.56	N/A	N/A
		<u>32,590,000</u>	<u>18,750,000</u>	<u>13,840,000</u>					
Other employees									
In aggregate		280,000	—	280,000	3 June 2002	27 June 2003 to 26 June 2007	1.56	N/A	N/A
		4,160,000	1,500,000	2,660,000	3 June 2002	27 June 2004 to 26 June 2007	1.56	N/A	5.55
	(2)	4,160,000	1,500,000	2,660,000	3 June 2002	27 June 2005 to 26 June 2007	1.56	N/A	5.55
		<u>8,600,000</u>	<u>3,000,000</u>	<u>5,600,000</u>					
		<u>41,190,000</u>	<u>21,750,000</u>	<u>19,440,000</u>					

The 21,750,000 share options exercised during the period resulted in the issue of 21,750,000 ordinary shares of the Company and new share capital of HK\$2,175,000 and share premium of HK\$31,755,000 (before issue expenses).

Notes:

1. 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. Upon the full exercise of the remaining options, 1,200,000 shares will be allotted and issued to Ho Kar Yin.
2. Share options for the exercise period of 27 June 2005 to 26 June 2007 become exercisable due to the unconditional offer being made by Anheuser-Busch Hong Kong Investment Company, Limited.
3. Former Directors of the Company.

(b) Share Option Scheme

On 16 July 2002, 18,120,000 share options were granted to certain employees of the Company's subsidiaries to subscribe for shares in the Company pursuant to the Share Option Scheme. The subscription price of the options granted under the scheme is HK\$1.85 (being the average of the closing prices of the Company's shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five trading days from 10 July 2002 to 16 July 2002) and the exercise period is from 27 June 2003 to 26 June 2007.

Details of these options are as follows:

Name or category of participant	Number of share options			Date of grant of share options	Exercise period of share options	Price of Company's shares		
	At 1 January 2004	Exercised during the period	At 30 June 2004			Exercise price of share options	Immediately preceding the grant date of share options	Immediately preceding the exercise date of share options
Other employees								
In aggregate	300,000	—	300,000	16 July 2002	27 June 2003 to 26 June 2007	1.85	1.85	N/A
	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
	<u>12,380,000</u>	<u>—</u>	<u>12,380,000</u>					

For the six months ended 30 June 2004, no share options under Pre-IPO Scheme and Share Option Scheme were granted, cancelled or lapsed.

Substantial shareholders

So far as the Company is aware, set out below is the names of the parties which were interested in 5% or more of the nominal value of the share capital of the Company and the respective relevant numbers of shares in which it was interested as at 30 June 2004 as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Notes	Number of shares held and nature of interest		Percentage of the Company's share capital
		Direct	Deemed	
Anheuser-Busch Companies, Inc.	(1)	—	856,000,270	83.54%
Anheuser-Busch Hong Kong Investment Company, Limited	(1)	564,500,270	—	55.09%
Global Conduit Holdings Limited	(1)	291,500,000	—	28.45%
Castlerigg International Limited	(2)	—	100,360,000	9.79%
Castlerigg Master Investments Limited	(2)	100,360,000	—	9.79%

Notes:

- (1) Anheuser-Busch Companies, Inc. beneficially held 99% and 100% in the share capital of Anheuser-Busch Hong Kong Investment Company, Limited and Global Conduit Holdings Limited respectively.
- (2) Castlerigg International Limited was taken to be interests in 100,360,000 shares beneficially owned by Castlerigg Master Investments Limited due to its corporate interests therein.

Save as disclosed above, no person, other than the Directors, whose interests are set out in the section "Directors' interests in shares" above had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Purchase, redemption or sale of the Company's listed securities

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2004.

Compliance with the Code of Best Practice

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not throughout the six months ended 30 June 2004, in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement and re-election at the general meeting of the Company in accordance with the Company's articles of association.

Audit committee

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors, Dr. Sit Fung Shuen, Victor and Mr. Sam Zuchowski. The unaudited interim condensed consolidated financial statements have been reviewed by the audit committee.

On behalf of the Board

Li Wentao

Chairman

Hong Kong, 21 September 2004