

UNAUDITED INTERIM RESULTS

The Board of Directors of Guangdong Brewery Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2001 (the "Period") together with comparative figures. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee and the auditors, Ernst & Young.

Condensed Consolidated Profit and Loss Account

| | | (Unaudited) | |
|--|--------------|---------------------------------|-----------------|
| | | Six months ended 30 June | |
| | | 2001 | 2000 |
| | <i>Notes</i> | HK\$'000 | <i>HK\$'000</i> |
| TURNOVER | 2 | 253,772 | 286,987 |
| Cost of sales | | (153,571) | (192,983) |
| Gross profit | | 100,201 | 94,004 |
| Other revenue | | 23,089 | 20,249 |
| Selling expenses | | (71,139) | (45,335) |
| Administrative expenses | | (29,330) | (32,672) |
| PROFIT FROM OPERATING ACTIVITIES | 2,3 | 22,821 | 36,246 |
| Finance costs | 4 | (5,411) | (16,267) |
| Share of losses of an associate | | (2,925) | (2,531) |
| PROFIT BEFORE TAX | | 14,485 | 17,448 |
| Tax | 5 | (3,040) | (7,261) |
| PROFIT BEFORE MINORITY INTERESTS | | 11,445 | 10,187 |
| Minority interests | | (1,362) | 1,843 |
| NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS | | 10,083 | 12,030 |
| EARNINGS PER SHARE | 6 | | |
| – Basic | | 0.8 cents | 1.0 cents |
| – Diluted | | N/A | N/A |

Condensed Consolidated Statement of Recognised Gains and Losses

| | | (Unaudited) | |
|---|-------------|---------------------------------|-----------------|
| | | Six months ended 30 June | |
| | | 2001 | 2000 |
| | <i>Note</i> | HK\$'000 | <i>HK\$'000</i> |
| Exchange differences on translation of the financial statements of subsidiaries and an associate in Mainland China and net losses not recognised in the profit and loss account | 10 | (630) | (3,010) |
| Net profit attributable to shareholders | | <u>10,083</u> | <u>12,030</u> |
| Total recognised gains for the Period | | <u>9,453</u> | <u>9,020</u> |

Condensed Consolidated Balance Sheet

| | Notes | (Unaudited) 30 June 2001 HK\$'000 | (Audited) 31 December 2000 HK\$'000 (Restated) |
|--|-------|--|--|
| NON-CURRENT ASSETS | | | |
| Fixed assets | | 1,165,995 | 1,221,788 |
| Interest in an associate | | 59,047 | 62,079 |
| Investment securities | | 4,611 | 4,611 |
| Long term receivable | | - | 1,649 |
| Reusable packaging materials | | 8,819 | 12,025 |
| | | <u>1,238,472</u> | <u>1,302,152</u> |
| CURRENT ASSETS | | | |
| Inventories | | 81,038 | 79,212 |
| Accounts receivable | 8 | 46,138 | 37,689 |
| Prepayments, deposits and other receivables | | 10,497 | 10,766 |
| Current portion of loan to a director | | - | 51 |
| Cash and bank balances | | 84,387 | 176,059 |
| | | <u>222,060</u> | <u>303,777</u> |
| CURRENT LIABILITIES | | | |
| Interest-bearing bank loans | | (47,085) | (94,277) |
| Accounts payable | 9 | (43,215) | (36,526) |
| Other payables and accrued liabilities | | (66,682) | (61,469) |
| Tax payable | | (2,572) | (4,360) |
| VAT payable | | (12,006) | (19,142) |
| Current portion of amounts due to immediate holding company | | - | (25,325) |
| Amount due to a fellow subsidiary | | (3,779) | (3,649) |
| Declared dividend | | (12,500) | - |
| | | <u>(187,839)</u> | <u>(244,748)</u> |
| NET CURRENT ASSETS | | <u>34,221</u> | <u>59,029</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>1,272,693</u> | <u>1,361,181</u> |
| NON-CURRENT LIABILITIES | | | |
| Long term interest-bearing bank loans | | (51,794) | (65,994) |
| Long term portion of amounts due to immediate holding company | | - | (72,531) |
| Long term portion of amounts due to minority equityholders of subsidiaries | | (103,218) | (103,335) |
| | | <u>1,117,681</u> | <u>1,119,321</u> |
| MINORITY INTERESTS | | <u>(33,273)</u> | <u>(31,866)</u> |
| | | <u>1,084,408</u> | <u>1,087,455</u> |
| SHARE CAPITAL | | 125,000 | 125,000 |
| RESERVES | 10 | 959,408 | 949,955 |
| PROPOSED DIVIDENDS | | - | 12,500 |
| | | <u>1,084,408</u> | <u>1,087,455</u> |

Condensed Consolidated Cashflow Statement

(Unaudited)
Six months ended
30 June 2001
HK\$'000

| | |
|--|------------------|
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 80,976 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | (4,424) |
| TAX PAID | (4,828) |
| INVESTING ACTIVITIES | (4,176) |
| NET CASH INFLOW BEFORE FINANCING | 67,548 |
| FINANCING ACTIVITIES | (159,067) |
| DECREASE IN CASH AND CASH EQUIVALENTS | (91,519) |
| Cash and cash equivalents at beginning of Period | 176,059 |
| Effect of foreign exchange rate changes, net | (153) |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 84,387 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | |
| Cash and bank balances | 84,387 |

Notes to Condensed Consolidated Interim Financial Statements

1. Accounting Policies

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" except that the comparative condensed consolidated cash flow statement for the six months ended 30 June 2000 has not been prepared as permitted under the transitional provisions set out in The Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the audited financial statements for the year ended 31 December 2000, except that the following SSAPs have been adopted for the first time in the preparation of the current period's condensed consolidated interim financial statements:

- SSAP 9 (revised) Events after the Balance Sheet Date
- SSAP 14 (revised) Leases
- SSAP 28 Provisions, Contingent Liabilities and Contingent Assets
- SSAP 30 Business Combinations
- SSAP 31 Impairment of Assets
- SSAP 32 Consolidated Financial Statements and Accounting for Investments in Subsidiaries

1. Accounting Policies (cont'd)

A summary of their major effects is as follows:

SSAP 9 (revised) prescribes the accounting treatment and disclosures for events occurring after the balance sheet date. Following the adoption of SSAP 9 (revised), dividends proposed after the balance sheet date should not be recognised as a liability at the balance sheet date. Accordingly, the final dividend proposed for the year ended 31 December 2000 of HK\$12,500,000, previously classified as a current liability at 31 December 2000, has been reclassified and shown under the shareholders' equity. There is no impact on the profit and loss account because of this change.

SSAP 14 (revised) prescribes the accounting treatment and disclosures for leases and hire purchase contracts. This SSAP has been applied prospectively. This has had no major impact on these financial statements, however, the disclosures for commitments under non-cancellable operating leases have been changed. In prior years, operating lease commitments were disclosed as payment committed to be made during the next year, analysed between those in which the commitment would expire within that year; in the second to fifth years, inclusive; and over five years. In the current Period, such disclosure has been changed to the total of future minimum lease payments under non-cancellable operating leases analysed into those not later than one year, later than one year and not later than five years; and later than five years. Disclosures as required are set out in note 11 to these financial statements.

SSAP 28 prescribes the accounting treatment and disclosures for provisions, contingent liabilities and contingent assets. This has had no major impact on these financial statements.

SSAP 30 prescribes the accounting treatment and disclosures for business combinations. This SSAP has been applied prospectively. Under SSAP 30, goodwill/negative goodwill arising from business combinations after 1 January 2001 is capitalised and amortised over its useful life.

The Group has taken advantage of the transitional provisions in SSAP 30 and the goodwill/negative goodwill arose from acquisitions prior to 1 January 2001 which have been previously eliminated against/taken to reserves had not been retrospectively restated under the new accounting policy. Therefore, goodwill arising on acquisitions prior to 1 January 2001 is held in reserves and will be charged to the profit and loss account at the time of disposal of the subsidiaries/associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1 January 2001 is held in reserves and will be credited to the profit and loss account at the time of disposal of the relevant subsidiaries/associate.

SSAP 31 requires enterprises to consider whether assets are carried in excess of their recoverable amounts and prescribes the accounting treatment for any resulting impairment losses. This SSAP has been applied prospectively. This has had no major impact on these financial statements.

SSAP 32 prescribes the accounting treatment and disclosures in the preparation and presentation of consolidated financial statements. This has had no major impact on these financial statements.

2. Segment Information

An analysis of the Group's turnover and profit from operating activities by geographical area and principal activity of operations is as follows:

| | Turnover (Unaudited) | | Profit from operating activities (Unaudited) | |
|--|--|------------------|--|------------------|
| | Six months ended 30 June 2001 HK\$'000 | 2000 HK\$'000 | Six months ended 30 June 2001 HK\$'000 | 2000 HK\$'000 |
| By geographical area: | | | | |
| In Mainland China | 238,407 | 280,568 | 35,278 | 46,516 |
| In Hong Kong | 15,365 | 6,419 | (12,457) | (10,270) |
| | <u>253,772</u> | <u>286,987</u> | <u>22,821</u> | <u>36,246</u> |
| By activities: | | | | |
| Sale of goods | 249,749 | 282,334 | 22,985 | 36,080 |
| Operation of restaurants, pubs and other related services | 4,023 | 4,653 | (164) | 166 |
| | <u>253,772</u> | <u>286,987</u> | <u>22,821</u> | <u>36,246</u> |

3. Profit from Operating Activities

The Group's profit from operating activities is arrived at after charging:

| | (Unaudited) | |
|--|---------------------------------|------------------------|
| | Six months ended 30 June | |
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Depreciation | 56,754 | 56,042 |
| Amortisation of reusable packaging materials | 5,159 | 8,695 |
| | <u>61,913</u> | <u>64,737</u> |
| and after crediting: | | |
| Interest income | (986) | (1,484) |
| Value-added tax exemption | (18,585) | (18,042) |
| | <u>(19,571)</u> | <u>(19,526)</u> |

4. Finance Costs

| | (Unaudited) | |
|-----------------------------|---------------------------------|----------------------|
| | Six months ended 30 June | |
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Interest on: | | |
| Interest-bearing bank loans | 4,065 | 8,683 |
| Other loans | 1,346 | 7,584 |
| | <u>5,411</u> | <u>16,267</u> |

5. Tax

| | (Unaudited) | |
|---------------------------|---------------------------------|---------------------|
| | Six months ended 30 June | |
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Group: | | |
| Hong Kong | 130 | - |
| Mainland China | 2,910 | 7,261 |
| | <u>3,040</u> | <u>7,261</u> |
| Tax charge for the Period | <u>3,040</u> | <u>7,261</u> |

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the Period. No provision for Hong Kong profits tax was made in the prior period as the Group had no estimated assessable profits derived from or earned in Hong Kong during that period.

Provision has been made for tax in Mainland China based on existing legislation, interpretations and practices at the prevailing rates of tax.

A Group subsidiary, Shenzhen Kingway Brewery Company Limited, is a sino-foreign equity joint venture established in one of the special economic zones of Mainland China. According to the tax regulations in Mainland China, the subsidiary is subject to a tax rate of 15% on the taxable profits for each year calculated on a calendar year basis.

5. Tax (cont'd)

All the other subsidiaries of the Group established in Mainland China have not generated any assessable profits for the Period (2000: Nil).

No provision for tax is required for the associate as no assessable profits was earned by the associate during the Period.

There were no material unprovided deferred tax liabilities at the Period end (2000: Nil).

6. Earnings Per Share

The calculation of the basic earnings per share is based on the Group's unaudited net profit attributable to shareholders for the six months ended 30 June 2001 of HK\$10,083,000 (2000: HK\$12,030,000) and on the weighted average number of 1,250,000,000 (2000: 1,250,000,000) shares in issue during the Period.

Diluted earnings per share for the six months ended 30 June 2001 and 2000 reflecting the exercise of all outstanding share options is not presented because the impact is anti-dilutive.

7. Dividend

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 June 2001 (2000: Nil).

8. Accounts Receivable

The ageing analysis of accounts receivable is as follows:

| | (Unaudited) 30 June 2001 HK\$'000 | (Audited) 31 December 2000 HK\$'000 |
|---------------------------------|--|--|
| Outstanding balances with ages: | | |
| Within 3 months | 28,204 | 16,851 |
| Between 4 to 6 months | 9,003 | 18,574 |
| Between 7 to 12 months | 8,931 | 2,057 |
| Over 1 year | - | 207 |
| | <hr/> 46,138 <hr/> | <hr/> 37,689 <hr/> |

Credit terms

Trading terms with customers are either on cash basis or on credit. For those customers who trade on credit, invoices are normally payable within 30-180 days of issuance. Credit limit has been set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management.

9. Accounts Payable

The ageing analysis of accounts payable is as follows:

| | (Unaudited) 30 June 2001 HK\$'000 | (Audited) 31 December 2000 HK\$'000 |
|---------------------------------|--|--|
| Outstanding balances with ages: | | |
| Within 3 months | 34,894 | 30,012 |
| Between 4 to 6 months | 4,107 | 2,237 |
| Between 7 to 12 months | 4,195 | 4,219 |
| Over 1 year | 19 | 58 |
| | <u>43,215</u> | <u>36,526</u> |

10. Reserves

Group

| | Share premium HK\$'000 | Capital reserve HK\$'000 | Exchange fluctuation reserve HK\$'000 | Enterprise development fund # HK\$'000 | Reserve fund # HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|---------------------------|------------------------------|--------------------------------|--|---|-------------------------------|---------------------------------|-----------------------|
| At 1 January 2001 | 739,583 | 51,104 | 4,746 | 216 | 15,246 | 139,060 | 949,955 |
| Net profit for the Period | - | - | - | - | - | 10,083 | 10,083 |
| Exchange adjustments | - | - | (630) | - | - | - | (630) |
| At 30 June 2001 | <u>739,583</u> | <u>51,104</u> | <u>4,116</u> | <u>216</u> | <u>15,246</u> | <u>149,143</u> | <u>959,408</u> |

Pursuant to the relevant laws and regulations for sino-foreign joint venture enterprises, a portion of the profits of a Company's subsidiary operating in Mainland China has been transferred to the reserve fund and the enterprise development fund which are restricted as to use. The amounts transferred from the retained profits are determined by the Board of Directors of a subsidiary. These funds are not available for distribution.

11. Commitments

(a) Capital commitments

As at 30 June 2001, the Group had outstanding contracted capital commitments in respect of property, plant and equipment amounting to HK\$802,000 (31 December 2000: HK\$1,480,000).

(b) Operating lease commitments

As at 30 June 2001, the Group had total commitments payable in future years under non-cancellable operating leases in respect of land and buildings, as follows:

| | (Unaudited) HK\$'000 |
|---|---------------------------------------|
| Not later than one year | 738 |
| Later than one year and not later than five years | 89 |
| | <u>827</u> |

11. Commitments (cont'd)

(b) Operating lease commitments (cont'd)

As at 31 December 2000, the Group had annual commitments payable in the following year under non-cancellable operating leases in respect of land and buildings expiring:

| | (Audited) HK\$'000 |
|---|-----------------------|
| Within one year | 456 |
| In the second to fifth years, inclusive | 532 |
| | <u>988</u> |

12. Contingent Liabilities

As at 31 December 2000, the contingent liabilities of the Company in respect of guarantees given to banks to secure banking facilities granted and utilised by the Group's non-wholly-owned subsidiaries amounted to HK\$28,283,000. Such bank loans were fully repaid during the Period and the guarantees were released accordingly.

13. Related Party Transactions

The nature and terms of the material related party transactions are the same as those disclosed in the Company's audited financial statements for the year ended 31 December 2000. The magnitude of the transactions during the Period are as follows:

| | | (Unaudited) | |
|--|-------|--------------------------|--------------|
| | | Six months ended 30 June | |
| | | 2001 | 2000 |
| | Notes | HK\$'000 | HK\$'000 |
| Purchase of malt from a fellow subsidiary, Guangzhou Malting Co., Ltd. ("GMCL") | (i) | 21,272 | 16,649 |
| Rental of office premises paid to a fellow subsidiary, Bateson Developments Ltd. | | 266 | 582 |
| Interest expenses paid to immediate holding company, Guangdong Investment Ltd. | | 1,346 | 5,486 |
| Interest expenses paid to minority equityholders of the Company's subsidiaries | (ii) | <u>-</u> | <u>2,097</u> |

Notes:

- (i) The balance due to GMCL, which amounted to RMB4,013,000 as at 30 June 2001 (31 December 2000: RMB3,870,000), is unsecured, interest-free and has no fixed terms of repayment.
- (ii) The minority equityholders of the Company's subsidiaries agreed to waive the interest on the funds advanced from them with effect from 1 January 2001 pursuant to a resolution passed on 3 August 2001 and, accordingly, there is no interest expense for the Period.

14. Approval of the Interim Financial Statements

These condensed interim financial statements were approved by the Board of Directors on 21 September 2001.