

The logo consists of the letters 'GDH' in a bold, stylized font. The 'G' and 'D' are connected, and the 'H' is separate. There are horizontal lines through the letters, giving it a modern, industrial feel.

**金威啤酒集團有限公司**  
**KINGWAY BREWERY HOLDINGS LIMITED**

(於百慕達註冊成立之有限公司)  
(Incorporated in Bermuda with limited liability)

股份代號 Stock Code: 0124

**中期報告 2007**  
Interim Report

中國馳名商標



中國名牌 綠色食品

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# Corporate Information

(As at 19 September 2007)

## Board of Directors

### Executive Directors

YE Xuquan (Chairman)  
JIANG Guoqiang (Managing Director)  
LIANG Jianqin (Chief Financial Officer)

### Non-Executive Directors

KOH Poh Tiong (Note 1)  
HAN Cheng Fong (Note 2)  
Sijbe HIEMSTRA (Note 3)  
ZHAO Leili  
LUO Fanyu  
Michael WU  
HO LAM Lai Ping, Theresa

### Independent Non-Executive Directors

Alan Howard SMITH  
V-nee YEH  
FONG Wo, Felix

## Company Secretary

WONG Kin Yan, Vanessa

## Auditors

Ernst & Young

## Principal Bankers

Rabobank International  
DBS Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Standard Chartered Bank (Hong Kong) Limited  
Shenzhen Development Bank

## Website Address

<http://www.kingwaybeer.hk>

## Registered Office

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## Head Office & Principal Place of Business in Hong Kong

Office A1, 19th Floor  
Guangdong Investment Tower  
148 Connaught Road Central  
Hong Kong  
Telephone: (852) 2165 6262  
Facsimile: (852) 2815 2020

## Principal Share Registrar

Butterfield Fund Services (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

## Branch Share Registrar in Hong Kong

Tricor Tengis Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Hong Kong

## Share Information

Place of Listing: Main Board of The Stock Exchange of Hong Kong Limited  
Stock Code: 124  
Board Lot: 2000 shares  
Financial year end: 31st December

Note 1: KOH Poh Tiong has appointed HUANG Hong Peng as his alternate director

Note 2: HAN Cheng Fong has appointed LEE Meng Tat as his alternate director

Note 3: Sijbe HIEMSTRA has appointed Kenneth CHOO Tay Sian as his alternate director

# Highlights

	For the six months ended 30 June		
	2007 (Unaudited)	2006 (Unaudited)	Change
Beer sales volume, in tonne	<b>366,000</b>	295,000	+24.1%
Gross profit, in thousand HK\$	<b>286,392</b>	277,066	+3.4%
Profit for the period, in thousand HK\$	<b>15,912</b>	70,756	-77.5%
Basic earnings per share, in HK cent	<b>1.1</b>	4.8	-77.1%
EBITDA, in thousand HK\$	<b>122,394</b>	139,606	-12.3%
Average unit selling price per tonne, in HK\$	<b>2,193</b>	2,237	-2.0%
Average unit costs per tonne, in HK\$	<b>1,411</b>	1,298	+8.7%
Gross profit margin	<b>35.7%</b>	42.0%	-6.3%

	As at		
	30 June 2007 (Unaudited)	31 December 2006 (Audited)	Change
Current ratio	<b>1.1 times</b>	1.1 times	–
Gearing ratio*	<b>Net cash</b>	19.0%	N/A
Total assets, in million HK\$	<b>4,738</b>	3,099	+52.9%
Net asset value per share, in HK\$	<b>1.62</b>	1.40	+15.7%
Period-end number of employees	<b>2,316</b>	2,105	+10.0%

\* Gearing ratio = (Interest-bearing debt – cash and cash equivalents)/Net assets



# Unaudited Interim Financial Report

The board of directors (the "Board of Directors") of Kingway Brewery Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 together with comparative figures as follows. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee and the Company's auditors, Ernst & Young.

## Condensed Consolidated Income Statement

For the six months ended 30 June 2007

	Notes	For the six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
<b>REVENUE</b>	2	<b>802,666</b>	659,963
Cost of sales		<b>(516,274)</b>	(382,897)
<b>Gross profit</b>		<b>286,392</b>	277,066
Other income and gains		<b>14,079</b>	8,969
Selling and distribution expenses		<b>(206,810)</b>	(169,958)
Administrative expenses		<b>(58,367)</b>	(38,961)
Finance costs	3	<b>(12,626)</b>	(1,445)
<b>PROFIT BEFORE TAX</b>	4	<b>22,668</b>	75,671
Tax	5	<b>(6,756)</b>	(4,915)
<b>PROFIT FOR THE PERIOD</b>		<b>15,912</b>	70,756
<b>ATTRIBUTABLE TO:</b>			
Equityholders of the parent		<b>15,912</b>	71,082
Minority interests		<b>-</b>	(326)
		<b>15,912</b>	70,756
<b>DIVIDENDS - Interim</b>	6	<b>-</b>	(20,946)
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITYHOLDERS OF THE PARENT</b>	7		(Restated)
Basic		<b>1.1 cents</b>	4.8 cents
Diluted		<b>1.1 cents</b>	4.8 cents

# Unaudited Interim Financial Report *(Cont'd)*

## Condensed Consolidated Balance Sheet

30 June 2007

	<i>Notes</i>	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>2,516,046</b>	2,207,217
Prepaid land lease payments		<b>218,655</b>	202,900
Goodwill		<b>9,384</b>	9,384
Reusable packaging materials		<b>85,672</b>	80,084
Deferred tax assets		<b>8,447</b>	8,099
		<hr/>	<hr/>
Total non-current assets		<b>2,838,204</b>	2,507,684
<b>CURRENT ASSETS</b>			
Inventories		<b>258,638</b>	186,150
Trade and bills receivables	8	<b>68,905</b>	32,685
Prepayments, deposits and other receivables		<b>39,439</b>	24,779
Pledged and restricted bank balances		<b>4,319</b>	21,652
Cash and cash equivalents		<b>1,528,615</b>	325,868
		<hr/>	<hr/>
Total current assets		<b>1,899,916</b>	591,134
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	<b>(349,448)</b>	(179,973)
Tax payable		<b>(4,077)</b>	(147)
VAT payable		<b>(2,010)</b>	(839)
Dividend payable		<b>(20,946)</b>	–
Other payables and accruals		<b>(310,281)</b>	(239,355)
Refundable deposits received from over-subscription in rights issue		<b>(583,435)</b>	–
Derivative financial instrument	10	<b>(16,403)</b>	(13,580)
Interest-bearing bank borrowings	11	<b>(451,940)</b>	(88,920)
Due to the immediate holding company	17(b)	<b>(557)</b>	(291)
Due to fellow subsidiaries	17(b)	<b>(35,914)</b>	(16,051)
		<hr/>	<hr/>
Total current liabilities		<b>(1,775,011)</b>	(539,156)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>124,905</b>	51,978
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,963,109</b>	2,559,662

# Unaudited Interim Financial Report *(Cont'd)*

## Condensed Consolidated Balance Sheet *(Cont'd)* 30 June 2007

	<i>Notes</i>	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,963,109</b>	2,559,662
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	11	<b>(200,000)</b>	(607,480)
Deferred tax liabilities		<b>(4,566)</b>	(2,765)
Total non-current liabilities		<b>(204,566)</b>	(610,245)
Net assets		<b>2,758,543</b>	1,949,417
<b>EQUITY</b>			
Equity attributable to equityholders of the parent			
Issued capital	12	<b>170,667</b>	139,637
Reserves	14	<b>2,587,876</b>	1,788,834
Proposed dividends		-	20,946
<b>Total equity</b>		<b>2,758,543</b>	1,949,417

# Unaudited Interim Financial Report *(Cont'd)*

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007

	Notes	For the six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Total equity at 1 January		1,949,417	1,853,439
Changes in equity during the period:			
Exchange realignment	14	76,282	20,931
Net gain/(loss) on cash flow hedge	10	(2,823)	3,295
Total income and expense recognised directly in equity		73,459	24,226
Profit for the period	14	15,912	70,756
Total income and expense for the period		89,371	94,982
Issue of shares	12	740,701	–
Dividend declared		(20,946)	(34,889)
Total equity at 30 June		2,758,543	1,913,532
Total income and expense for the period attributable to:			
Equityholders of the parent		89,371	95,086
Minority interests		–	(104)
		89,371	94,982



# Unaudited Interim Financial Report *(Cont'd)*

## Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2007

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>NET CASH INFLOWS FROM OPERATING ACTIVITIES</b>	<b>192,717</b>	142,858
<b>NET CASH OUTFLOWS FROM INVESTING ACTIVITIES</b>	<b>(258,244)</b>	(291,302)
<b>NET CASH INFLOWS/(OUTFLOWS) FROM FINANCING ACTIVITIES <i>(note)</i></b>	<b>1,263,386</b>	(2,871)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,197,859</b>	(151,315)
Cash and cash equivalents at beginning of period	<b>325,868</b>	373,612
Effect of foreign exchange rate changes, net	<b>4,888</b>	2,966
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>1,528,615</b>	225,263
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>1,508,285</b>	194,973
Non-pledged time deposits with original maturity of less than three months when acquired	<b>20,330</b>	30,290
	<b>1,528,615</b>	225,263

*Note:*

Amount included the refundable deposits of HK\$583,435,000 which was received from over-subscription in rights issue during the period ended 30 June 2007.

# Unaudited Interim Financial Report *(Cont'd)*

## Notes to Condensed Consolidated Interim Financial Statements

30 June 2007

### 1. Accounting Policies

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2007 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2006, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) as disclosed below.

#### Impact of new and revised HKFRSs

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised HKFRSs which are generally effective for accounting periods beginning on or after 1 January 2007. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material impact on these interim condensed consolidated financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The principal changes in accounting policies are as follows:

The revised HKAS 1 affects the disclosures of qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Group regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

The HKFRS 7 requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates major disclosure requirements of HKAS 32 "Financial Instruments - Presentation and Disclosure".

The HK(IFRIC)-Int 10 states that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

# Unaudited Interim Financial Report *(Cont'd)*

## Notes to Condensed Consolidated Interim Financial Statements *(Cont'd)*

30 June 2007

### 1. Accounting Policies *(Cont'd)*

#### Impact of issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in these interim condensed consolidated financial statements.

HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 "Segment Reporting".

The HKAS 23 (Revised), HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 January 2009, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that the adoption of the HKFRS 8 may result in new or amended disclosures. The Group has already commenced an assessment of the impact of the other new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the results of operations and financial position.

### 2. Segment Information

Segment information is presented by way of the Group's primary segment reporting basis, by geographical segment. No further business segment information is presented as the Group's operations relate solely to the production, distribution and sale of beer. Summary details of the geographical segments are as follows:

- (a) The Mainland China segment engages in the production, distribution and sale of beer in the People's Republic of China (the "PRC" or "Mainland China") except for Hong Kong and Macau;
- (b) The Overseas and Hong Kong segment engages in the distribution and sale of beer in Taiwan, Macau, Hong Kong and overseas; and
- (c) The Corporate segment engages in providing corporate services to the Mainland China segment, and the Overseas and Hong Kong segment in Hong Kong.

# Unaudited Interim Financial Report *(Cont'd)*

## Notes to Condensed Consolidated Interim Financial Statements *(Cont'd)*

30 June 2007

### 2. Segment Information *(Cont'd)*

In determining the Group's geographical segment, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment transactions mainly represent the sale of beer by the Mainland China segment which was made on the bases determined within the Group.

#### *Geographical segments*

The following table presents revenue and results of the Group's geographical segments for the six months ended 30 June 2007 and 2006.

	Mainland China		Overseas and Hong Kong		Corporate		Eliminations		Consolidated	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	770,253	626,895	32,413	33,068	-	-	-	-	802,666	659,963
Intersegment sales	11,233	10,274	-	-	-	-	(11,233)	(10,274)	-	-
Other revenue and gains	8,284	5,376	-	42	2,143	1,483	-	-	10,427	6,901
Total	<u>789,770</u>	<u>642,545</u>	<u>32,413</u>	<u>33,110</u>	<u>2,143</u>	<u>1,483</u>	<u>(11,233)</u>	<u>(10,274)</u>	<u>813,093</u>	<u>666,864</u>
Segment results	<u>22,594</u>	<u>64,872</u>	<u>11,333</u>	<u>12,192</u>	<u>(2,285)</u>	<u>(2,016)</u>	<u>-</u>	<u>-</u>	<u>31,642</u>	<u>75,048</u>
Interest income									3,652	2,068
Finance costs									(12,626)	(1,445)
Profit before tax									22,668	75,671
Tax									(6,756)	(4,915)
Profit for the period									<u>15,912</u>	<u>70,756</u>



# Unaudited Interim Financial Report *(Cont'd)*

## Notes to Condensed Consolidated Interim Financial Statements *(Cont'd)* 30 June 2007

### 3. Finance Costs

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans wholly repayable within five years	<b>19,161</b>	7,739
Fair value gain on cash flow hedge (transfer from equity) <i>(note 10)</i>	<b>(2,926)</b>	(4,868)
	<b>16,235</b>	2,871
Less: Interest capitalised	<b>(3,609)</b>	(1,426)
	<b>12,626</b>	1,445

### 4. Profit Before Tax

Profit before tax is determined after charging/(crediting):

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Depreciation	<b>68,843</b>	50,933
Recognition of prepaid land lease payments	<b>2,365</b>	1,838
Amortisation of reusable packaging materials	<b>15,892</b>	9,719
Interest income	<b>(3,652)</b>	(2,068)

# Unaudited Interim Financial Report *(Cont'd)*

## Notes to Condensed Consolidated Interim Financial Statements *(Cont'd)*

30 June 2007

### 5. Tax

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Group:		
Current - Hong Kong	1,808	2,134
Current - Mainland China:		
Charge for the period	3,692	4,549
Overprovision in prior periods	(164)	(435)
Deferred	1,420	(1,333)
Total tax charge for the period	<u>6,756</u>	<u>4,915</u>

Hong Kong profits tax has been provided at a rate of 17.5% (Six months ended 30 June 2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in those places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the PRC tax laws, certain subsidiaries of the Group are entitled to preferential tax treatment with full tax exemption from PRC corporate income tax ("CIT") for two years starting from the first profitable year of operations, followed by 50% reduction in CIT rate for the next three years.

Shenzhen Kingway Brewing Co., Ltd. is entitled to a 50% tax relief for the six months ended 30 June 2007 and 2006.

# Unaudited Interim Financial Report *(Cont'd)*

## Notes to Condensed Consolidated Interim Financial Statements *(Cont'd)*

30 June 2007

### 5. Tax *(Cont'd)*

Kingway Brewery (Dongguan) Co., Ltd. is exempted from CIT for the six months ended 30 June 2007 and 2006.

Kingway Brewery (Shan Tou) Co., Ltd. is exempted from CIT for the six months ended 30 June 2007 as this was its first profitable period of operations.

Kingway Brewery (Tianjin) Co., Ltd., Kingway Brewery (Xian) Co., Ltd., Kingway Brewery Group (Chengdu) Co., Ltd. and Kingway Brewery (Foshan) Co., Ltd. have not generated any accumulated assessable profit since their establishments. Thus, the tax exemption periods which are entitled to these subsidiaries have not commenced during the six months ended 30 June 2007.

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Law"), which is effective from 1 January 2008. Under the New CIT Law, corporate income tax rate for domestic companies and foreign-invested enterprises will decrease from 33% to 25% since 1 January 2008. In addition, for those enterprises benefiting from lower preferential tax rates, such preferential rates will be gradually phased out by increasing them over the next five years. This change in the income tax rate will directly increase the Group's effective tax rate prospectively from 2008. According to HKAS 12 "Income taxes", deferred tax assets and deferred tax 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. As a result, based on current best estimate of impact which could be reasonably estimated, the change in the CIT rate leads to an increase in unaudited deferred tax assets and liabilities as at 30 June 2007 of HK\$1,006,000 and HK\$1,769,000, respectively.

At the date of these interim financial statements, detailed implementation and administrative requirements for the New CIT Law have not been announced. These detailed requirements include regulations concerning the computation of taxable income, specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact on its operating results and financial positions of future periods as more detailed requirements are issued.

### 6. Dividends

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2007. The directors declared an interim dividend of 1.5 HK cents per share for the six months ended 30 June 2006 to shareholders.

# Unaudited Interim Financial Report *(Cont'd)*

## Notes to Condensed Consolidated Interim Financial Statements *(Cont'd)* 30 June 2007

### 7. Earnings Per Share

The calculation of the basic and diluted earnings per share for the six months ended 30 June 2006 and 2007 are based on:

	<b>For the six months ended 30 June</b>	
	<b>2007 (Unaudited) HK\$'000</b>	<b>2006 (Unaudited) HK\$'000</b>
Earnings:		
Profit attributable to ordinary equityholders of the parent, used in the basic and diluted earnings per share calculations	<b>15,912</b>	71,082
	<b>1,479,305,414</b>	1,475,918,944
Number of shares:		
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share calculations	<b>1,479,305,414</b>	1,475,918,944
Effect of dilution - weighted average number of ordinary shares that would have been issued on deemed exercise of all share options with dilutive effects at nil consideration	<b>15,372,313</b>	16,266,119
For the purpose of diluted earnings per share	<b>1,494,677,727</b>	1,492,185,063

*Note:*

The weighted average numbers of ordinary shares used in the calculations of both basic and diluted earnings per share amounts for the six months ended 30 June 2006 had been adjusted to reflect the rights issue during the six months ended 30 June 2007.



# Unaudited Interim Financial Report *(Cont'd)*

## Notes to Condensed Consolidated Interim Financial Statements *(Cont'd)*

30 June 2007

### 8. Trade and Bills Receivables

The Group's trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, invoices are normally payable within 30 to 180 days of issuance. Credit limits are 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. In view of aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing and the carrying amounts of the trade receivables approximate to their fair values.

An aged analysis of the Group's trade and bills receivables at the respective balance sheet dates, based on payment due dates, is as follows:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Within 3 months	<b>28,770</b>	16,931
3 to 6 months	<b>1,616</b>	1,172
6 months to 1 year	<b>422</b>	70
Over 1 year	<b>389</b>	398
	<b>31,197</b>	18,571
Less: Impairment	<b>(280)</b>	(271)
Trade receivables	<b>30,917</b>	18,300
Bills receivable	<b>37,988</b>	14,385
	<b>68,905</b>	32,685

# Unaudited Interim Financial Report *(Cont'd)*

## Notes to Condensed Consolidated Interim Financial Statements *(Cont'd)*

30 June 2007

### 9. Trade and Bills Payables

An aged analysis of the Group's trade and bills payables, based on invoice date, is as follows:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Within 3 months	<b>171,469</b>	78,933
3 to 6 months	<b>5,172</b>	1,049
6 months to 1 year	<b>1,800</b>	228
Over 1 year	<b>2,461</b>	2,280
	<hr/>	<hr/>
Trade payables	<b>180,902</b>	82,490
Bills payable	<b>168,546</b>	97,483
	<hr/>	<hr/>
	<b>349,448</b>	179,973
	<hr/>	<hr/>

The trade payables are non-interest-bearing and are normally settled on a 30-day term. The carrying amounts of the trade payables approximate to their fair values.

# Unaudited Interim Financial Report *(Cont'd)*

## Notes to Condensed Consolidated Interim Financial Statements *(Cont'd)*

30 June 2007

### 10. Derivative Financial Instrument

	<b>30 June 2007 Liability (Unaudited) HK\$'000</b>	31 December 2006 Liability (Audited) HK\$'000
Cross currency interest rate swap	<b>16,403</b>	13,580

The carrying amount of cross currency interest rate swap is the same as its fair value.

#### *Cross currency interest rate swap*

At 30 June 2007, the Group held a cross currency interest rate swap with a notional amount of US\$38,000,000 (equivalent to HK\$296,400,000) (31 December 2006: US\$38,000,000 (equivalent to HK\$296,400,000)), designated as a hedge in respect of the Group's bank loan, whereby the Group:

- (i) receives interest at a variable rate of LIBOR plus 0.413% (31 December 2006: LIBOR plus 0.413%) per annum, and pays interest at a fixed rate of 1.96% (31 December 2006: 1.96%) per annum on the notional amount from the effective date of swap contract to the maturity date of 25 November 2009; and
- (ii) receives the US dollar-denominated loan principal of US\$38,000,000 in six instalments as stipulated in the swap contract, and pays the RMB equivalent amounts at a contracted exchange rate of RMB8.08 to US\$1.

#### *Cash flow hedge*

The terms of the swap have been negotiated to match the terms of the bank loan. The cash flow hedge of the bank loan was assessed to be highly effective and the net fair value loss on cash flow hedge of HK\$2,823,000 (30 June 2006 : net fair value gain of HK\$3,295,000) included in the hedging reserve was as follows:

	<b>For the six months ended 30 June</b>	
	<b>2007 (Unaudited) HK\$'000</b>	2006 (Unaudited) HK\$'000
Total fair value gain included in the hedging reserve	<b>103</b>	8,163
Transferred from the hedging reserve to the income statement <i>(note 3)</i>	<b>(2,926)</b>	(4,868)
Net gain/(loss) on cash flow hedge	<b>(2,823)</b>	3,295

# Unaudited Interim Financial Report *(Cont'd)*

## Notes to Condensed Consolidated Interim Financial Statements *(Cont'd)*

30 June 2007

### 11. Interest-bearing Bank Borrowings

In relation to a covenant requirement as set out in two term loan facility letters for certain long term bank loans with an aggregate outstanding principal amount of HK\$451,940,000 (unaudited) as at 30 June 2007, on 18 September 2007, the Group obtained a waiver of that covenant requirement from the bank with retrospective effect from 30 June 2007 and until 30 November 2007. The non-current portion of the long term bank loans totalling HK\$363,020,000 (unaudited) as at 30 June 2007 was classified as current because the Group may or may not comply with the covenant requirement as stipulated in the loan facility letters if the waiver is not granted after 30 November 2007 and the long term bank loans may be repayable within twelve months from the balance sheet date.

### 12. Share Capital

Authorised:

2,000,000,000 (31 December 2006: 2,000,000,000)  
ordinary shares of HK\$0.10 each

Issued and fully paid:

1,706,672,000 (31 December 2006: 1,396,368,000)  
ordinary shares of HK\$0.10 each

<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
<b><u>200,000</u></b>	<u>200,000</u>
<b><u>170,667</u></b>	<u>139,637</u>

On 29 June 2007, the Company completed a rights issue of two rights shares for every nine shares held by members on the register of members, at an issue price of HK\$2.42 per rights share, resulting in the issue of 310,304,000 ordinary shares of HK\$0.10 each for a total cash consideration, before expenses of HK\$10,235,000, of HK\$750,936,000. The net cash proceeds were credited to share capital and share premium account of HK\$31,030,000 and HK\$709,671,000, respectively.

#### *Share options*

Details of the share options issued under the Company's share option scheme are included in note 13 to the interim financial statements.



# Unaudited Interim Financial Report *(Cont'd)*

## Notes to Condensed Consolidated Interim Financial Statements *(Cont'd)*

30 June 2007

### 13. Share Option Scheme

The following share options were outstanding under the Company's share option scheme during the period under review:

Name or category of participant	Number of share options held as at 1 January 2007	Increase as a result of rights issue	Number of share options held as at 30 June 2007	Date of grant of share options*	Exercise period of share options#	Exercise price of share options** (Adjusted)** <i>HK\$ per share</i>	Price of Company's shares at date of grant of options*** <i>HK\$ per share</i>
<b>Directors</b>							
YE Xuquan	2,000,000	115,152	2,115,152	26-05-2003	27-08-2003 to 26-08-2008	0.794	0.790
	7,000,000	403,031	7,403,031	06-02-2004	07-05-2004 to 06-05-2009	1.825	1.900
JIANG Guoqiang	2,000,000	115,152	2,115,152	26-05-2003	27-08-2003 to 26-08-2008	0.794	0.790
Alan Howard SMITH	300,000	17,273	317,273	26-05-2003	27-08-2003 to 26-08-2008	0.794	0.790
	300,000	17,273	317,273	06-02-2004	07-05-2004 to 06-05-2009	1.825	1.900
V-nee YEH	300,000	17,273	317,273	26-05-2003	27-08-2003 to 26-08-2008	0.794	0.790
	300,000	17,273	317,273	06-02-2004	07-05-2004 to 06-05-2009	1.825	1.900
	<u>12,200,000</u>	<u>702,427</u>	<u>12,902,427</u>				
<b>Other employees</b>							
In aggregate	4,500,000	259,091	4,759,091	26-05-2003	27-08-2003 to 26-08-2008	0.794	0.790
	12,000,000	690,910	12,690,910	06-02-2004	07-05-2004 to 06-05-2009	1.825	1.900
	<u>16,500,000</u>	<u>950,001</u>	<u>17,450,001</u>				
	<u>28,700,000</u>	<u>1,652,428</u>	<u>30,352,428</u>				

# Unaudited Interim Financial Report *(Cont'd)*

## Notes to Condensed Consolidated Interim Financial Statements *(Cont'd)*

30 June 2007

### 13. Share Option Scheme *(Cont'd)*

- \* The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- \*\* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.
- \*\*\* The price of the Company's shares disclosed as at the date of grant of the share options is its closing price on the Stock Exchange on the business day prior to the date of grant of the options.
- # If the last day of the exercise period is not a business day in Hong Kong, the option period expires at 5:01 p.m. on the business day preceding that day (Hong Kong time).
- ## The adjustments on the exercise prices of the share options were made as a result of the rights issue completed on 29 June 2007.

### 14. Reserves

	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Hedging reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Enterprise development fund# <i>HK\$'000</i>	Reserve fund# <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
At 1 January 2006 (Audited)	974,705	13,824	(97)	34,528	216	50,003	585,337	1,658,516	20,477
Profit for the period	-	-	-	-	-	-	71,082	71,082	(326)
Transfer from retained profits	-	-	-	-	-	14,953	(14,953)	-	-
Interim 2006 dividend declared	-	-	-	-	-	-	(20,946)	(20,946)	-
Net gain on cash flow hedge	-	-	3,295	-	-	-	-	3,295	-
Exchange realignment	-	-	-	20,709	-	-	-	20,709	222
At 30 June 2006 (Unaudited)	<u>974,705</u>	<u>13,824</u>	<u>3,198</u>	<u>55,237</u>	<u>216</u>	<u>64,956</u>	<u>620,520</u>	<u>1,732,656</u>	<u>20,373</u>
At 1 January 2007 (Audited)	975,733	13,824	(13,580)	108,993	216	65,092	638,556	1,788,834	-
Profit for the period	-	-	-	-	-	-	15,912	15,912	-
Transfer from retained profits	-	-	-	-	-	3,452	(3,452)	-	-
Issue of shares (note 12)	709,671	-	-	-	-	-	-	709,671	-
Net loss on cash flow hedge	-	-	(2,823)	-	-	-	-	(2,823)	-
Exchange realignment	-	-	-	76,282	-	-	-	76,282	-
At 30 June 2007 (Unaudited)	<u>1,685,404</u>	<u>13,824</u>	<u>(16,403)</u>	<u>185,275</u>	<u>216</u>	<u>68,544</u>	<u>651,016</u>	<u>2,587,876</u>	<u>-</u>

- # Pursuant to the relevant laws and regulations a portion of the profits of the Group's subsidiaries which are registered in the PRC has been transferred to the enterprise development funds and the reserve funds which are restricted as to use and are not available for distribution. When the balance of such reserve reaches 50% of each company's share capital, any further appropriation is optional. The amounts transferred from the retained profits are determined by the board of directors of these subsidiaries.

# Unaudited Interim Financial Report *(Cont'd)*

## Notes to Condensed Consolidated Interim Financial Statements *(Cont'd)*

30 June 2007

### 15. Operating Lease Arrangements

*(a) As lessor*

The Group leases certain of its properties, mainly staff quarters, under operating lease arrangements, with leases negotiated for terms ranging from three to ten years (31 December 2006: three to ten years). The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Within one year	<b>2,710</b>	2,508
In the second to fifty years, inclusive	<b>5,252</b>	5,400
After five years	<b>1,043</b>	1,781
	<b>9,005</b>	9,689

*(b) As lessee*

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years (31 December 2006: one to two years).

At 30 June 2007, the Group had total future minimum lease payments under non-cancellable operating leases, in respect of land and buildings, falling due as follows:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Within one year	<b>736</b>	1,141
In the second to fifth years, inclusive	<b>91</b>	363
	<b>827</b>	1,504

# Unaudited Interim Financial Report *(Cont'd)*

## Notes to Condensed Consolidated Interim Financial Statements *(Cont'd)*

30 June 2007

### 16. Commitments

In addition to the operating lease commitments detailed in note 15 to the condensed consolidated interim financial statements, the Group had the following commitments at the balance sheet date:

Capital commitments for the Group's property, plant and equipment:

Contracted, but not provided for  
Authorised, but not contracted for

<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
<b>241,071</b>	197,388
<b>183,474</b>	534,248
<b>424,545</b>	731,636

### 17. Related Party Transactions

(a) *Transactions with fellow subsidiaries:*

Purchase of malt from Guangzhou Malting Co., Ltd.  
Purchase of malt from Ningbo Malting Co., Ltd.  
Purchase of malt from Supertime (Baoying) Malting Co., Ltd.  
Purchase of malt from Supertime (Changle) Malting Co., Ltd.  
Purchase of malt from Supertime (Nanjing) Malting Co., Ltd.  
Purchase of malt from Supertime (Qinhuangdao) Malting Co., Ltd.  
Rental of office premises paid to Global Head Developments Limited

<b>For the six months ended 30 June</b>	
<b>2007 (Unaudited) HK\$'000</b>	2006 (Unaudited) HK\$'000
<b>45,524</b>	51,833
<b>43,760</b>	40,669
<b>3,912</b>	–
<b>7,329</b>	7,968
<b>25,521</b>	–
<b>8,306</b>	–
<b>272</b>	171



# Unaudited Interim Financial Report *(Cont'd)*

## Notes to Condensed Consolidated Interim Financial Statements *(Cont'd)* 30 June 2007

### 17. Related Party Transactions *(Cont'd)*

(b) *Outstanding balances with related parties:*

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Balances due to:		
The immediate holding company	557	291
Fellow subsidiaries	<u>35,914</u>	<u>16,051</u>

(c) *Compensation of key management personnel of the Group*

	<b>For the six months ended 30 June</b>	
	<b>2007 (Unaudited) HK\$'000</b>	2006 (Unaudited) HK\$'000
Short term employee benefits	984	1,397
Post-employment benefits	<u>313</u>	<u>333</u>
Total compensation paid to key management personnel	<u>1,297</u>	<u>1,730</u>

# Unaudited Interim Financial Report *(Cont'd)*

## Notes to Condensed Consolidated Interim Financial Statements *(Cont'd)*

30 June 2007

### 18. Litigation

In December 2004, Baligold Developments Limited ("Baligold"), a wholly-owned subsidiary of the Company, commenced legal proceedings in the High Court of the Hong Kong Special Administrative Region against Best Concepts Consultants Limited ("BCCL", as the first defendant) and Central China (Asia) Investment Limited ("CCAI", as the second defendant), to recover, inter alia, the final payment of HK\$12,230,000 and interest thereon of HK\$510,000 under an agreement for sale and purchase dated 9 August 2002 in respect of disposal of the then issued shares of CCAI (the "Agreement"), the owner of a 50% interest in Shandong Huazhong Amber Brewery Co. Ltd. ("Amber Brewery"), to BCCL and a supplemental agreement dated 7 August 2003 (the "Supplemental Agreement"); and the enforcement of a share mortgage over the shares of CCAI as the security provided by BCCL under the Supplemental Agreement. In addition, Baligold's claim against CCAI included the damages for its failure to repay the loan of HK\$35,650,000 (the "Loan"), which should have been conditionally waived by Baligold subject to the completion of the Agreement (collectively referred as the "Proceedings").

In view of the uncertainty over the amount that can be recovered from BCCL and CCAI through the Proceeding, provisions with an aggregated amount of HK\$12,740,000 were charged to consolidated income statement in the prior years. The loan due from CCAI had been fully provided for in 2003. The directors considered that adequate provisions have been made in the financial statements for these receivable balances.

In February 2005, a counterclaim was submitted by BCCL and CCAI against Baligold for the damages for breaching of the Agreement. The directors, having considered the advice from legal counsel, are of the opinion that the counterclaim is without merit and should have no material adverse impact to the Group.

In June 2007, BCCL proposed an out of court settlement with a sum no more than HK\$50,000 on the basis that Amber Brewery, the only and the most valuable asset of BCCL, has been wound up during the period under review. The Board of Directors is seeking legal advice on the abovementioned settlement proposed by BCCL.

### 19. Approval of Condensed Consolidated Interim Financial Statements

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 19 September 2007.

# Independent Review Report



18th Floor,  
Two International Finance Centre,  
8 Finance Street,  
Central, Hong Kong

## **To the board of directors of Kingway Brewery Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

### **Introduction**

We have reviewed the interim financial information set out on pages 4 to 25 which comprises the condensed consolidated balance sheet of Kingway Brewery Holdings Limited as at 30 June 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Scope of review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Ernst & Young**  
*Certified Public Accountants*

Hong Kong  
19 September 2007

# Management Discussion and Analysis

## Results and Key Operating Data

The Board of Directors of the Company reports that the sales volume of Kingway beer for the first half of the year was 366,000 tonnes (2006: 295,000 tonnes), representing an increase of 24.1% over the same period last year. The consolidated revenue was HK\$803 million (2006: HK\$660 million), representing an increase of 21.6% as compared to the same period last year. The gross profit for the first half of the year was HK\$286 million (2006: HK\$277 million), representing an increase of 3.4% as compared to the same period last year.

Kingway beer achieved a growth of over 24% in terms of sales volume in the first half of 2007. As the three brewery plants outside Guangdong Province had commenced operations for the period under review, administrative expenses saw a significant increase as compared to the same period last year. As a result of the increase in the costs of operation which is due to the low sales volume of the new plants that still in early commencement stage and the rise of raw materials price as well as the increase in the finance costs, the Group's results for the first half of the year was affected and the cost advantage in the new plants through high capacity utilization has not yet been achieved. The unaudited consolidated profit for the period was HK\$15.91 million (2006: HK\$70.76 million), representing a decrease of 77.5% as compared to the same period last year. Basic earnings per share was 1.1 HK cents (2006: 4.8 HK cents, as restated), representing a decrease of 77.1% as compared to the same period last year.

The Board of Directors of the Company resolved not to declare the payment of interim dividend for the six months ended 30 June 2007 (2006: 1.5 HK cents).

## Business Review

During the period under review, the principal business of the Group continued to be production, distribution and sale of Kingway beer. The sales were mainly conducted in Guangdong Province, the PRC. The new brewery plants in Xian and Chengdu commenced operations in February and April 2007 respectively and their operations were normal so far.

Our new brewery plant in Foshan with an annual production capacity of 200,000 tonnes is still under construction. The construction works have been progressing smoothly and is expected to commence operations in early 2008. By then the coverage of Kingway beer in Guangdong Province would be further enhanced.

## Financial Review

Average costs of sales per tonne of beer for the first half of the year was HK\$1,411 (2006: HK\$1,298), representing an increase of 8.7% over the same period last year. This increase was attributable to the depreciation of new brewery plants, which led to an increase of fixed cost shared by each tonne of beer, and rising prices of certain raw materials and packaging materials. The Group would continue to implement various measures to control costs.



## Management Discussion and Analysis *(Cont'd)*

Selling and distribution expenses reached HK\$207 million (2006: HK\$170 million), representing an increase of 21.7% over the same period last year. The average selling and distribution expenses per tonne of beer was HK\$565 (2006: HK\$576), representing a decrease of 1.9% compared to the same period last year.

Administrative expenses for the first half of the year was HK\$58.37 million (2006: HK\$38.96 million), representing an increase of 49.8% over the same period last year. This was primarily due to the increase in expenses caused by the expanding structure and operating scale of the Group (mainly include Kingway brewery plants in Tianjin, Xian, Chengdu and Foshan).

The Group's bank loan increased by HK\$400 million in total in the fourth quarter of 2006, resulting in the increase in net finance costs to HK\$12.63 million for the first half of 2007 (2006: HK\$1.45 million).

### **Financial Resources, Liquidity and Debt**

The Group announced to issue 310,304,000 new shares by way of rights issue offering in May this year. The net proceeds of the rights issue were about HK\$741 million and were mainly used to finance the construction of new brewery plants and repayment of bank loans. The rights issue was completed on 29 June 2007. Including the proceeds collected from over-subscription of HK\$583 million, the Group had cash and bank balances of HK\$1.53 billion as at 30 June 2007 (including pledged and restricted bank balances of HK\$4.32 million), of which 0.1% was in USD, 0.2% was in EUR, 87.3% was in HKD and 12.4% was in RMB.

Net cash inflows from operating activities during the period was HK\$193 million. Capital expenditure was approximately HK\$258 million, which was mainly related to the construction costs of Kingway brewery plants in Xian, Chengdu and Foshan.

As at 30 June 2007, the Group had an aggregated amount of outstanding interest-bearing bank borrowings of HK\$652 million (31 December 2006: HK\$696 million), of which HK\$452 million has been classified as current liabilities (Please refer to note 11 of the announcement for details). Gearing ratio was in net cash position (which represented a negative figure calculated by the Group's interest-bearing debt less cash and cash equivalents and divided by net assets). The Group was in a healthy financial position. As at 30 June 2007, the Group did not have any contingent liability.

### **Human Resources**

As at 30 June 2007, the Group had 2,316 employees (31 December 2006: 2,105). Reasonable remuneration packages that take into account business performance, market practices and competitive market conditions are offered to employees in compensation for their contribution. In addition, discretionary bonuses are also granted based on the Group's and individual's performances.

## Management Discussion and Analysis *(Cont'd)*

### **Outlook**

The Group would commit to developing the three new markets of Tianjin, Xian as well as Chengdu and enhancing the sales volume in those cities. At the same time, to prepare for the commencement of the brewery plant in Foshan, the Group would work extra hard to strengthen the sales network in northern Guangdong. After the commencement of operations of the Kingway brewery plant in Foshan, the Group would have an annual production capacity of 1.7 million tonnes, of which the annual production capacity in Guangdong Province would be 1.1 million tonnes, and the capacity outside Guangdong Province would be 0.6 million tonnes.

The new plants had brought pressure on the Group's results and more difficulties would be seen in our operations due to intense competition among the peers, general rising price level in the PRC and changes in product mix. It is expected that the effect of the above factors will affect the Group's results throughout the year. The management would take this seriously and various measures have been made to continually increase market share of Kingway beer and to improve results of the Group.

## Directors' Interests and Short Positions in Securities

As at 30 June 2007, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which a director of the Company is taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

### I. Shares

#### (i) The Company

Name of director	Capacity/ nature of interest	Number of shares held	Long/Short position	Approximate percentage of holding
JIANG Guoqiang	Personal	366,666	Long Position	0.0215%
LIANG Jianqin	Personal	56,222	Long Position	0.0033%
LUO Fanyu	Personal	86,444	Long Position	0.0051%
HO LAM Lai Ping, Theresa	Personal	98,000	Long Position	0.0057%

Note: The total number of issued shares of the Company as at 30 June 2007 was 1,706,672,000.

#### (ii) Guangdong Investment Limited

Name of director	Capacity/ nature of interest	Number of shares held	Long/Short position	Approximate percentage of holding
LIANG Jianqin	Personal	150,000	Long Position	0.0025%
Michael WU	Family*	18,000	Long Position	0.0003%
HO LAM Lai Ping, Theresa	Personal	4,900,000	Long Position	0.0804%

\* Held by the spouse of Mr. Michael WU

Note: The total number of issued ordinary shares of Guangdong Investment Limited as at 30 June 2007 was 6,094,448,071.

#### (iii) Guangdong Tannery Limited

Name of director	Capacity/ nature of interest	Number of shares held	Long/Short position	Approximate percentage of holding
LUO Fanyu	Personal	70,000	Long Position	0.0130%

Note: The total number of issued shares of Guangdong Tannery Limited as at 30 June 2007 was 536,904,000.

## Directors' Interests and Short Positions in Securities (Cont'd)

### II. Options

#### (i) The Company

Name of director	Number of options held as at 01/01/2007	Options granted during the period		Increase in number of options due to adjustment made during the period (Note 1)	Period during which option is exercisable* (dd/mm/yyyy)	Total consideration paid for share options (HK\$)	Price to be paid per share on exercise of options (adjusted) (Note 1)(HK\$)	Number of options exercised during the period	Number of options held as at 30/06/2007	Long/Short position
		Date granted (dd/mm/yyyy)	Number granted							
YE Xuquan	2,000,000	-	-	115,152	27/08/2003-26/08/2008	1	0.794	-	2,115,152	Long position
	7,000,000	-	-	403,031	07/05/2004-06/05/2009	1	1.825	-	7,403,031	Long position
JIANG Guoqiang	2,000,000	-	-	115,152	27/08/2003-26/08/2008	1	0.794	-	2,115,152	Long position
Alan Howard SMITH	300,000	-	-	17,273	27/08/2003-26/08/2008	1	0.794	-	317,273	Long position
	300,000	-	-	17,273	07/05/2004-06/05/2009	1	1.825	-	317,273	Long position
V-nee YEH	300,000	-	-	17,273	27/08/2003-26/08/2008	1	0.794	-	317,273	Long position
	300,000	-	-	17,273	07/05/2004-06/05/2009	1	1.825	-	317,273	Long position

Note 1: The adjustments were made as a result of the rights issue offering completed on 29 June 2007 which had been ratified, confirmed and approved by the Board on 24 July 2007.

\* If the last day of the option period is not a business day in Hong Kong, the option period expires at 5:01 p.m. on the business day preceding that day (Hong Kong time).

#### (ii) Guangdong Investment Limited

Name of director	Number of options held as at 01/01/2007	Options granted during the period		Period during which option is exercisable* (dd/mm/yyyy)	Total consideration paid for share options (HK\$)	Price to be paid per share on exercise of options (HK\$)	Number of options exercised during the period	Number of options held as at 30/06/2007	Long/Short position
		Date granted (dd/mm/yyyy)	Number granted						
YE Xuquan	6,000,000	-	-	05/03/2003-04/03/2008	1	0.96	-	6,000,000	Long position
	3,000,000	-	-	08/08/2003-07/08/2008	1	1.22	-	3,000,000	Long position
	3,000,000	-	-	07/05/2004-06/05/2009	1	1.59	-	3,000,000	Long position
HO LAM Lai Ping, Theresa	1,500,000	-	-	07/05/2004-06/05/2009	1	1.59	1,500,000	0	Long position
	1,000,000	-	-	25/08/2004-24/08/2009	1	1.25	1,000,000	0	Long position

\* If the last day of the option period is not a business day in Hong Kong, the option period expires at 5:01 p.m. on the business day preceding that day (Hong Kong time).



## Directors' Interests and Short Positions in Securities (Cont'd)

### II. Options (Cont'd)

#### (iii) Guangnan (Holdings) Limited

Name of director	Number of options held as at 01/01/2007	Options granted during the period		Period during which option is exercisable* (dd/mm/yyyy)	Total consideration paid for share options (HK\$)	Price to be paid per share on exercise of options (HK\$)	Number of options exercised during the period	Number of options held as at 30/06/2007	Long/Short position
		Date granted (dd/mm/yyyy)	Number granted						
LIANG Jianqin	200,000	-	-	09/06/2006-08/03/2016	1	1.66	-	200,000	Long position
ZHAO Leili	200,000	-	-	09/06/2006-08/03/2016	1	1.66	-	200,000	Long position
LUO Fanyu	200,000	-	-	09/06/2006-08/03/2016	1	1.66	-	200,000	Long position

\* If the last day of the option period is not a business day in Hong Kong, the option period expires at 5:01 p.m. on the business day preceding that day (Hong Kong time).

Save as disclosed above, as at 30 June 2007, none of the directors or chief executive of the Company had registered any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are required to be: (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which a director of the Company is taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the period under review was the Company, its holding companies or any of its subsidiaries or associated corporations a party to any arrangement to enable the directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate.

## Substantial Shareholders' Interests and Short Positions in Securities

As at 30 June 2007, so far as is known to any director or chief executive of the Company, the following persons (other than a director or chief executive of the Company) have an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which are recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Type of securities	Number of securities held	Long/Short position	Approximate percentage of the Company's issued capital
廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited) <i>(Note 1)</i>	Shares	1,263,494,221	Long position	74.03%
GDH Limited ("GDH") <i>(Note 1)</i>	Shares	1,263,494,221	Long position	74.03%
Heineken Holdings N.V. ("Heineken HNV") <i>(Notes 2 and 3)</i>	Shares	1,263,494,221	Long position	74.03%
	Shares	365,767,453	Short position	21.43%
Heineken N.V. ("Heineken NV") <i>(Notes 2 and 3)</i>	Shares	1,263,494,221	Long position	74.03%
	Shares	365,767,453	Short position	21.43%
Heineken International B.V. ("Heineken IBV") <i>(Notes 2 and 3)</i>	Shares	1,263,494,221	Long position	74.03%
	Shares	365,767,453	Short position	21.43%
Fraser and Neave, Limited ("F & N") <i>(Notes 2 and 3)</i>	Shares	1,263,494,221	Long position	74.03%
	Shares	365,767,453	Short position	21.43%
Asia Pacific Investment Pte Ltd ("APIP") <i>(Notes 2 and 3)</i>	Shares	1,263,494,221	Long position	74.03%
	Shares	365,767,453	Short position	21.43%
Asia Pacific Breweries Limited ("APB") <i>(Notes 2 and 3)</i>	Shares	1,263,494,221	Long position	74.03%
	Shares	365,767,453	Short position	21.43%
Heineken – APB (China) Pte Ltd ("HAPBC") <i>(Notes 2 and 3)</i>	Shares	1,263,494,221	Long position	74.03%
	Shares	365,767,453	Short position	21.43%
Genesis Fund Managers, LLP <i>(Note 4)</i>	Shares	133,640,219	Long position	7.83%

## Substantial Shareholders' Interests and Short Positions in Securities *(Cont'd)*

- Notes: (1)(a) The attributable interest which 廣東粵港投資控股有限公司(Guangdong Yue Gang Investment Holdings Company Limited) has in the Company is held through its wholly-owned subsidiary, namely GDH.
- (1)(b) Of these 1,263,494,221 shares: (i) 897,726,768 shares are beneficially held by GDH, (ii) 231,999,453 shares related to derivative interests of GDH, and (iii) 133,768,000 shares related to the deemed interests of GDH under section 318 of the SFO.
- (2)(a) Of the 1,263,494,221 shares: (i) 365,767,453 shares were beneficially held by HAPBC and (ii) 897,726,768 shares related to the deemed interests of HAPBC under section 318 of the SFO.
- (2)(b) In addition, by virtue of the SFO, each of Heineken HNV, Heineken NV, Heineken IBV, F & N, APIP and APB is deemed to be interested in the same 1,263,494,221 shares of the Company in which HAPBC is interested, as described in note (2)(a) above.
- (3) The short position in respect of 365,767,453 shares arose as a result of the pre-emptive and other rights granted to GDH to, in certain specified circumstances, acquire HAPBC's shareholding in the Company under a share purchase agreement dated 28 January 2004 and entered into between GDH and HAPBC.
- (4) The shares held by Genesis Fund Managers, LLP were held in the capacity of investment manager.

Save as disclosed above, no other person (other than a director or chief executive of the Company) known to any director or chief executive of the Company as at 30 June 2007 had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which are recorded in the register kept by the Company pursuant to Section 336 of the SFO.

# Corporate Governance and Other Information

## Code on Corporate Governance Practices

The Company has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("Listing Rules") throughout the six months ended 30 June 2007.

## Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2007.

## Audit Committee

The Company established an audit committee ("Audit Committee") in September 1998. The terms of reference of the Audit Committee adopted by the Board of Directors are in line with the CG Code. The Audit Committee comprises the three independent non-executive directors, Mr. V-nee YEH as the chairman, Mr. Alan Howard SMITH and Mr. Felix FONG Wo as members. The principal duties of the Audit Committee include, inter alia, the review of the completeness, accuracy and fairness of the Company's financial reports and the Group's internal controls and risk management systems.

## Remuneration Committee

The Company established a remuneration committee ("Remuneration Committee") in June 2005. The terms of reference of the Remuneration Committee adopted by the Board of Directors are in line with the CG Code. The Remuneration Committee comprises Mr. YE Xuquan as the chairman, Mr. KOH Poh Tiong, Mr. V-nee YEH, Mr. Alan Howard SMITH and Mr. Felix FONG Wo as members. The principal duties of the Remuneration Committee include, inter alia, making recommendations to the Board relating to the Company's policy for directors' and senior management's remuneration, determining the executive directors' and senior management's remuneration packages, reviewing and approving their performance-based remuneration and compensation payable for their loss of offices.

## Review of Interim Results

The Audit Committee has reviewed the unaudited interim financial statements and the interim report of the Group for the six months ended 30 June 2007. In addition, the Company's external auditors, Ernst & Young, have also reviewed the aforesaid unaudited interim financial statements.

## Purchase, Sale and Redemption of Listed Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2007.



## Corporate Governance and Other Information *(Cont'd)*

### Disclosure Pursuant to Paragraph 13.21 of Chapter 13 of the Listing Rules

The Company has entered into three facility letters ("Facility Letters") signed between the Company and two different banks respectively for loan facilities with an aggregate amount of up to approximately HK\$696.4 million. The facility letters imposed specific performance obligations on GDH, the controlling shareholder of the Company, and/or HAPBC, a substantial shareholder of the Company. The Facility Letters include, inter alia, a condition to the effect that GDH and/or HAPBC shall in aggregate at all times to own directly or indirectly at least 51% of the issued ordinary shares of the Company. A breach of the above condition would constitute an event of default under the Facility Letters. If such an event of default occurs, the above facilities will become immediately due and repayable.

Of the above-mentioned three Facility Letters, the facility letters dated 25 November 2005 and 27 October 2006 contain, inter alia, a covenant to the effect that the Company shall maintain a consolidated interest coverage ratio of not less than 5 times, which shall be determined by reference to the financial information contained in, inter alia, the latest published interim report of the Company. A breach of that covenant would constitute an event of default and the bank concerned may demand immediate repayment of the relevant loans. The Company has obtained a waiver in respect of the aforesaid covenant requirement from the relevant bank with effect covering the period as from the date of publication of the Company's interim report for the six months ended 30 June 2007 until 30 November 2007. The Company will endeavor to obtain a further waiver from the bank before 30 November 2007 with respect to the relevant period after that day. Please refer to note 11 to the unaudited interim financial statements for details.

Details of each of the Facility Letters are summarized in the followings:

<b>Date of Facility letters</b>	<b>Facility amount</b>	<b>Outstanding balance as at 30 June 2007</b>	<b>Last repayment date</b>
25 November 2005	US\$38 million	US\$32.3 million	November 2009
27 October 2006	HK\$200 million	HK\$200 million	November 2010
19 December 2006	HK\$200 million	HK\$200 million	December 2010

By Order of the Board  
**YE Xuquan**  
*Chairman*

Hong Kong, 19 September 2007

