



**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

**2009**

Interim Report 中期報告



## Contents

<b>Corporate Information</b> .....	<b>2</b>
<b>Highlights</b> .....	<b>3</b>
<b>Unaudited Interim Financial Report</b>	
Condensed Consolidated Income Statement .....	<b>4</b>
Condensed Consolidated Statement of Comprehensive Income .....	<b>5</b>
Condensed Consolidated Balance Sheet .....	<b>6</b>
Condensed Consolidated Statement of Changes in Equity .....	<b>8</b>
Condensed Consolidated Cash Flow Statement .....	<b>9</b>
Notes to Interim Condensed Consolidated Financial Statements .....	<b>10</b>
<b>Report on Review of Interim Financial Information</b> .....	<b>28</b>
<b>Management Discussion and Analysis</b> .....	<b>29</b>
<b>Directors' Interests and Short Positions in Securities</b> .....	<b>31</b>
<b>Substantial Shareholders' Interests and Short Positions in Securities</b> .....	<b>35</b>
<b>Corporate Governance and Other Information</b> .....	<b>37</b>



# Corporate Information

(As at 1 September 2009)

## Board of Directors

*Executive Directors*

YE Xuquan (*Chief Executive Officer*)

JIANG Guoqiang (*Senior Vice President*)

LIANG Jianqin (*Chief Financial Officer*)

*Non-Executive Directors*

LI Wenyue (*Chairman*)

HUANG Xiaofeng

LUO Fanyu

Michael WU

Roland PIRMEZ (*Note 1*)

KOH Poh Tiong (*Note 2*)

Sijbe HIEMSTRA (*Note 3*)

*Independent Non-Executive Directors*

Alan Howard SMITH

Felix FONG Wo

Vincent Marshall LEE Kwan Ho

## Audit Committee

Vincent Marshall LEE Kwan Ho (*Chairman*)

Alan Howard SMITH

Felix FONG Wo

## Remuneration Committee

Roland PIRMEZ (*Chairman*)

Alan Howard SMITH

Felix FONG Wo

Vincent Marshall LEE Kwan Ho

## Company Secretary

Vanessa WONG Kin Yan

## Auditors

Ernst & Young

## Website Address

<http://www.kingwaybeer.hk>

## Principal Bankers

Rabobank International

DBS Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Standard Chartered Bank (Hong Kong) Limited

Shenzhen Development Bank

## 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 Fulcrum Group (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM 08

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: 2,000 shares

Financial year end: 31st December

*Note 1:* Mr. Roland PIRMEZ has appointed Mr. LEE Meng Tat as his alternate director.

*Note 2:* Mr. KOH Poh Tiong has appointed Mr. TAN Tiang Hing as his alternate director.

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

## Highlights

	For the six months ended 30 June		
	2009 (Unaudited)	2008 (Unaudited) (Restated)	Change
Beer sales volume, in tonne	<b>390,000</b>	309,000	+26.2%
Profit/(loss) for the period, in thousand HK\$	<b>9,107</b>	(41,380)	+122.0%
Basic earnings/(loss) per share, in HK cent	<b>0.5</b>	(2.4)	+120.8%
EBITDA, in thousand HK\$	<b>129,286</b>	70,492	+83.4%
	As at 30 June 2009 (Unaudited)	As at 31 December 2008 (Unaudited) (Restated)	
Current ratio	<b>0.8 times</b>	0.7 times	+14.3%
Gearing ratio <sup>1</sup>	<b>N/A</b>	6.0%	N/A
Total assets, in million HK\$	<b>3,946</b>	3,813	+3.5%
Net asset value per share, in HK\$	<b>1.68</b>	1.68	–
Period-end number of employees	<b>2,666</b>	2,714	-1.8%

Note:

<sup>1</sup> 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") presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009 together with the 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 2009

	Notes	For the six months ended 30 June	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) (Restated) HK\$'000
<b>REVENUE</b>	3	<b>749,128</b>	639,012
Cost of sales		<b>(576,052)</b>	(519,253)
<b>Gross profit</b>		<b>173,076</b>	119,759
Other income and gains		<b>49,138</b>	28,617
Selling and distribution expenses		<b>(130,884)</b>	(108,955)
Administrative expenses		<b>(58,720)</b>	(64,778)
Finance costs	4	<b>(22,214)</b>	(14,675)
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	<b>10,396</b>	(40,032)
Tax	6	<b>(1,289)</b>	(1,348)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>9,107</b>	(41,380)
<b>EARNINGS/(LOSS) PER SHARE</b>	7		
Basic		<b>0.5 HK cents</b>	(2.4) HK cents
Diluted		<b>N/A</b>	(2.4) HK cents

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

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

		For the six months ended 30 June	
	Notes	2009 (Unaudited) HK\$'000	2008 (Unaudited) (Restated) HK\$'000
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>9,107</b>	(41,380)
Exchange differences on translation of foreign operations	14	<b>(16,584)</b>	203,735
Net gain/(loss) on cash flow hedges	10	<b>4,594</b>	(1,529)
Transfer of hedging reserve to the income statement	4	<b>10,126</b>	–
Other comprehensive income/(loss) for the period		<b>(1,864)</b>	202,206
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>7,243</b>	160,826

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

## Condensed Consolidated Balance Sheet

30 June 2009

	Notes	<b>30 June 2009 (Unaudited) HK\$'000</b>	31 December 2008 (Unaudited) (Restated) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>2,816,937</b>	2,897,285
Investment properties		<b>37,114</b>	36,368
Prepaid land lease payments		<b>250,219</b>	251,656
Goodwill		<b>9,384</b>	9,384
Reusable packaging materials		<b>27,948</b>	42,362
Deferred tax assets		<b>7,403</b>	4,999
Total non-current assets		<b>3,149,005</b>	3,242,054
<b>CURRENT ASSETS</b>			
Inventories		<b>199,995</b>	259,269
Trade and bills receivables	8	<b>39,419</b>	38,139
Prepayments, deposits and other receivables		<b>28,149</b>	30,629
Pledged bank balances		<b>209</b>	646
Pledged time deposits		<b>136,128</b>	–
Cash and cash equivalents		<b>393,420</b>	242,689
Total current assets		<b>797,320</b>	571,372
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	<b>(371,797)</b>	(79,594)
Deferred revenue		<b>(93,358)</b>	(104,092)
Tax payable		<b>(3,282)</b>	(68)
Other payables and accruals		<b>(284,115)</b>	(305,991)
VAT payable		<b>(12,995)</b>	(4,480)
Derivative financial instrument	10	<b>(14,200)</b>	(18,794)
Due to the immediate holding company	17(b)	<b>(190)</b>	(237)
Due to fellow subsidiaries	17(b)	<b>(37,878)</b>	(8,105)
Interest-bearing bank borrowings	11	<b>(179,500)</b>	(278,560)
Total current liabilities		<b>(997,315)</b>	(799,921)
<b>NET CURRENT LIABILITIES</b>		<b>(199,995)</b>	(228,549)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,949,010</b>	3,013,505

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

## Condensed Consolidated Balance Sheet *(Cont'd)*

30 June 2009

	Notes	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Unaudited) (Restated) HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,949,010</b>	3,013,505
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	11	(55,000)	(135,000)
Deferred income		(8,493)	–
Deferred tax liabilities		(8,091)	(8,322)
Total non-current liabilities		<b>(71,584)</b>	(143,322)
Net assets		<b>2,877,426</b>	2,870,183
<b>EQUITY</b>			
Issued capital	12	171,154	171,154
Reserves	14	2,706,272	2,699,029
Total equity		<b>2,877,426</b>	2,870,183



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

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Notes	For the six months ended 30 June	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) (Restated) HK\$'000
Total equity at 1 January, as previously reported		<b>2,974,275</b>	2,830,074
Opening adjustment on adoption of HK(IFRIC)-Int 13	2.3	<b>(104,092)</b>	(91,946)
Total equity at 1 January, as restated		<b>2,870,183</b>	2,738,128
Profit/(loss) for the period		<b>9,107</b>	(41,380)
Other comprehensive income/(loss)	14	<b>(1,864)</b>	202,206
Total comprehensive income		<b>7,243</b>	160,826
Exercise of share options	12	–	504
Total equity at 30 June		<b>2,877,426</b>	2,899,458

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

## Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
<b>NET CASH INFLOWS FROM OPERATING ACTIVITIES</b>	<b>283,457</b>	106,706
<b>NET CASH OUTFLOWS FROM INVESTING ACTIVITIES</b>	<b>(16,155)</b>	(71,604)
<b>NET CASH OUTFLOWS FROM FINANCING ACTIVITIES</b>	<b>(179,060)</b>	(68,956)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>88,242</b>	(33,854)
Cash and cash equivalents at beginning of period	<b>242,689</b>	347,144
Effect of foreign exchange rate changes, net	<b>97</b>	10,458
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>331,028</b>	323,748
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>237,894</b>	271,051
Non-pledged time deposits with original maturity of less than three months when acquired	<b>93,134</b>	52,697
	<b>331,028</b>	323,748

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

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2009

### 1. Accounting Policies

The unaudited condensed consolidated interim financial statements of Kingway Brewery Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group") for the six months ended 30 June 2009 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 2008, 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 in note 2.1 to the interim condensed consolidated financial statements.

### 2.1 Impact of New and Revised Hong Kong Financial Reporting Standards

The Group has adopted the following new and revised HKFRSs for the first time for the current period's unaudited interim financial statements. 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.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of <i>HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendment to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) – Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>

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

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

30 June 2009

### 2.1 Impact of New and Revised Hong Kong Financial Reporting Standards *(Cont'd)*

Apart from the above, the HKICPA has issued Improvements to HKFRSs which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The improvements have no impact on the interim condensed consolidated financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) *HKFRS 8 Operating Segments*

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (geography) and secondary (business) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the geography segments previously identified under HKAS 14 Segment Reporting.

(b) *HKAS 1 (Revised) Presentation of Financial Statements*

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit and loss, together with all items of income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(c) *HK(IFRIC)-Int 13 "Customer Loyalty Programmes"*

HK(IFRIC)-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. HK(IFRIC)-Int 13 has been applied by the Group retrospectively from the earliest period presented and comparative amounts have been restated. The effect of the above changes are summarised in note 2.3 to the financial statements.

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

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

30 June 2009

### 2.2 Impact of Issued but not Yet Effective Hong Kong Financial Reporting Standards

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

HKFRS 1 (Revised)	<i>First-time Adoption of HKFRSs<sup>1</sup></i>
HKFRS 3 (Revised)	<i>Business Combinations<sup>1</sup></i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements<sup>1</sup></i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items<sup>1</sup></i>
HK(IFRIC)-Int 17	<i>Distribution of Non-cash Assets to Owners<sup>1</sup></i>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

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 while the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

### 2.3 Summary of the Impact of Changes in Accounting Policies

*The principal effects of adopting HK(IFRIC)-Int 13 are as follows:*

HK(IFRIC)-Int 13 requires customers loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. The Group maintains a loyalty credits programme which allows customers to accumulate credits when they purchase products from the Group. The credits can be redeemed for discounted products, subject to compliance with certain limit prescribed by the Group. The Group has historically recorded the customer loyalty credits as trade discounts when they are redeemed.

HK(IFRIC)-Int 13 has no specific provisions on transition. Therefore, the Group has followed HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" applying the changes retrospectively. The prior period financial information has therefore been restated. Under the new accounting policy, consideration received is allocated between the products sold and the credits issued, with the consideration allocated to the credits equal to their fair value. The fair value of the credits issued is deferred and recognised as revenue when the credits are redeemed.

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

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

30 June 2009

### 2.3 Summary of the Impact of Changes in Accounting Policies *(Cont'd)*

*The principal effects of adopting HK(IFRIC)-Int 13 are as follows: (Cont'd)*

The effect of the above changes is summarised below:

	<i>HK\$'000</i>
As of 1 January 2008:	
Net increase in liabilities:	91,946
Net decrease in opening retained profits:	91,946
As of 31 December 2008:	
Net increase in liabilities:	104,092
Net decrease in retained profits:	104,092
For the six months ended 30 June 2008:	
Net decrease in revenue:	16,714
Decrease in profit for the period:	16,714

The effect on earning per share related to the restatement for the six months ended 30 June 2009 is less than HK\$1 cent.

### 3. Segment Information

Segment information is presented by way of the Group's geographical operating results. No further operating segment information is presented as the Group's operations relate solely to the production, distribution and sale of beer. Summary details of the operating 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 Hong Kong, Macau 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.

In determining the Group's operating 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.

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

## Notes to Interim Condensed Consolidated Financial Statements *(Cont'd)* 30 June 2009

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

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

The following table presents revenue and results of the Group's geographical operating segments for the six months ended 30 June 2009 and 2008.

	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	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	715,704	604,674	33,424	34,338	-	-	-	-	749,128	639,012
Intersegment sales	15,327	14,402	-	-	-	-	(15,327)	(14,402)	-	-
Other revenue and gains	28,039	14,807	20	-	18,266	10,326	-	-	46,325	25,133
Total	759,070	633,883	33,444	34,338	18,266	10,326	(15,327)	(14,402)	795,453	664,145
Segment results	3,613	(46,629)	13,185	12,745	12,999	5,043	-	-	29,797	(28,841)
Bank interest income									2,813	3,484
Finance costs									(22,214)	(14,675)
Profit/(loss) before tax									10,396	(40,032)
Tax									(1,289)	(1,348)
Profit/(loss) for the period									9,107	(41,380)

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

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

30 June 2009

### 4. Finance Costs

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interest on bank loans wholly repayable within five years	3,683	9,258
Fair value loss on cash flow hedge <i>(note 10)</i>	8,405	5,417
Transfer of hedging reserve to the income statement	10,126	–
	<u>22,214</u>	<u>14,675</u>

### 5. Profit/(Loss) Before Tax

This is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Depreciation	77,687	74,236
Recognition of prepaid land lease payments	3,100	3,092
Amortisation of reusable packaging materials	15,889	18,521
Bank interest income	(2,813)	(3,484)
	<u>93,863</u>	<u>92,375</u>



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

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

30 June 2009

### 6. Tax

	<b>For the six months ended 30 June</b>	
	<b>2009 (Unaudited) HK\$'000</b>	2008 (Unaudited) HK\$'000
Group:		
Current – Hong Kong	<b>1,563</b>	1,538
Current – Mainland China:		
Charge for the period	<b>2,361</b>	–
Overprovision in prior periods	–	(97)
Deferred	<b>(2,635)</b>	(93)
	<hr/>	<hr/>
Total tax charge for the period	<b>1,289</b>	1,348
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided at a rate of 16.5% (Six months ended 30 June 2008: 16.5%) 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.

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Tax Law"), which is effective from 1 January 2008. Under the New CIT Tax Law, corporate income tax ("CIT") 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.

In addition, certain of the Group's PRC subsidiaries, which are currently entitled to a preferential tax treatment with full tax exemption from CIT for the two years starting from the first profitable year of operation, followed by a 50% reduction in CIT rate for the next three years, will continue to enjoy the preferential tax treatment in accordance with the original tax law, administrative regulations and the relevant stipulated preferential treatment until the term expires.

Shenzhen Kingway Brewing Co., Ltd. was entitled to a 50% tax relief for the six months ended 30 June 2008.

Kingway Brewery (Dongguan) Co., Ltd. is entitled to a 50% tax relief for the six months ended 30 June 2009 and 2008.

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

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

30 June 2009

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

Kingway Brewery (Shan Tou) Co., Ltd. is entitled to a 50% tax relief for the six months ended 30 June 2009. For the six months ended 30 June 2008, Kingway Brewery (Shan Tou) Co., Ltd. was exempted from CIT.

Kingway Brewery (Foshan) Co., Ltd. is exempted from CIT for the six months ended 30 June 2009 and 2008.

Kingway Brewery (Tianjin) Co., Ltd., Kingway Brewery (Xian) Co., Ltd. and Kingway Brewery Group (Chengdu) Co., Ltd. have not generated any accumulated assessable profits since their establishments. These companies are entitled to full tax exemption from CIT for two years commencing from 1 January 2008, followed by 50% reduction in CIT rate for the next three years.

### 7. Earnings/(Loss) Per Share

The calculation of the basic and diluted earnings/(loss) per share for the six months ended 30 June 2008 and 2009 are based on:

	<b>For the six months ended 30 June</b>	
	<b>2009 (Unaudited)</b>	2008 (Unaudited) (Restated)
	<b>HK\$'000</b>	HK\$'000
Profit/(loss) for the period	<b>9,107</b>	(41,380)
	<b>For the six months ended 30 June</b>	
	<b>2009 (Unaudited)</b>	2008 (Unaudited)
Number of shares:		
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings/(loss) per share calculation	<b>1,711,536,850</b>	1,706,783,569
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	–	4,241,678
For the purpose of diluted earnings/(loss) per share	<b>1,711,536,850</b>	1,711,025,247

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

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

30 June 2009

### 7. Earnings/(Loss) Per Share *(Cont'd)*

Diluted earnings per share amount for the period ended 30 June 2009 has not been disclosed, as the share option outstanding during the period had an anti-dilutive effect on the basis earnings per share for the period.

### 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.

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 2009 (Unaudited) HK\$'000</b>	31 December 2008 (Audited) HK\$'000
Within 3 months	<b>35,721</b>	24,614
3 to 6 months	<b>2,641</b>	1,379
6 months to 1 year	<b>887</b>	662
Over 1 year	<b>916</b>	507
	<b>40,165</b>	27,162
Less: Impairment	<b>(746)</b>	(746)
Trade receivables	<b>39,419</b>	26,416
Bills receivables	–	11,723
	<b>39,419</b>	38,139

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

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

30 June 2009

### 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 2009 (Unaudited) HK\$'000</b>	31 December 2008 (Audited) HK\$'000
Within 3 months	<b>159,914</b>	64,854
3 to 6 months	<b>10,141</b>	9,035
6 months to 1 year	<b>1,351</b>	3,784
Over 1 year	<b>1,871</b>	1,921
	<hr/>	<hr/>
Trade payables	<b>173,277</b>	79,594
Bills payables	<b>198,520</b>	–
	<hr/>	<hr/>
	<b>371,797</b>	79,594
	<hr/> <hr/>	<hr/> <hr/>

The trade payables are non-interest-bearing and are normally settled on a 30-day term.

### 10. Derivative Financial Instrument

	<b>30 June 2009 (Unaudited) HK\$'000</b>	31 December 2008 (Audited) HK\$'000
Cross currency interest rate swap classified as a current liability	<b>14,200</b>	18,794
	<hr/>	<hr/>

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

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

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

30 June 2009

### 10. Derivative Financial Instrument *(Cont'd)*

#### Cross currency interest rate swap

At 30 June 2009, 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 2008: 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 2008: LIBOR plus 0.413%) per annum, and pays interest at a fixed rate of 1.96% (31 December 2008: 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 gain on cash flow hedge included in the hedging reserve was HK\$4,594,000 (2008: net fair value loss on cash flow hedge of HK\$1,529,000).

	<b>For the six months ended 30 June</b>	
	<b>2009 (Unaudited) HK\$'000</b>	2008 (Unaudited) HK\$'000
Total fair value loss included in the hedging reserve	<b>3,811</b>	6,946
Transferred from the hedging reserve and included in finance costs <i>(note 4)</i>	<b>(8,405)</b>	(5,417)
Movement of cash flow hedge	<b>(4,594)</b>	1,529

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

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

30 June 2009

### 11. Interest-Bearing Bank Borrowings

	Effective interest rate	Maturity	30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
<b>Current</b>				
US\$38,000,000				
unsecured bank loan	2.85% per annum*	2009	19,500	118,560
Bank loan – unsecured	HIBOR+1.30% per annum	2009–2010	80,000	80,000
Bank loan – unsecured	HIBOR+0.30% per annum	2009–2010	80,000	80,000
			<b>179,500</b>	278,560
<b>Non-current</b>				
Bank loan – unsecured	HIBOR+1.30% per annum	2010	15,000	55,000
Bank loan – unsecured	HIBOR+0.30% per annum	2010	40,000	80,000
			<b>55,000</b>	135,000
			<b>234,500</b>	413,560

\* Includes the effects of a related cross currency interest rate swap as further detailed in note 10 to these financial statements.

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

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

30 June 2009

### 12. Share Capital

	<b>30 June 2009 (Unaudited) HK\$'000</b>	31 December 2008 (Audited) HK\$'000
Authorised:		
2,000,000,000 (31 December 2008: 2,000,000,000) ordinary shares of HK\$0.10 each	<b>200,000</b>	200,000
Issued and fully paid:		
1,711,536,850 (31 December 2008: 1,711,536,850) ordinary shares of HK\$0.10 each	<b>171,154</b>	171,154

#### Share options

During the six months ended 30 June 2008, the subscription rights attaching to 634,546 share options were exercised at a subscription price of HK\$0.794 per share, resulting in the issuance of 634,546 ordinary shares of the Company of HK\$0.10 each with the issued capital and share premium increased by HK\$64,000 and HK\$440,000 (before issuance expenses), respectively.

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 Interim Condensed Consolidated Financial Statements *(Cont'd)*

30 June 2009

### 13. Share Option Scheme

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives to the participants to contribute to the Group, to enable the Group to recruit and retain quality employees to serve the Group on a long term basis, to maintain good relationship with its consultants, professional advisers, suppliers of goods or services and customers and to attract human resources that are valuable to the Group. Eligible participants of the Share Option Scheme include the directors (including non-executive and independent non-executive directors), employees or executives of the Group, consultants or advisers of the Group, suppliers of goods or services to the Group, customers of the Group, and substantial shareholders of the Group. The Share Option Scheme was adopted on 31 May 2002 and, unless otherwise terminated or amended, will remain in force for a period of 10 years from 10 January 2003.

The following share options were outstanding under the Share Option Scheme during the period:

	<b>Weighted average exercise price</b> <i>HK\$ per share</i>	<b>Number of options</b> <i>'000</i>
At 1 January 2009	1.825	14,383
Lapsed during the period	1.825	(14,383)
At 30 June 2009	N/A	—



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

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

30 June 2009

### 14. Reserves

	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Hedging reserve <i>HK\$'000</i>	Enterprise development funds <sup>#</sup> <i>HK\$'000</i>	Reserve funds <sup>#</sup> <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2008, as previously reported	1,685,230	13,824	10,377	(35,718)	216	78,866	305,403	601,209	2,659,407
Adopting HK(IFRIC)-Int 13	-	-	-	-	-	-	-	(91,946)	(91,946)
At 1 January 2008, as restated	1,685,230	13,824	10,377	(35,718)	216	78,866	305,403	509,263	2,567,461
Loss for the period	-	-	-	-	-	-	-	(41,380)	(41,380)
Other comprehensive income/(loss)	-	-	-	(1,529)	-	-	203,735	-	202,206
Total comprehensive income	-	-	-	(1,529)	-	-	203,735	(41,380)	160,826
Exercise of share options <i>(note 12)</i>	440	-	-	-	-	-	-	-	440
At 30 June 2008 (Unaudited)	<u>1,685,670</u>	<u>13,824</u>	<u>10,377</u>	<u>(37,247)</u>	<u>216</u>	<u>78,866</u>	<u>509,138</u>	<u>467,883</u>	<u>2,728,727</u>
At 1 January 2009, as previously reported	1,688,606	13,824	10,377	(18,794)	216	78,866	468,728	561,298	2,803,121
Adopting HK(IFRIC)-Int 13	-	-	-	-	-	-	-	(104,092)	(104,092)
At 1 January 2009, as restated	1,688,606	13,824	10,377	(18,794)	216	78,866	468,728	457,206	2,699,029
Profit for the period	-	-	-	-	-	-	-	9,107	9,107
Other comprehensive income/(loss)	-	-	-	14,720	-	-	(16,584)	-	(1,864)
Total comprehensive income	-	-	-	14,720	-	-	(16,584)	9,107	7,243
At 30 June 2009 (Unaudited)	<u>1,688,606</u>	<u>13,824</u>	<u>10,377</u>	<u>(4,074)</u>	<u>216</u>	<u>78,866</u>	<u>452,144</u>	<u>466,313</u>	<u>2,706,272</u>

<sup>#</sup> 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 Interim Condensed Consolidated Financial Statements *(Cont'd)*

30 June 2009

### 15. Operating Lease Arrangements

(a) *As lessor*

The Group leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms ranging from three to ten years (31 December 2008: 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 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30 June 2009 (Unaudited) HK\$'000</b>	31 December 2008 (Audited) HK\$'000
Within one year	<b>3,686</b>	3,789
In the second to fifth years, inclusive	<b>9,016</b>	6,453
After five years	<b>789</b>	40
	<b>13,491</b>	10,282

(b) *As lessee*

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging one to two years (31 December 2008: one to two years).

At 30 June 2009, 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 2009 (Unaudited) HK\$'000</b>	31 December 2008 (Audited) HK\$'000
Within one year	<b>961</b>	1,110
In the second to fifth years, inclusive	<b>136</b>	542
	<b>1,097</b>	1,652

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

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

30 June 2009

### 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:

	<b>30 June 2009 (Unaudited) HK\$'000</b>	31 December 2008 (Audited) HK\$'000
Capital commitments for the Group's property, plant and equipment:		
Contracted, but not provided for	<b>6,376</b>	1,224

### 17. Significant Related Party Transactions

(a) *Transactions with fellow subsidiaries:*

	<b>For the six months ended 30 June</b>	
	<b>2009 (Unaudited) HK\$'000</b>	2008 (Unaudited) HK\$'000
Purchase of malt from Guangzhou Malting Co., Ltd	<b>33,753</b>	14,802
Purchase of malt from Ningbo Malting Co., Ltd.	–	3,064
Purchase of malt from Supertime (Baoying) Malting Co., Ltd.	<b>1,943</b>	–
Purchase of malt from Supertime (Changle) Malting Co., Ltd.	–	2,160
Purchase of malt from Supertime (Nanjing) Malting Co., Ltd.	<b>14,966</b>	18,591
Purchase of malt from Supertime (Qinhuangdao) Malting Co., Ltd.	<b>3,774</b>	–
Rental of office premises paid to Global Head Developments Limited	<b>419</b>	292
Subcontracting income received from Hainan Asia Pacific Brewery Co. Ltd.	<b>9,652</b>	–

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

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

30 June 2009

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

(b) *Outstanding balances with related parties:*

	<b>30 June 2009 (Unaudited) HK\$'000</b>	31 December 2008 (Audited) HK\$'000
Balances due to:		
The immediate holding company	190	237
Fellow subsidiaries	<b>37,878</b>	8,105

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

	<b>For the six months ended 30 June</b>	
	<b>2009 (Unaudited) HK\$'000</b>	2008 (Unaudited) HK\$'000
Short term employee benefits	1,380	873
Post-employment benefits	<b>374</b>	436
Total compensation paid to key management personnel	<b>1,754</b>	1,309

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

These interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 1 September 2009.

# Report on Review of Interim Financial Information



**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 27 which comprises the condensed consolidated balance sheet of Kingway Brewery Holdings Limited as at 30 June 2009 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement 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 aspects, in accordance with HKAS 34.

## Ernst & Young

*Certified Public Accountants*  
18th Floor, Two International Finance Centre  
8 Finance Street, Central  
Hong Kong  
1 September 2009

# Management Discussion and Analysis

## Results and Key Operating Data

The Board of Directors of the Company reports that the total sales volume of the Group for the first half of the year was 390,000 tonnes (2008: 309,000 tonnes), representing an increase of 26.2% over the same period last year. The consolidated revenue was HK\$749 million (2008 (restated): HK\$639 million), representing an increase of 17.2% as compared to the same period last year. The unaudited consolidated profit for the period was HK\$9.11 million (2008 (restated): consolidated loss of HK\$41.38 million).

The sales volume of beer for the first half of the year exhibit a growth as compared to that of the same period last year. This was primarily due to the high sales growth rate recorded by the brewery plants located outside Guangdong that have commenced operations in recent years as a result of market expansion and development, as well as the considerable sales volume growth recorded in Guangdong during the period under review.

The Board of Directors of the Company resolved not to declare the payment of an interim dividend for the six months ended 30 June 2009 (2008: nil).

## Business and Financial Review

During the period under review, production, distribution and sales of Kingway beer remained the core business of the Group. Approximately 58% of the beer sold was produced by the brewery plants in Guangdong, while the remaining was produced by the brewery plants in Tianjin, Xian and Chengdu respectively.

Average costs of sales per tonne of beer for the first half of the year was HK\$1,477 (2008: HK\$1,680), representing a decrease of 12.1% over the same period last year. The decrease in average costs of sales per tonne of beer was primarily due to the fall in the costs of raw materials and packaging materials together with the decrease in shared fixed costs per tonne of beer resulted from the increase in sales.

Selling and distribution expenses for the first half of the year amounted to HK\$131 million (2008: HK\$109 million), representing an increase of 20.1% from the same period last year. Average selling and distribution expenses per tonne was HK\$336 (2008: HK\$353), representing a decrease of 4.8% from the same period last year.

Administrative expenses for the first half of the year was HK\$58.72 million (2008: HK\$64.78 million), representing a decrease of 9.4% over the same period last year. The decrease was primarily attributable to the retrenchment of various administrative outgoings.

Finance costs of the Group for the first half of 2009 amounted to HK\$22.14 million (2008: HK\$14.68 million), representing an increase of 50.8%. The increase was attributable to the increase in expenses incurred in connection with the swap contract during the period under review. Since the swap contract served to hedge against the interest rate and the exchange rate between USD and RMB in respect of the Company's USD-denominated bank loan, the effect of such finance costs on the income statement could be offset by the exchange gains recorded during the period under review.

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

## Financial Resources, Liquidity and Debt

The Group had cash and bank balances of HK\$530 million as at 30 June 2009 (including pledged bank deposits and pledged time deposits totaled HK\$136 million), of which 97.1% was in RMB, 1.9% was in USD and 1.0% was in HKD.

Net cash inflow from operating activities during the period under review was HK\$283 million. The strong performance of cash inflow was a result of the improvement of sales and the effective control of working capital. Capital expenditure, in terms of cash outflow, was approximately HK\$47.67 million, which was mainly related to the payment for remaining construction costs of brewery plants in Xian, Chengdu and Foshan. In addition, a total of HK\$179 million of interest-bearing bank loans were repaid during the period.

As at 30 June 2009, the outstanding balance of interest-bearing bank loans of the Group amounted to HK\$235 million (31 December 2008: HK\$414 million). Given the satisfactory cash generated from operating activities and the standby banking facilities, the Group will have sufficient financial resources to cover all of the liabilities due and payable. As at 30 June 2009, the Group had no contingent liabilities.

## Human Resources

The Group had a total of 2,666 (31 December 2008: 2,714) employees as at 30 June 2009. Reasonable remuneration packages that take into account business performance, market practices and market conditions are offered to employees by the Group. In addition, discretionary bonuses are also granted based on the results of the Group and the performance of individual employees.

## Outlook

During the first half of 2009, the Guangdong market was relatively affected to a greater extent by the financial tsunami. Besides, as various breweries were establishing their plants in the province, resulting in severe excessive capacity, the market competition in Guangdong market was extremely intense. Based on the market characteristics of different provinces, the Group will maintain close relationship with distributors and strengthen its sales network, with a view to enhance product coverage and market penetration by fully utilizing its sales network and the opportunities brought about by the consumer demand, thereby maintaining Kingway's mainstream brand position and market share in its production bases.

The significance of the Group's strategic expansion outside Guangdong was evidenced by the growth of the sales volume of beer in Tianjin, Xian and Chengdu during the period under review.

Though the Group's business performance in the first half of the year has improved as compared to the same period last year, we are still exposed to a number of challenges in the market. The Group remains cautiously optimistic in respect of the sales volume for the whole year. We will continue our efforts in improving operating results as well as strive for sustainable development.

## Directors' Interests and Short Positions in Securities

As at 30 June 2009, 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	1,166,666	Long position	0.0682%
LIANG Jianqin	Personal	56,222	Long position	0.0033%
LUO Fanyu	Personal	86,444	Long position	0.0051%
Alan Howard SMITH	Personal	317,273	Long position	0.0185%

Note: The total number of issued shares of the Company as at 30 June 2009 was 1,711,536,850.

#### (ii) Guangdong Investment Limited

Name of director	Capacity/ nature of interest	Number of shares held	Long/Short position	Approximate percentage of holding
LI Wenyue	Personal	28,820,000	Long position	0.4659%
LIANG Jianqin	Personal	150,000	Long position	0.0024%
Michael WU	Family <sup>#</sup>	18,000	Long position	0.0003%

<sup>#</sup> Held by the spouse of Mr. Michael WU

Note: The total number of issued ordinary shares of Guangdong Investment Limited as at 30 June 2009 was 6,186,338,071.

#### (iii) Guangdong Tannery Limited

Name of director	Capacity/ nature of interest	Number of shares held	Long/Short position	Approximate percentage of holding
LI Wenyue	Personal	194,000	Long position	0.0361%
LUO Fanyu	Personal	70,000	Long position	0.0130%

Note: The total number of issued ordinary shares of Guangdong Tannery Limited as at 30 June 2009 was 537,504,000.



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

### I. Shares (Cont'd)

#### (iv) Guangnan (Holdings) Limited

Name of director	Capacity/ nature of interest	Number of shares held	Long/Short position	Approximate percentage of holding
LI Wenyue	Personal	800,000	Long position	0.0883%

Note: The total number of issued ordinary shares of Guangnan (Holdings) Limited as at 30 June 2009 was 905,603,285.

### II. Options

#### (i) The Company

Name of director	Number of share options held as at 01/01/2009	Share options granted during the period		Period during which share option is exercisable* (dd/mm/yyyy)	Total consideration paid for share options (HK\$)	Exercise price of share options** (HK\$) (per share)	Price of share at date immediately before date of grant*** (HK\$) (per share)	Number of share options exercised during the period	Number of share options lapsed during the period	Number of share options held as at 30/06/2009	Long/Short position
		Date of grant (dd/mm/yyyy)	Number granted								
YE Xuquan	7,403,033	-	-	07/05/2004-06/05/2009	1	1.825	1.900	-	7,403,033	-	N/A
Alan Howard SMITH	317,273	-	-	07/05/2004-06/05/2009	1	1.825	1.900	-	317,273	-	N/A

△ The vesting period of the share options is from the date of grant on 6 February 2004 until the commencement of the exercisable period.

\* 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).

\*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

\*\*\* The price of the Company's Share disclosed as "at date immediately before date of grant" of the share options is the closing price on the Hong Kong Stock Exchange on the business day prior to which the options were granted.

#### (ii) Guangdong Investment Limited

Name of director	Number of share options held as at 01/01/2009	Share options granted during the period		Period during which share option is exercisable (dd/mm/yyyy)	Total consideration paid for share options (HK\$)	Exercise price of share options* (HK\$) (per share)	Price of share at date immediately before date of grant** (HK\$) (per share)	Number of share options exercised during the period	Number of share options lapsed during the period	Number of share options held as at 30/06/2009	Long/Short position
		Date of grant (dd/mm/yyyy)	Number granted								
LI Wenyue	3,000,000 (Note 1)	-	-	07/05/2004-06/05/2009	1	1.59	1.57	3,000,000 (Note 2)	-	-	N/A
	2,500,000 (Note 1)	-	-	25/08/2004-24/08/2009	1	1.25	1.25	-	-	2,500,000	Long position
	9,500,000 (Note 3)	-	-	Note 3	-	1.88	1.73	-	-	9,500,000	Long position
HUANG Xiaofeng	5,700,000 (Note 3)	-	-	Note 3	-	1.88	1.73	-	-	5,700,000	Long position

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

## II. Options (Cont'd)

### (ii) Guangdong Investment Limited (Cont'd)

Note 1: These share options were granted pursuant to the share option scheme adopted by Guangdong Investment Limited on 31 May 2002 ("2002 Scheme").

Under the 2002 Scheme, the option period of the share option is the period expiring at 5:01 p.m. on the business day immediately preceding the fifth anniversary of the commencement date of the option period for the share option in question.

Note 2: The weighted average closing prices of the ordinary shares immediately before the date on which the options were exercised by Mr. LI Wenyue was HK\$3.30.

Note 3: These share options were granted pursuant to the share option scheme adopted by Guangdong Investment Limited on 24 October 2008 ("2008 Scheme").

Notes to the above share options granted pursuant to the 2008 Scheme are set out below:

- (a) The option period of all the share options is 5.5 years from the date of grant.
- (b) Any share option is only exercisable during the option period after it has become vested.
- (c) The normal vesting scale of the share options is as follows:

Date	Percentage Vesting
The date two years after the date of grant	40%
The date three years after the date of grant	30%
The date four years after the date of grant	10%
The date five years after the date of grant	20%

- (d) The vesting of the share options is further subject to the achievement of such performance targets as determined by the board of directors of Guangdong Investment Limited upon grant and stated in the offer of grant.
- (e) The leaver vesting scale of the share options that would apply in the event of the grantee ceasing to be an eligible person under certain special circumstances (less the percentage which has already vested under the normal vesting scale or lapsed) is as follows:

Date on which event occurs	Percentage Vesting
On or before the date which is four months after the date of grant	0%
After the date which is four months after but on or before the date which is one year after the date of grant	10%
On or after the date which is one year after but before the date which is two years after the date of grant	25%
On or after the date which is two years after but before the date which is three years after the date of grant	40%
On or after the date which is three years after but before the date which is four years after the date of grant	70%
On or after the date which is four years after the date of grant	80%
The remaining 20% also vests upon passing the overall performance appraisal for those four years	

△ The vesting period of the share options granted under the 2002 Scheme is from the date of the grant until the commencement of the exercisable period. Details of the vesting periods of the share options granted under the 2008 Scheme are set out in note 3 above.

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the share capital of Guangdong Investment Limited.

\*\* The price of the ordinary shares of Guangdong Investment Limited disclosed as "at date immediately before date of grant" of the share options is the closing price on the Hong Kong Stock Exchange on the business day prior to which the options were granted.

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

### II. Options (Cont'd)

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

Name of director	Number of share options held as at 01/01/2009	Share options granted during the period		Period during which share option is exercisable* (dd/mm/yyyy)	Total consideration paid for share options (HK\$)	Exercise price of share options** (HK\$) (per share)	Price of share at date immediately before date of grant*** (HK\$) (per share)	Number of share options exercised during the period	Number of share options lapsed during the period	Number of share options held as at 30/06/2009	Long/Short position
		Date of grant (dd/mm/yyyy)	Number granted								
LUO Fanyu	200,000	-	-	09/06/2006-08/03/2016	1	1.66	1.61	-	-	200,000	Long position

△ The vesting period of the share options is from the date of grant on 9 March 2006 until the commencement of the exercisable period or the grantee's completion of half year's full time service with Guangnan (Holdings) Limited or its subsidiaries, whichever is the later.

\* If the last day of the exercisable period is not a business day in Hong Kong, the exercisable period shall end at the close of business on the last business day preceding that day.

\*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the share capital of Guangnan (Holdings) Limited.

\*\*\* The price of the ordinary shares of Guangnan (Holdings) Limited disclosed as "at date immediately before date of grant" of the share options is the closing price on the Hong Kong Stock Exchange on the business day prior to which the options were granted.

Save as disclosed above, as at 30 June 2009, 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 2009, 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
廣東粵海控股有限公司 (Guangdong Holdings Limited) <i>(Note 1)</i>	Shares	1,263,494,221	Long position	73.82%
GDH Limited ("GDH") <i>(Note 1)</i>	Shares	1,263,494,221	Long position	73.82%
Heineken Holdings N.V. ("Heineken HNV") <i>(Notes 2 and 3)</i>	Shares	1,263,494,221	Long position	73.82%
	Shares	365,767,453	Short position	21.37%
Heineken N.V. ("Heineken NV") <i>(Notes 2 and 3)</i>	Shares	1,263,494,221	Long position	73.82%
	Shares	365,767,453	Short position	21.37%
Heineken International B.V. ("Heineken IBV") <i>(Notes 2 and 3)</i>	Shares	1,263,494,221	Long position	73.82%
	Shares	365,767,453	Short position	21.37%
Fraser and Neave, Limited ("F & N") <i>(Notes 2 and 3)</i>	Shares	1,263,494,221	Long position	73.82%
	Shares	365,767,453	Short position	21.37%
Asia Pacific Investment Pte Ltd ("APIP") <i>(Notes 2 and 3)</i>	Shares	1,263,494,221	Long position	73.82%
	Shares	365,767,453	Short position	21.37%
Asia Pacific Breweries Limited ("APB") <i>(Notes 2 and 3)</i>	Shares	1,263,494,221	Long position	73.82%
	Shares	365,767,453	Short position	21.37%
Heineken – APB (China) Pte Ltd ("HAPBC") <i>(Notes 2 and 3)</i>	Shares	1,263,494,221	Long position	73.82%
	Shares	365,767,453	Short position	21.37%
Genesis Asset Managers, LLP <i>(Note 4)</i>	Shares	136,640,219	Long position	7.98%
Genesis Fund Managers, LLP <i>(Note 5)</i>	Shares	133,640,219	Long position	7.81%

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

- Notes: (1)(a) The attributable interest which 廣東粵海控股有限公司(Guangdong Holdings 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 Asset Managers, LLP were held in the capacity of investment manager.
- (5) 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 2009 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 Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 June 2009.

## 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 2009.

## Board of Directors

At as the date of the report, the Board of Directors comprises three executive directors, Mr. YE Xuquan, Mr. JIANG Guoqiang and Ms. LIANG Jianqin; seven non-executive directors, namely Mr. LI Wenyue, Mr. HUANG Xiaofeng, Mr. LUO Fanyu, Mr. Michael WU, Mr. Roland PIRMEZ, Mr. KOH Poh Tiong and Mr. Sijbe HIEMSTRA; and three independent non-executive directors, namely Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho.

On 20 January 2009, Mr. V-nee YEH resigned as an independent non-executive director, chairman of the Audit Committee and member of the Remuneration Committee of the Company who possesses appropriate professional qualifications and accounting and related financial management expertise. Following resignation of Mr. V-nee YEH, the total number of independent non-executive directors and member of Audit Committee fell below the minimum number of three as required under Rules 3.10(1) and 3.21 of the Listing Rules. On 13 March 2009, Mr. Vincent Marshall LEE Kwan Ho, who has appropriate professional qualifications and accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules, was appointed as an independent non-executive director, the chairman of the Audit Committee and a member of the Remuneration Committee of the Company in replacement of Mr. V-nee YEH within three months from 20 January 2009 as required under Rules 3.11 and 3.23 of the Listing Rules. Subsequent to Mr. Vincent Marshall LEE Kwan Ho's appointment, the Company has three independent non-executive directors and three Audit Committee members, which has fully complied with the requirements set out in the Listing Rules.

## Changes in Directors' Information

Changes in directors' information are set out below:

Mr. KOH Poh Tiong resigned as a director of National Healthcare Group Pte Ltd. on 14 April 2009.

Mr. Felix FONG Wo was appointed as chairman of Advisory Council on Food & Environmental Hygiene on 1 April 2009 and ceased to act as member of Betting & Lotteries Commission on 31 July 2009.

Mr. Alan Howard SMITH is a director of CQS Asia Feeder Fund Limited which has been voluntarily de-listed from the Irish Stock Exchange effective from 1 July 2009.

The total of salaries, allowances and benefits in kind for 2009 for Mr. JIANG Guoqiang and Ms. LIANG Jianqin, executive directors of the Company, have been changed to HK\$830,046 and HK\$665,375 respectively.

Updated biographies of the directors are available on the website of the Company.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## 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 2009.

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

### 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 the Company are in line with the CG Code. The Remuneration Committee comprises Mr. Roland PIRMEZ as the chairman, Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho 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.

### 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 the Company are in line with the CG Code. The Audit Committee comprises the three independent non-executive directors, Mr. Vincent Marshall LEE Kwan Ho 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.

### Review of Interim Results

The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements and the interim report of the Group for the six months ended 30 June 2009. In addition, the Company's external auditors, Ernst & Young, have also reviewed the aforesaid unaudited interim condensed consolidated financial statements.

### Disclosure Pursuant to Rule 13.21 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\$696,400,000. 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.

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 2009</b>	<b>Last repayment date</b>
25 November 2005	US\$38 million	US\$2.5 million	November 2009
27 October 2006	HK\$200 million	HK\$95 million	October 2010
19 December 2006	HK\$200 million	HK\$120 million	December 2010

By Order of the Board  
**LI Wenyue**  
Chairman

Hong Kong, 1 September 2009

