GDH

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
Annual Report 年報

Contents

Corporate Information

as at 31 March 2010

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
China Construction Bank
Agricultural Bank of China

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: 0124
Board Lot: 2,000 shares
Financial year end: 31st December

Note 1: Mr. Roland PIRMEZ has appointed Mr. TAN Tiang Hing as his alternate director.
Note 2: Mr. KOH Poh Tiong has appointed Madam LOY Juat Boey as his alternate director.
Note 3: Mr. Sijbe HIEMSTRA has appointed Mr. Kenneth CHOO Tay Sian as his alternate director.

Simplified Corporate Structure Chart

Note: The above subsidiaries are wholly-owned by Kingway Brewery Holdings Limited.

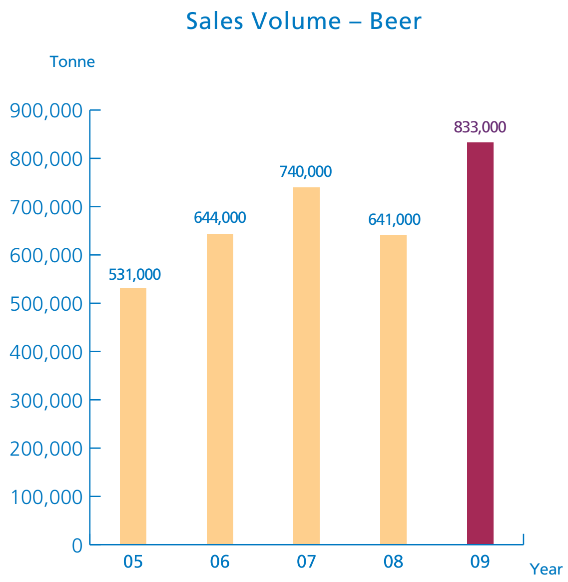
Highlights

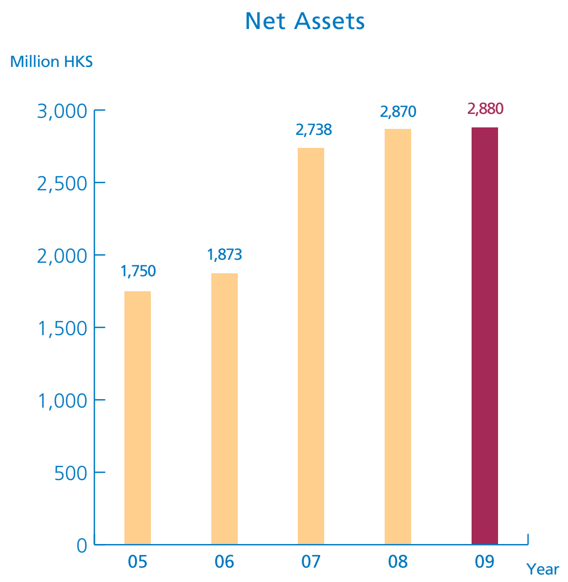
	For the year ended 31 December		
	2009	2008 *(Restated)*	Change
Beer sales volume, in tonne	**833,000**	641,000	+30.0%
Gross profit, in thousand HK$	**360,895**	280,199	+28.8%
Profit/(loss) for the year, in thousand HK$	**14,515**	(52,057)	N/A
Basic earnings/(loss) per share, in HK cent	**0.8**	(3.0)	N/A
EBITDA, in thousand HK$	**237,609**	179,949	+32.0%

	As at 31 December		
	2009	2008 *(Restated)*	Change
Current ratio	**0.7 times**	0.7 times	–
Gearing ratio[1]	**net cash**	6.0%	N/A
Total assets, in million HK$	**3,572**	3,813	–6.3%
Net asset value per share, in HK$	**1.68**	1.68	–
Year-end number of employees	**2,733**	2,714	+0.7%

Note:

1 Gearing ratio = (Interest-bearing debt – cash and cash equivalents)/net assets





Chairman's Statement

Results

In 2009, the Group sold 833,000 tonnes of beer, an increase of 30.0% over last year and recorded a net profit of HK$14.52 million for the year versus a net loss of HK$52.06 million (restated) for last year. Amidst an economic environment of global financial crisis and weak consumption, the Group managed to restore profitability after two consecutive years of losses, reduced gearing level and improved overall operating performance and financial position through the integrated efforts of the management and staff.

The Board of Directors did not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: nil).

Business Review

During the year, the Group has been proactively developing markets and expanding sales channels for beer products, which sales volumes achieved satisfactory growth. The sales volumes of all beer plants have increased year-on-year, in particular, significant increases in sales volumes were exhibited by the beer plants newly-built in recent years through local market expansion and penetration.

Backed up by expected improvements in the operating performance of the newly-built beer plants in recent years as well as significant reductions in losses suffered by the other subsdiaries of the Group during the year, the expansion strategy of the Group received initial successes of profit contributions to the Group by some of them.

In addition to develop and expand markets and sales channels proactively this year, the Group has also optimized every segment of operations, such as, strengthening and enhancing cost and expense controls, plant management and operating efficiency as well as brandname promotions. As at the end of 2009, given the prominent improvements in inventory management, the inventory balances decreased by 27.1% over last year, which reduced the use of working capital, minimized operating risks and lowered operating costs.

Outlook

Sustained by our efforts in 2009, the Group's business is on the right track of development. Our prime targets for 2010 are set to improving the operating results of the Group through continual expansion of its sales and distribution networks, enhance production and sales volumes and production capacity utilization of existing beer plants, and formulating of sales and distribution strategies adaptable to the unique market features of all regions, in spite of the expected ferocious competition amongst the beer industry.

Having contracted as a global cooperation partner of the Summer Universiade 2011 to be held in Shenzhen, the Group will undertake a series of brand promotions to complement the healthy and vibrant images of Kingway brand and enlighten the brand recognition and goodwill of Kingway beer by consumers.

Lastly, for and on behalf of the Board, I would like to recognise the turnaround efforts accomplished by the management and staff in restoring the Group's profitability during the past year. Under the forthright leadership of the Board, the Group will formulate suitable strategy in enhancing its sales volume of beer and operating results in order to create better return to the shareholders.

LI Wenyue
Chairman

Hong Kong, 31 March 2010

Management Discussion and Analysis

Operating Results

In 2009, the production, distribution and sales of Kingway beer remained to be the core business operations of the Group.

Consolidated turnover of the Group for the year amounted to HK$1,539 million (2008 (restated): HK$1,335 million), representing an increase of 15.3% over last year. The average selling price per tonne of beer decreased by 11.3% over last year, which was primarily attributed to the changes in pricing strategy of the selling prices and a dilution of the weighted average selling price per tonne of beer as a result of the increases in sales volume of beer in those regions outside Guangdong Province. Sales in Mainland China accounted for 95.4% of the consolidated revenue, representing an increase of 16.5% over last year in terms of revenue, whereas the sales in overseas and Hong Kong market accounted for 4.6% of the consolidated revenue which drop 4.2% over last year in terms of revenue. Consolidated profit after tax for the year was HK$14.52 million (2008 (restated): loss of HK$52.06 million).

Average costs per tonne of beer decreased by 14.0% over 2008, which was primarily attributed to decreases in procurement costs of various raw materials, consumables and packaging materials and decreases in average fixed costs per tonne of beer as a result of increases in sales volume of beer. Gross profit margin increased from 21.0% (restated) in 2008 to 23.4% in 2009 as the rate of decrease in average costs per tonne was greater than that of average selling prices.

Operating Expenses and Finance Costs

Selling and distribution expenses for the year amounted to HK$270 million (2008: HK$235 million), representing an increase of 14.9% over last year. Average selling and distribution expenses per tonne of beer sold for the year was HK$324 (2008: HK$367), representing a decrease of 11.7% over last year, which was primarily attributed to the optimisation of sales and marketing modes by the Group in controlling selling expenses reasonably and utilising them effectively.

Administrative expenses for the year was HK$129 million (2008: HK$135 million), a decrease of 4.4% over 2008, which was primarily attributed to the results of measures taken by the Group in retrenching costs and expenses.

Net finance costs for the year was HK$27.76 million, a decrease of 8.3% over last year, which was primarily attributable to decreases in interest expenses resulting from reductions in outstanding loans in 2009. With such reduction in the Group's bank loans, significant decrease in the Group's finance costs is expected next year.

Taxation

During the year, most of the Group's subsidiaries in the PRC were still subject to a full exemption from the corporate income tax for the first two profit-making years and a 50% relief in the following three years. Kingway plants in Shantou and Dongguan enjoyed a 50% tax relief, while Kingway plants in Tianjin, Xian, Chengdu and Foshan were in full tax exemption for the year.

Capital Expenditure

Capital expenditure incurred by the Group, on a cash basis, for the year was approximately HK$69 million (2008: HK$153 million), a decrease of 54.9% over last year. The capital expenditure paid was primarily attributed to the settlements of outstanding construction fees in respect of the Kingway plants in Foshan, Chengdu and Xian.

By the end of 2009, the Board of the Company approved the construction of a block of staff quarters of economic applicable category, which has also been approved by the relevant authorities of Shenzhen. With an estimated total construction costs of approximately HK$102 million, the staff quarters will provide approximately 204 residential units, each with a floor area of not more than 90 square metres. Subsequent to its completion, estimated to be in 2011, the staff quarters will be sold to eligible staff of the Group at the appraised prices of economic applicable housing in accordance with the regulations of housing system reforms of the Shenzhen Municipal Government. As at 31 December 2009, outstanding commitment of the project was about HK$92 million. It is expected that the Company will have a small amount of non-operating gains from the project.

Financial Resources and Liquidity

As at 31 December 2009, the Group's net asset value was HK$2,880 million (2008 (restated): HK$2,870 million), an increase of 0.3% over last year. Based on the number of ordinary shares in issue as at the year end, the net asset value per share was HK$1.68 (2008 (restated): HK$1.68 per share), which was the same as last year.

As at 31 December 2009, the Group had cash and bank balances totalling HK$264 million (2008: HK$243 million), an increase of 8.6% over last year, of which pledged and restricted bank deposits was nil (2008: HK$0.65 million). Of the balances at year end, 92.7% was in RMB, 4.6% in USD and 2.7% in HKD. Cash generated from operations for the year of HK$369 million (2008: HK$230 million) was satisfactory, which was primarily attributed to the improvement in the Group's results as coupled with efforts in inventory management.

During the year, HK$279 million of the principals of bank loans were repaid by the Group, and the remaining HK$135 million will be wholly repayable in 2010. Given the Group's existing cash balances and available standby credit facilities of RMB300 million (equivalent to HK$341 million), the Group will have sufficient funds to repay these bank loans.

Indebtedness and Contingent Liabilities

As at the end of the year, the Group had bank loans of HK$135 million (2008: HK$414 million) which bore interest at a rate based on HIBOR.

As at 31 December 2009, the Group's net gearing ratio was in a net cash position (2008 (restated): 6.0%), which indicated that the Group's financial structure is healthy and improving continually. None of the assets of the Group was pledged to any creditors and no contingent liabilities existed as at the end of the year.

Human Resources

The Group had approximately 2,733 (2008: 2,714) employees as at 31 December 2009, with total remuneration and provident fund contributions for the year of HK$224 million (2008: HK$191 million). Various basic benefits are provided to the Group's staff with an incentive policy pegging the Group's sales volume and results with their individual performance, which has effectively motivated staff initiatives.

Report of the Directors

The Directors herein present their report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2009.

Principal Activities

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in investment holding and in the production, distribution and sale of beer.

There were no significant changes in the nature of the Group's principal activities during the year.

Financial Summary

A summary of the results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

Results

	Year Ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	*(Restated)*	*(Restated)*	*(Restated)*
Revenue	**1,539,248**	1,334,911	1,564,418	1,391,390	1,171,494
Cost of sales	**(1,178,353)**	(1,054,712)	(1,071,206)	(837,233)	(670,162)
Gross profit	**360,895**	280,199	493,212	554,157	501,332
Other income and gains	**87,468**	70,611	47,008	24,026	47,744
Selling and distribution expenses	**(270,188)**	(234,989)	(410,916)	(369,594)	(302,454)
Administrative expenses	**(129,468)**	(134,965)	(129,526)	(98,563)	(67,862)
Finance costs	**(27,760)**	(30,271)	(24,670)	(3,722)	(213)
Profit/(loss) before tax	**20,947**	(49,415)	(24,892)	106,304	178,547
Tax	**(6,432)**	(2,642)	(13,964)	(12,372)	(5,815)
Profit/(loss) for the year	**14,515**	(52,057)	(38,856)	93,932	172,732

Assets and liabilities

	As at 31 December				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	*(Restated)*	*(Restated)*	*(Restated)*
Total assets	**3,572,232**	3,813,426	3,969,634	3,098,818	2,477,988
Total liabilities	**(691,785)**	(943,243)	(1,231,506)	(1,225,790)	(683,281)
Net assets	**2,880,447**	2,870,183	2,738,128	1,873,028	1,794,707

Results and Dividends

The Group's profit for the year ended 31 December 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 98.

No interim dividend was paid during the year and the Board of Directors did not recommend the payment of a final dividend for the year ended 31 December 2009.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Company and the Group during the year are set out in note 13 to the financial statements.

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year are set out in notes 30 and 31 to the financial statements, respectively.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity on page 37, respectively.

Distributable Reserves

As at 31 December 2009, the Company's reserves available for distribution to shareholders as calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK$158,649,000.

In addition, the Company's share premium of HK$1,688,606,000 may be distributed in the form of fully paid bonus shares.

Charitable Contributions

There were no charitable contributions made by the Group during the year (2008: Nil).

Retirement Benefits Schemes

Particulars of the Group's retirement benefit schemes are set out in note 2.6 to the financial statements.

Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2009 are set out in note 17 to the financial statements.

Directors

The Directors of the Company during the financial year and up to the date of this report are:

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
KOH Poh Tiong
Sijbe HIEMSTRA

Independent Non-Executive Directors

Alan Howard SMITH	
Felix FONG Wo	
Vincent Marshall LEE Kwan Ho	(appointed on 13 March 2009)
V-nee YEH	(resigned on 20 January 2009)

Alternate Directors

TAN Tiang Hing *(alternate director to Mr. Roland PIRMEZ)*	(appointed as an alternate director to Mr. Roland PIRMEZ and ceased to be an alternate director to Mr. KOH Poh Tiong on 9 December 2009)
LOY Juat Boey *(alternate director to Mr. KOH Poh Tiong)*	(appointed as an alternate director to Mr. KOH Poh Tiong on 9 December 2009)
Kenneth CHOO Tay Sian *(alternate director to Mr. Sijbe HIEMSTRA)*	
LEE Meng Tat *(alternate director to Mr. Roland PIRMEZ)*	(ceased to act as an alternate director on 9 December 2009)

In accordance with bye-law 87 of the Company's Bye-laws (the "Bye-Laws"), Mr. JIANG Guoqiang, Mr. KOH Poh Tiong, Mr. Sijbe HIEMSTRA, Mr. Alan Howard SMITH and Mr. Felix FONG Wo will retire by rotation and, being eligible, they all offer themselves for re-election at the forthcoming annual general meeting.

Mr. JIANG Guoqiang, Executive Director, Mr. KOH Poh Tiong, Mr. Sijbe HIEMSTRA, Non-Executive Directors, and Mr. Alan Howard SMITH, Mr. Felix FONG Wo, Independent Non-Executive Directors, agree to stand for re-election and if re-elected to hold office from the date of re-election, to the earlier of (i) the conclusion of the annual general meeting of the Company to be held in 2013 and (ii) 30 June 2013 subject to earlier determination in accordance with the Bye-Laws of the Company and/or applicable laws and regulations.

Directors' and Senior Management's Profile

as at 31 March 2010

Executive Directors

Mr. YE Xuquan, aged 54, was appointed an Executive Director of the Company in January 2002. Mr. Ye acted as the Chairman of the Board of the Company from January 2002 to July 2008 and has been appointed as the Chief Executive Officer since July 2008. Mr. Ye graduated from the Department of Chinese Language and Literature and the Institute of Economy Research, South China Normal University and obtained a Master's degree of Economics from South China Normal University. Mr. Ye joined Guangdong Province Dongshen Water Supply Management Bureau (the "Dongshen Water Supply Bureau") in 1978 and has 23 years' experience in the management and operation of water supply business. Mr. Ye was a section chief of the Dongshen Water Supply Bureau in 1984, promoted as Vice Director in 1987, acted as Deputy Director in 1995 and acted as Director from 1997 to 2000. He was the Chairman of Guangnan (Holdings) Limited ("Guangnan") from November 2000 to January 2002 and a Director of Guangdong Investment Limited ("GDI") from May 2000 to February 2004, both companies are fellow subsidiaries of the Company and are listed in Hong Kong. He was also the Chairman of 廣東粵港供水有限公司 (Guangdong Yue Gang Water Supply Company Limited) from August 2000 to July 2003, a Director and the Deputy General Manager of both 廣東粵海控股有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings") and GDH Limited ("GDH"), the respective ultimate holding company and immediate holding company of the Company. He is also the Vice President of both the Beer Association of China and the Music and Literature Association of China.

Mr. JIANG Guoqiang, aged 57, was appointed an Executive Director of the Company in January 2002 and was previously appointed a Director and the Chairman of the Company in March 2001. He also acted as the Managing Director of the Company from January 2002 to July 2008 and has been appointed as the Senior Vice President since July 2008. Mr. Jiang graduated from Shanghai Metallurgical Machinery School where he majored in metallurgical machinery. He is an engineer. From 1976 to 1988, Mr. Jiang worked for First Metallurgy Construction Company of the Ministry of Metallurgy. In 1988, he joined Zhongshan Zhongyue Tin-Plate Industrial Company Limited and Shanghai Industrial Co., Ltd. and he became a Director and Deputy General Manager of both companies in 1991. Mr. Jiang was a Director and the General Manager of both companies from 1995 to March 2001. He was a Deputy General Manager of the strategic development department of GDH, the controlling shareholder of the Company, from April 2000 to January 2001.

Ms. LIANG Jianqin, aged 45, was appointed an Executive Director and the Chief Financial Officer of the Company in April 2006. Ms. Liang graduated from the department of accountancy of Jinan University and holds a Master's degree in Economics. She is a fellow member of The Association of Chartered Certified Accountants, a fellow member of Hong Kong Institute of Certified Public Accounts and a member of The Chinese Institute of Certified Public Accountants. She worked for Ernst and Young from 1995 to 1997 and GDI from 1997 to 2002 and was the general manager of the finance department of GDH, the controlling shareholder of the Company, from 2002 to 2006. Ms. Liang was a Non-Executive Director of Guangnan from July 2002 to August 2006. GDI and Guangnan are fellow subsidiaries of the Company and are listed in Hong Kong. She possesses extensive experience in financial management, external and internal audit as well as business management.

Non-Executive Directors

Mr. LI Wenyue, aged 59, was appointed a Non-Executive Director and the Chairman of the Company in July 2008. He was appointed a Director and the Managing Director of GDI in March 2000. When he was appointed Chairman of GDI in March 2001, he resigned his position as Managing Director of GDI. GDI is a fellow subsidiary of the Company and is a listed company in Hong Kong. Mr. Li was appointed a Director and the General Manager of Guangdong Holdings and GDH in July 2000 and August 2000, respectively and has acted as the Chairman of both Guangdong Holdings and GDH since April 2005. Mr. Li subsequently ceased to act as General Manager of both Guangdong Holdings and GDH in February 2009. Guangdong Holdings and GDH are the ultimate holding company and the immediate holding company of the Company, respectively. Before joining GDI, Mr. Li was with Guangdong Power Group in a number of positions from 1977 to 1994 including Director and Deputy General Manager; and thereafter, he acted as Deputy Secretary-General of the Guangdong Provincial Government from 1994 to 2000, mainly assisting the Governor in the management of transport, industry, energy, communication, labour and, subsequently, the restructuring of Guangdong Enterprises (Holdings) Limited ("GDE"). He has a Master's degree in Engineering from Tsinghua University.

Directors' and Senior Management's Profile (continued)
as at 31 March 2010

Non-Executive Directors (continued)

Mr. HUANG Xiaofeng, aged 51, was appointed a Non-Executive Director of the Company in October 2008. Mr. Huang graduated from South China Normal University and holds a Bachelor's degree in History. He also holds a Master's degree in Public Administration from the Sun Yat-Sen University. From 1987 to 1999, he worked with the General Office of the Communist Party of China Guangdong Committee in a number of positions. Between 1999 and 2003, Mr. Huang was the Deputy Director General of the General Office of the Communist Party of China Guangzhou Committee and thereafter the Deputy Secretary General of the Communist Party of China Guangzhou Committee. Between 2003 and 2008, Mr. Huang was the Deputy Director General of the General Office of the Guangdong Provincial Government and then the Deputy Secretary General of the Guangdong Provincial Government. Mr. Huang was appointed as a Director and a Deputy General Manager of Guangdong Holdings in April 2008 and was subsequently appointed as an Executive Director and a Deputy General Manager of GDH. Mr. Huang was appointed General Manager of both Guangdong Holdings and GDH in February 2009. Guangdong Holdings and GDH are the ultimate holding company and the immediate holding company of the Company respectively. Mr. Huang was also appointed as a Non-Executive Director of GDI and Guangnan in June 2008 and October 2008 respectively. Both GDI and Guangnan are fellow subsidiaries of the Company and are listed in Hong Kong.

Mr. LUO Fanyu, aged 54, was appointed a Non-Executive Director of the Company in October 2003. Mr. Luo graduated from the economics department of Zhongshan University. He joined GDE in 1987 and was responsible for its legal affairs. He is currently a Director of GDH, the controlling shareholder of the Company, and a Non-Executive Director of Guangnan. Guangnan is a fellow subsidiary of the Company and is a listed company in Hong Kong. Prior to joining GDE, he held various positions as judge and a deputy chief judge of the Economic Court of the People's High Court of Guangdong Province.

Mr. Michael WU, aged 58, was appointed a Non-Executive Director of the Company in October 2003. Mr. Wu joined GDI in 1992 and had been a Deputy General Manager of GDI from July 1996 to February 2001. GDI is a fellow subsidiary of the Company and is a listed company in Hong Kong. He was the Chairman of the Company from March 2000 to January 2001. Mr. Wu is currently a Deputy General Manager of Strategic Development Department of GDH, the controlling shareholder of the Company. Mr. Wu graduated from Zhongshan University and obtained a Bachelor's degree in Arts. In 1987, he obtained his Master's degree in Business Administration from the University of Texas in the United States.

Mr. Roland PIRMEZ, aged 50, was appointed a Non-Executive Director of the Company in October 2008. He is the Chief Executive Officer and Director of Asia Pacific Breweries Limited ("APB") with effect from 1 October 2008 and holds directorships in several companies within the APB Group. APB is a listed company in Singapore and the controlling shareholder of Heineken-APB (China) Pte Ltd ("HAPBC") which is a substantial shareholder of the Company. Of Belgian nationality, he was previously CEO of Heineken Russia, a position he has held since 2002. Prior to this, he was General Manager of APB's associate, Thai Asia Pacific Brewery Co Ltd for 4 years from 1998 to 2002. Before Thailand, Mr. Pirmez held different positions in Africa and joined Heineken as Managing Director – Angola in 1996. He has an Engineering degree in Agriculture with a Master's degree in Brewing.

Mr. KOH Poh Tiong, aged 63, was appointed a Non-Executive Director of the Company in April 2004. Mr. Koh is the CEO, Food and Beverage of Fraser and Neave, Limited and Director of Fraser and Neave Holdings Bhd, a company listed in Malaysia. From October 1993 to September 2008, he held the position of Chief Executive Officer of APB, a company listed in Singapore. He is also a Director of HAPBC, a substantial shareholder of the Company. He remains as a Director of APB and retains directorships in most of APB's operating companies in the region. He is Chairman of the Singapore Kindness Movement, Chairman of the School Advisory Committee of Gan Eng Seng School, a Director of PSA International Ltd and PSA Corporation Ltd, The Great Eastern Life Assurance Co Ltd and Board Member of the Singapore Youth Olympic Games (YOG) Organising Committee. From April 2000 to March 2008, he was Chairman of the Agri-Food & Veterinary Authority ("AVA"), and a member of the APEC Business Advisory Council representing Singapore from January 1999 to August 2001. His previous directorships include National Healthcare Group Pte Ltd, the Media Corporation of Singapore Pte Ltd, Television Corporation of Singapore Pte Ltd, Wildlife Reserves Singapore Pte Ltd and Jurong BirdPark Pte Ltd. For Mr. Koh's contributions to AVA, he was bestowed the Public Service Medal at the National Day Awards 2007. He also received the Service to Education Award from the Ministry of Education in 2007 and the 1998 DHL/The Business Times Outstanding CEO of the Year Award.

Directors' and Senior Management's Profile (continued)

as at 31 March 2010

Non-Executive Directors (continued)

Mr. Sijbe HIEMSTRA, aged 54, was appointed a Non-Executive Director of the Company in July 2005. He joined the Heineken Group in 1978 and has held senior management positions in Europe, Africa and Asia Pacific. Mr. Hiemstra was Regional Director of APB in South East Asia and Oceania from 1998 to 2001 and was responsible for supervising the operations in New Zealand, Papua New Guinea, Malaysia, Thailand and Cambodia. APB is a listed company in Singapore and the controlling shareholder of HAPBC which is a substantial shareholder of the Company. He was Corporate Director of Heineken Technical Services from 2001 to 2005. Mr. Hiemstra is currently President of Heineken Asia Pacific, member of Heineken Executive Committee on a global basis and Chairman of Heineken Asia Pacific Pte Ltd. Mr. Hiemstra holds directorships in Asia Pacific Investment Pte Ltd ("APIP") and APB Group's subsidiaries and associate companies, including HAPBC, DB Breweries Limited, as well as Heineken Group of companies in Asia Pacific, including PT Multi Bintang Indonesia Tbk.

Independent Non-Executive Directors

Mr. Alan Howard SMITH, aged 66, was appointed an Independent Non-Executive Director of the Company in January 1999. Mr. Smith was Vice Chairman in the Pacific Region, of Credit Suisse First Boston ("CSFB"), a leading global investment bank from 1997 to 2001. Prior to joining CSFB, Mr. Smith was the Chief Executive of the Jardine Fleming Group from 1983 to 1994 and was Chairman of the Jardine Fleming Group from 1994 to 1996. Mr. Smith has over twenty-five years' investment banking experience in Asia. He was elected a council member of The Stock Exchange of Hong Kong Limited on two occasions. He was a member of the Hong Kong Special Administrative Region Government's Economic Advisory Committee from 1994 to 2001, and was for 10 years a member of the Hong Kong Government's Standing Committee on Company Law Reform. Currently, Mr. Smith is a Director of Castle Asia Alternative PCC Limited (formerly known as KGR Absolute Return PCC Limited), a company listed on the London Stock Exchange, a Director of Global Investment House, KSC, a company listed in Kuwait, Dubai and Bahrain, a Director of Noble Group Limited and United International Securities Limited, listed companies in Singapore and a Director of Asia Credit Hedge Fund, listed on the Irish Stock Exchange. Mr. Smith is also a Director of Frasers Property (China) Limited, Genting Hong Kong Limited (formerly known as Star Cruises Limited) and VXL Capital Limited which are listed companies on The Stock Exchange of Hong Kong Limited. He has been a Director of CQS Convertible and Quantitative Strategies Feeder Fund Ltd. since 2003, and CQS Asia Feeder Fund Limited since 2007 both which had been voluntarily delisted from the Irish Stock Exchange effective in 2009. Apart from the above, he was also a Director of China Sunergy Co., Ltd. (a listed company on the NASDAQ) from May 2007 to June 2008, a Director of LIM Asia Arbitrage Fund Limited (a listed company on the Irish Stock Exchange) and Lei Shing Hong Limited (a listed company in Hong Kong) since 2002 and 2004, respectively, these two companies were delisted in 2009 and 2008, respectively. He was from 2007 to 2009 a Director of The Hong Kong Building and Loan Agency Limited which is listed in Hong Kong.

Mr. Felix FONG Wo BBS, JP, aged 59, was appointed an Independent Non-Executive Director of the Company in January 2007. He is a consultant and founding partner of King & Wood (formerly known as Arculli Fong & Ng). Mr. Fong received his engineering degree in Canada in 1974 and his law degree from Osgoode Hall Law School in Toronto in 1978. He has practiced law for over twenty-nine years, eight of which in Toronto. Mr. Fong is a member of the law societies of Hong Kong, Upper Canada and England. In 1992, Mr. Fong was appointed by the Ministry of Justice of China as one of the China-appointed Attesting Officers in Hong Kong. Mr. Fong undertook a number of community and social roles, such as the past Chairman of the Chinese Canadian Association of Hong Kong, the Chairman of the Liquor Licensing Board, a member of the Hong Kong Film Development Council, the Chairman of the Advisory Council on Food and Environmental Hygiene, and a member of the Hong Kong Town Planning Board. He is also the founding member of Democratic Alliance for the Betterment and Progress of Hong Kong and Vice-chairman of its Senate, a Director of the Hong Kong Basic Law Institute, a member of Guangdong Provincial Committee of Chinese People's Political Consultative Conference and a Director of China Overseas Friendship Association. In the area of education, Mr. Fong is a founding member and the first director of Canadian International School of Hong Kong and a visiting professor of the School of Law of Sun Yat-sen University in China. Currently, Mr. Fong is an Independent Non-Executive Director of SPG Land (Holdings) Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited. Apart from the above, Mr. Fong was also a Non-Executive Director of Cinda International Holdings Limited (formerly known as Hantec Investment Holdings Limited), a company listed in Hong Kong, from May 2000 to December 2008.

Directors' and Senior Management's Profile (continued)

as at 31 March 2010

Independent Non-Executive Directors (continued)

Mr. Vincent Marshall LEE Kwan Ho Officer of the Order of the Crown (Belgium), aged 54, was appointed an Independent Non-Executive Director of the Company in March 2009. He was elected as Independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited (a listed company in Hong Kong) since 2000 and Managing Director of Tung Tai Group of Companies since 1990. Mr. Lee has over 26 years of experience in the securities and futures industry and has extensive experience in banking, corporate finance and investment. He worked for Coopers and Lybrand, Los Angeles & Boston from 1978 to 1981; HSBC group, Hong Kong & Vancouver from 1981 to 1990. He undertook a number of public service and community activities. He has been a member of Brewin Trust Fund Committee and Investment Advisory Board of Correctional Services Children's Education Trust since 2006. He was also a part-time member of Central Policy Unit of the Government of the HKSAR from 2007 to 2008, a member of Academic and Accreditation Advisory Committee of Securities and Futures Commission from 2002 to 2006 and a member of Securities and Futures Appeals Tribunal from 2003 to 2009. He has been a founding member of Canadian International School of Hong Kong Limited since 1990 and acted as its chairman from 2006 to 2008 and chairman of the Institute of Securities Dealers Limited from 2005 to Feb 2009. He graduated Magna Cum Laude in Accounting and International Finance from the University of Southern California, USA and received a Master of Economics from the London School of Economics and Political Science, UK. He is a Certified Public Accountant in State of California, USA and fellow member of Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Directors.

Alternate Directors

Mr. TAN Tiang Hing, aged 45, was appointed an alternate Director to Mr. Roland PIRMEZ, a Director of the Company, in December 2009. Mr. Tan was an alternate Director to Mr. KOH Poh Tiong, a Director of the Company, for the period from December 2008 to December 2009. He is the Regional Director (China) of APB, a listed company in Singapore and the controlling shareholder of HAPBC which is a substantial shareholder of the Company. He has been with APB since 1990 holding various management positions in Singapore, Papua New Guinea and China. He has been based in China for the last 14 years where he has held the position of Marketing Director, Commercial Manager and General Manager in HAPBC's subsidiaries including acting as the Cluster Director of South China Cluster, Heineken-APB (China) Management Services Co Ltd, Shanghai Asia Pacific Brewery Co Ltd and Hainan Asia Pacific Brewery Co Ltd. Mr. Tan obtained a Bachelor's degree in Business Administration from National University of Singapore in 1987 and has completed the Heineken International Management Course at INSEAD.

Madam LOY Juat Boey, aged 52, was appointed an alternate Director to Mr. KOH Poh Tiong, a Director of the Company, in December 2009. Madam Loy is the Director – Group Finance of APB, a listed company in Singapore and the controlling shareholder of HAPBC which is a substantial shareholder of the Company. She has about 30 years of experience in Finance & Accountancy and Audit functions. Madam Loy's other work experience includes with organizations such as Ernst & Whitney and Purvaria Packaging Industries.

Mr. Kenneth CHOO Tay Sian, aged 42, was appointed an alternate Director to Mr. Sijbe HIEMSTRA, a Director of the Company, in July 2005. Mr. Choo is the Director – Finance & Business Development of Heineken in Asia Pacific, and a member of the Asia Pacific Management Team. Mr. Choo is a Director of Heineken Asia Pacific Pte Ltd, Asia Pacific Brewery (Lanka) Limited and Heineken Far East Pte Ltd, and an alternate Director of APB and its parent company APIP. He also holds directorships and alternate directorships in a number of APB subsidiaries. APB is a listed company in Singapore and the controlling shareholder of HAPBC which is a substantial shareholder of the Company. He held various senior management positions in multi-national companies prior to joining Heineken in 2003. Mr. Choo is a member of Certified Public Accountants of Singapore, and has completed the Advanced Management Program at Harvard Business School.

Senior Management

The senior management of the Group comprises the three Executive Directors above, namely, Mr. YE Xuquan, Mr. JIANG Guoqiang and Ms. LIANG Jianqin.

Directors' Emoluments

Particulars of the Directors' and senior management's emoluments disclosed pursuant to Section 161 of the Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 8 to the financial statements.

Directors' Service Contracts

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts of Significance

None of the Directors had a beneficial interest in any contract of significance to the business of the Group, whether directly or indirectly, to which the Company, any of its holding companies, or any of its subsidiaries or fellow subsidiaries was a party during the year or as at 31 December 2009.

Directors' Interests in Competing Business

As at 31 December 2009, the interests of Directors or their respective associates in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, namely, the production, distribution and sale of beer (the "Competing Business"), as required to be disclosed were as follows:

Name of Director	**Name of entity** *(Note)*	**Nature of interest** *(Note)*
Roland PIRMEZ	Asia Pacific Breweries Limited and Group	Chief Executive Officer and Director
	Heineken-APB (China) Pte Ltd. and Group	Chairman and Director
KOH Poh Tiong	Fraser and Neave, Limited	Chief Executive Officer, Food and Beverage
	Asia Pacific Breweries Limited and Group	Director
	Asia Pacific Investment Pte Ltd.	Director
	Heineken-APB (China) Pte Ltd. and Group	Director
Sijbe HIEMSTRA	Asia Pacific Breweries Limited and Group	Director
	Asia Pacific Investment Pte Ltd.	Director
	Heineken Asia Pacific Pte Ltd.	Chairman
	Heineken-APB (China) Pte Ltd. and Group	Director
TAN Tiang Hing	Asia Pacific Breweries Limited	Regional Director (China)
	Heineken-APB (China) Pte Ltd. and Group	Cluster Director of South China Cluster/General Manager, China National Marketing
	Guangzhou Asia Pacific Brewery Company Pte Ltd.	General Manager (Legal Person)
LOY Juat Boey	Asia Pacific Breweries Limited	Director – Group Finance
Kenneth CHOO Tay Sian	Heineken Asia Pacific Pte Ltd.	Director
	Asia Pacific Investment Pte Ltd.	Alternate Director
	Asia Pacific Breweries Limited and Group	Alternate Director

Note: The entities set out in the column headed "Name of entity" are holding companies or companies listed on various stock exchanges. The interests of the Directors listed in the above table in the businesses of the aforesaid listed entities or holding companies may also arise through their respective directorships in the subsidiaries, associated companies or other forms of investment vehicles of such listed entities or holding companies.

Save as disclosed above, as at 31 December 2009, none of the Directors had any interest in any Competing Business.

Directors' Interests and Short Positions in Securities

As at 31 December 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 were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive were 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 Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), 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	2,016,666	Long position	0.1178%
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 31 December 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	31,320,000	Long position	0.5041%
LIANG Jianqin	Personal	100,000	Long position	0.0016%
Michael WU	Family#	18,000	Long position	0.0003%

Held by the spouse of Mr. Michael WU.

Note: The total number of issued ordinary shares of Guangdong Investment Limited as at 31 December 2009 was 6,213,438,071.

(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 31 December 2009 was 537,619,000.

Directors' Interests and Short Positions in Securities (continued)

I. Shares (continued)

(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 31 December 2009 was 905,723,285.

II. Options

(i) The Company

Name of director	Number of share options held as at 01/01/2009	Share options granted during the year: Date of grant *(dd/mm/yyyy)*	Share options granted during the year: Number granted	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 year	Number of share options lapsed during the year	Number of share options held as at 31/12/2009	Long/ Short position
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

Note: 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 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 year: Date of grant *(dd/mm/yyyy)*	Share options granted during the year: Number granted	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 year	Number of share options lapsed during the year	Number of share options held as at 31/12/2009	Long/ Short position
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 *(Note 2)*	–	–	N/A
	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 (continued)

II. Options (continued)

(ii) Guangdong Investment Limited (continued)

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$3.81.

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

Note 4: 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 Stock Exchange on the business day prior to which the options were granted.

Directors' Interests and Short Positions in Securities (continued)

II. Options (continued)

(iii) Guangnan (Holdings) Limited

Name of director	Number of share options held as at 01/01/2009	Share options granted during the year: Date of grant (dd/mm/yyyy)	Share options granted during the year: Number granted	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 year	Number of share options lapsed during the year	Number of share options held as at 31/12/2009	Long/ Short position
LUO Fanyu	200,000	–	–	09/06/2006-08/03/2016	1	1.66	1.61	–	–	200,000	Long position

Note: 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 Stock Exchange on the business day prior to which the options were granted.

Save as disclosed above, as at 31 December 2009, to the knowledge of the Company, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive are 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 Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the year was the Company or its holding companies, or any of its subsidiaries or its fellow subsidiaries, a party to any arrangements to enable the Directors of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' Interests

As at 31 December 2009, so far as is known to any Directors or the chief executive of the Company, the following persons (other than a Director or the chief executive of the Company) had, or were deemed or taken to have interests or short positions 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 were 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) *(Note 1)*	Shares	1,263,494,221	Long position	73.82%
GDH Limited ("GDH") *(Note 1)*	Shares	1,263,494,221	Long position	73.82%
Heineken Holdings N.V. ("Heineken HNV") *(Notes 2 and 3)*	Shares Shares	1,263,494,221 365,767,453	Long position Short position	73.82% 21.37%
Heineken N.V. ("Heineken NV") *(Notes 2 and 3)*	Shares Shares	1,263,494,221 365,767,453	Long position Short position	73.82% 21.37%
Heineken International B.V. ("Heineken IBV") *(Notes 2 and 3)*	Shares Shares	1,263,494,221 365,767,453	Long position Short position	73.82% 21.37%
Fraser and Neave, Limited ("F & N") *(Notes 2 and 3)*	Shares Shares	1,263,494,221 365,767,453	Long position Short position	73.82% 21.37%
Asia Pacific Investment Pte Ltd ("APIP") *(Notes 2 and 3)*	Shares Shares	1,263,494,221 365,767,453	Long position Short position	73.82% 21.37%
Asia Pacific Breweries Limited ("APB") *(Notes 2 and 3)*	Shares Shares	1,263,494,221 365,767,453	Long position Short position	73.82% 21.37%
Heineken – APB (China) Pte Ltd ("HAPBC") *(Notes 2 and 3)*	Shares Shares	1,263,494,221 365,767,453	Long position Short position	73.82% 21.37%
Genesis Asset Managers, LLP *(Note 4)*	Shares	136,640,219	Long position	7.98%
Genesis Fund Managers, LLP *(Note 5)*	Shares	133,640,219	Long position	7.81%

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.

Substantial Shareholders' Interests (continued)

Save as disclosed above, as at 31 December 2009, so far as is known to any Director or the chief executive of the Company, there were no other persons (other than a Director or the chief executive of the Company) who had, or were deemed or taken to have interests or short positions 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 were recorded in the register kept by the Company pursuant to section 336 of the SFO.

Connected and Related Party Transactions

Details of the connected and related party transactions disclosed in compliance with the disclosure requirements in accordance with Chapter 14A of the Listing Rules are set out in note 36 to the financial statements.

Purchase, Sale and Redemption of Listed Securities

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the year.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws of Bermuda, being the jurisdiction in which the Company is incorporated.

Public Float

As at the date of this Report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

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

The Company has entered into two facility letters ("Facility Letters") signed between the Company and two different banks respectively for loan facilities with an aggregate amount of up to HK$400,000,000. 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:

Date of Facility letters	Facility amount	Outstanding balance as at 31/12/2009	Last repayment date
27 October 2006	HK$200 million	HK$55 million	October 2010
19 December 2006	HK$200 million	HK$80 million	December 2010

Major Customers and Suppliers

Sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year.

Purchases from the Group's five largest suppliers accounted for 37.0% of the total purchases for the year and purchases from the Group's largest supplier included therein amounted to 11.2%.

Supertime Development Limited and its subsidiaries ("SDL Group") were among the Group's five largest suppliers. The SDL Group are subsidiaries of GDH, the holding company of the Company. Accordingly, members of SDL Group are connected person of the Company. The purchase agreement entered into between the Company and Supertime Development Limited dated 4 December 2007 in relation to the purchase of malt by the Group from SDL Group with maximum aggregate annual value of malt purchased by the Group for the financial year ended 31 December 2009 being RMB625,000,000 (equivalent to approximately HK$709,000,000) have been approved by the independent shareholders at the special general meeting held on 31 December 2007. Please refer to note 36 to the financial statements for details of the connected transactions.

Save as disclosed above, none of the Directors, their respective associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the issued share capital of the Company) had any interest in the Group's five largest suppliers.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
LI Wenyue
Chairman

Hong Kong, 31 March 2010

The Group recognises the importance of achieving and monitoring the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders and is committed to doing so. It is also with the objectives in mind that the Group has applied the principles on the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

In the opinion of the directors of the Company (the "Directors"), the Company has met the code provisions set out in the CG Code throughout the year ended 31 December 2009.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 year ended 31 December 2009.

Board of Directors

As of the date of this report, the Board comprises three Executive Directors, being Mr. YE Xuquan, Mr. JIANG Guoqiang and Ms. LIANG Jianqin, seven Non-Executive Directors, being 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, being Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho.

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The Management was delegated the authority and responsibility by the Board for the day-to-day management of the Group. Major corporate matters that are specifically delegated by the Board to the Management include the preparation of interim and annual reports and announcements for Board approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory and regulatory requirements and rules and regulations.

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.

Board of Directors (continued)

During the financial year ended 31 December 2009, the Board has four scheduled meetings at approximately quarterly intervals. The attendances of the Directors at the Board meetings are as follows:

Directors	Number of Attendance
YE Xuquan	4/4
JIANG Guoqiang	4/4
LIANG Jianqin	4/4
LI Wenyue	4/4
HUANG Xiaofeng	1/4
LUO Fanyu	2/4
Michael WU	4/4
Roland PIRMEZ	4/4
KOH Poh Tiong	4/4
Sijbe HIEMSTRA	3/4
Alan Howard SMITH	4/4
Felix FONG Wo	4/4
Vincent Marshall LEE Kwan Ho (appointed on 13 March 2009)	4/4
V-nee YEH (resigned on 20 January 2009)	N/A

The Company has received written confirmation from each of the Independent Non-Executive Directors confirming their independence pursuant to Rule 3.13 of the Listing Rules, and considers them to be independent within the definition of the Listing Rules.

Mr. Alan Howard SMITH will stand for re-election at this year's annual general meeting. While he has served the Board for more than 9 years, he has clearly demonstrated his willingness to exercise independent judgment and to provide objective challenges to management. There is no evidence that length of tenure is having an adverse impact on his independence. The Board therefore considers that he remains independent.

The Board members do not have any financial, business, family or other material/relevant relationships with each other. Such balanced board composition also ensures that strong independence exists across the Board. The biographies of the Directors are set out in pages 11 to 14 to the annual report, which demonstrate a diversity of skills, expertise, experience and qualifications.

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. LI Wenyue and the Chief Executive Officer is Mr. YE Xuquan. Their roles are clearly defined and segregated to ensure independence and proper checks and balances. Mr. Li as the Chairman of the Board, with his strategic vision and with a non-executive perspective, provides leadership to the Board and gives direction in the development of the Company, which is of added benefit to the check and balance mechanism of the Company. Mr. Ye as the Chief Executive Officer focuses on the day-to-day management of the Group's business, and leads the management team of the Group.

Non-Executive Directors

All Directors, including Non-Executive Directors, appointed to fill a causal vacancy or as an addition to the existing Board, shall hold office only until the first general meeting after their appointment and shall then be eligible for re-election. Moreover, each Non-Executive Director of the Company will hold office for a specific term expiring on the earlier of either (i) the conclusion of the annual general meeting of the Company in the year of the third anniversary of the appointment or re-election of that Director or (ii) the expiration of the period within which the annual general meeting of the Company is required to be held in the year of the third anniversary of the appointment or re-election of that Director and in any event, subject to earlier determination in accordance with the Bye-laws of the Company and/or applicable laws and regulations.

Remuneration of Directors

The Company established the Remuneration Committee in 2005. The authorities and duties of the Remuneration Committee are as follows:

Authority

1. The Remuneration Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Remuneration Committee.

2. The Remuneration Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Duties

1. To make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

2. To have the delegated responsibilities to determine the specific remuneration packages of all Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. Factors which should be taken into consideration include but are not limited to salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

3. To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

4. To review and approve the compensation payable to Executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company.

5. To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

6. To make recommendations to the Board on the remuneration of Non-Executive Directors.

7. To ensure that no Director or any of his associates is involved in deciding his own remuneration.

8. To consult the Chairman and/or the Managing Director about their proposals relating to the remuneration of Executive Directors and senior management and have access to professional advice if considered necessary.

9. To consider other topics as defined by the Board.

10. To report back to the Board on their work (including their decisions and recommendations) from time to time as appropriate and in any event not less than once every year.

Remuneration of Directors (continued)

As of the date of this report, the Remuneration Committee comprises three Independent Non-Executive Directors, being Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho and one Non-Executive Director, being Mr. Roland PIRMEZ. Mr. Roland PIRMEZ is the chairman of the Remuneration Committee.

During the financial year ended 31 December 2009, the Remuneration Committee held two meetings. It reviewed and approved the remuneration proposal for 2009 for Mr. YE Xuquan, the Chief Executive Officer, and considered and approved the 2009 bonus scheme payout proposal for the Chief Executive Officer and the 2009 remuneration packages for Mr. JIANG Guoqiang and Ms. LIANG Jianqin, the Executive Directors. The attendance of each member of the Remuneration Committee is set out as follows:

Directors	Number of Attendance
Roland PIRMEZ	2/2
Alan Howard SMITH	2/2
Felix FONG Wo	2/2
Vincent Marshall LEE Kwan Ho (appointed on 13 March 2009)	2/2
V-nee YEH (resigned on 20 January 2009)	N/A

Details of the amount of the Directors' emoluments for the year 2009 are set out in note 8 to the financial statements.

Mr. YE Xuquan is currently entitled to an annual director's fees, salaries, allowances and benefits in kind and pension scheme contributions of approximately HK$2,400,000.

Mr. JIANG Guoqiang is currently entitled to an annual director's fees, salaries, allowances and benefits in kind and pension scheme contributions of approximately HK$1,151,000.

Ms. LIANG Jianqin is currently entitled to an annual director's fees, salaries, allowances and benefits in kind and pension scheme contributions of approximately HK$874,000.

Mr. Vincent Marshall LEE Kwan Ho, Mr. Alan Howard SMITH and Mr. Felix FONG Wo are currently entitled to an annual director's fees of HK$340,000, HK$300,000 and HK$300,000 respectively.

Other than the biographies of the Directors and changes in the Director's remuneration as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Nomination of Directors

The Board is responsible for the nomination and considering and approving the appointment of directors with a view to appointing to the Board suitable individuals with the relevant expertise and experience to enhance the constitution of a strong and diverse Board and to contribute to the functioning of the Board through their continuous participation.

The nomination and appointment of Mr. Vincent Marshall LEE Kwan Ho as the Independent Non-Executive Director was considered and approved by the Board during the financial year ended 31 December 2009.

Auditors' Remuneration

During the year under review, the remuneration paid to the Company's auditors, Ernst & Young, is set out as follows:

Services rendered	Fee paid/payable *HK$'000*
Audit of Final Results	2,450
Review of Interim Results	530
Taxation compliance services	14
Agreed-upon procedures in respect of continuing connected transactions	100
	3,094

Audit Committee

The Audit Committee of the Company was established in 1998. The authorities and duties of the Audit Committee are as follows:

Authority

1. The Audit Committee is authorised by the Board to investigate activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.

2. The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Duties

1. To be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor.

2. To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.

3. To develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

Audit Committee (continued)

Duties (continued)

4. To monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the Audit Committee should focus particularly on:

   (i) any changes in accounting policies and practices;
   (ii) major judgmental areas;
   (iii) significant adjustments resulting from audit;
   (iv) the going concern assumptions and any qualifications;
   (v) compliance with accounting standards; and
   (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting.

5. In regard to (4) above:

   (i) members of the Audit Committee must liaise with the Company's Board and senior management and the Audit Committee must meet, at least once a year, with the Company's auditors; and
   (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors.

6. To review the Company's financial controls, internal controls and risk management systems.

7. To discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

8. To consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response.

9. Where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function.

10. To review the Group's financial and accounting policies and practices.

11. To review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of controls and management's response.

12. To ensure that the Board will provide a timely response to the issues raised in the external auditors management letter.

13. To report to the Board on the matters set out in the code provisions in relation to Audit Committee under Appendix 14 of the Listing Rules.

14. To consider other topics, as defined by the Board.

Audit Committee (continued)

As of the date of this report, the Audit Committee comprises the three Independent Non-Executive Directors, being Mr. Vincent Marshall LEE Kwan Ho as the chairman, Mr. Alan Howard SMITH and Mr. Felix FONG Wo as members.

During the financial year ended 31 December 2009, the Audit Committee held two meetings. It reviewed the 2008 annual results and the 2009 interim results of the Company and its subsidiaries before their submission to the Board and monitored the integrity of such financial statements. The Audit Committee oversees matters concerning the external auditors including making recommendations to the Board regarding the appointment of the external auditors, reviewing the scope of their audit and approving their fees. In addition to its two meetings as aforesaid, the Audit Committee has also a private meeting with the external auditors at least once every year without the presence of the management to discuss any area of concern. The Audit Committee maintains an overview of the Group's risk assessment, control and management processes. In addition, it reviews the internal audit schedules of the Group, considers the Group's internal audit reports and monitors the effectiveness of the internal audit function. The attendance of each member of the Audit Committee is set out as follows:

Directors	Number of Attendance
Vincent Marshall LEE Kwan Ho (appointed on 13 March 2009)	2/2
Alan Howard SMITH	2/2
Felix FONG Wo	2/2
V-nee YEH (resigned on 20 January 2009)	N/A

Accountability and Audit

The Board is responsible for overseeing the preparation of financial statements for the year ended 31 December 2009, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that financial year. In preparing the financial statements for the year ended 31 December 2009, the Board has selected appropriate accounting policies, applied them consistently in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and ensured the preparation of the financial statements on the going concern basis.

The Group endeavours to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. The annual and interim results of the Company are announced in a timely manner within the limit of 4 months and 3 months respectively after the end of the relevant periods in accordance with the Listing Rules.

Internal Control

The Board is responsible for the Group's system of internal controls and its effectiveness. Such a system is designed to prudently manage the Group's risks within an acceptable risk profile. The Board has delegated to executive management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures. However, such system aims at limiting the risks of the Company to an acceptable level but not at eliminating all the risks. Hence, such system can only provide reasonable assurance that there will not be any error in financial information and record, and there will not be any material fraud.

Internal Control (continued)

The management under the supervision of the Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the systems of internal controls when there are changes to business environment or regulatory guidelines.

The management assists the Board with the implementation of all relevant policies and procedures on risk and control by identifying and assessing the risk faced and designing, operating and monitoring suitable internal controls to mitigate and control theses risks. The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

A distinct organization structure is maintained with defined lines of authorities and proper segregation of duties, which is designed to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations.

In addition to the duties of the Audit Committee as mentioned above, the Audit Committee, inter alia, reviews the financial controls, internal control and risk management systems of the Group and any significant internal control issues identified by the Internal Audit Department, external auditors and management. It also conducts review of the internal audit functions with particular emphasis on the scope and quality of the internal audits and independence of the Internal Audit Departments.

The Internal Audit Department monitors compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance. It plays an important role in the Group's internal control framework, and provides objective assurance to the Board that a sound internal control system is maintained and operated in compliance with the established processes and standards by performing periodic checking. The Internal Audit Department plans its internal audit schedules annually with audit resources being focused on higher risk areas.

The Board is satisfied that the system of internal controls in place for the year under review and up to the date of issuance of the annual report and accounts is reasonable and effective.

On behalf of the Board
LI Wenyue
Chairman

Hong Kong, 31 March 2010

Independent Auditors' Report

ERNST & YOUNG
安 永

To the shareholders of Kingway Brewery Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Kingway Brewery Holdings Limited set out on pages 33 to 98, which comprise the consolidated and Company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ERNST & YOUNG
Certified Public Accountants

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

31 March 2010

Consolidated Income Statement

Year ended 31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000 (Restated)
REVENUE	5	**1,539,248**	1,334,911
Cost of sales		**(1,178,353)**	(1,054,712)
Gross profit		**360,895**	280,199
Other income and gains	5	**87,468**	70,611
Selling and distribution expenses		**(270,188)**	(234,989)
Administrative expenses		**(129,468)**	(134,965)
Finance costs	6	**(27,760)**	(30,271)
PROFIT/(LOSS) BEFORE TAX	7	**20,947**	(49,415)
Income tax expense	10	**(6,432)**	(2,642)
PROFIT/(LOSS) FOR THE YEAR		**14,515**	(52,057)
EARNINGS/(LOSS) PER SHARE	12		
Basic		**0.8 HK cent**	(3.0) HK cents
Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
PROFIT/(LOSS) FOR THE YEAR		**14,515**	(52,057)
Exchange differences on translation of foreign operations		**(23,045)**	163,325
Net gain/(loss) on cash flow hedges	25	**(3,714)**	3,996
Transfer of hedging reserve to the income statement	6, 25	**22,508**	12,928
Other comprehensive income/(loss) for the year		**(4,251)**	180,249
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**10,264**	128,192

Consolidated Balance Sheet

31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000 (Restated)	2007 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	13	**2,747,923**	2,897,285	2,820,882
Investment properties	14	**35,120**	36,368	33,762
Prepaid land lease payments	15	**250,043**	251,656	243,367
Goodwill	16	**9,384**	9,384	9,384
Reusable packaging materials		**17,799**	42,362	72,732
Deferred tax assets	29	**5,018**	4,999	4,618
Total non-current assets		**3,065,287**	3,242,054	3,184,745
CURRENT ASSETS				
Inventories	18	**188,892**	259,269	318,228
Trade and bills receivables	19	**18,481**	38,139	61,744
Prepayments, deposits and other receivables	20	**35,578**	30,629	52,855
Tax recoverable		**–**	–	948
Pledged and restricted bank balances	21	**–**	646	3,970
Cash and cash equivalents	21	**263,994**	242,689	347,144
Total current assets		**506,945**	571,372	784,889
CURRENT LIABILITIES				
Trade payables	22	**(89,610)**	(79,594)	(83,053)
Deferred revenue	23	**(103,561)**	(104,092)	(91,946)
Tax payable		**(1,406)**	(68)	(296)
Other payables and accruals	24	**(336,958)**	(305,991)	(378,725)
VAT payable		**(1,271)**	(4,480)	(2,103)
Derivative financial instrument	25	**–**	(18,794)	(35,718)
Due to the immediate holding company	26	**(97)**	(237)	(218)
Due to fellow subsidiaries	27	**(16,019)**	(8,105)	(43,707)
Interest-bearing bank borrowings	28	**(135,000)**	(278,560)	(427,480)
Total current liabilities		**(683,922)**	(799,921)	(1,063,246)
NET CURRENT LIABILITIES		**(176,977)**	(228,549)	(278,357)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,888,310**	3,013,505	2,906,388

Consolidated Balance Sheet (continued)

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000 (Restated)	2007 HK$'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,888,310**	3,013,505	2,906,388
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	28	**–**	(135,000)	(160,000)
Deferred tax liabilities	29	**(7,863)**	(8,322)	(8,260)
Total non-current liabilities		**(7,863)**	(143,322)	(168,260)
Net assets		**2,880,447**	2,870,183	2,738,128
EQUITY				
Issued capital	30	**171,154**	171,154	170,667
Reserves	32(a)	**2,709,293**	2,699,029	2,567,461
Total equity		**2,880,447**	2,870,183	2,738,128

YE Xuquan
Director

LIANG Jianqin
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

	Notes	Issued capital HK$'000 (Note 30)	Share premium account* HK$'000 (Note 30)	Capital reserve* HK$'000 (Note 32(a))	Property revaluation reserve* HK$'000	Hedging reserve* HK$'000 (Note 25)	Enterprise development funds* HK$'000 (Note 32(a))	Reserve funds* HK$'000 (Note 32(a))	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000 (Restated)	Total equity HK$'000 (Restated)
At 1 January 2008											
As previously reported		170,667	1,685,230	13,824	10,377	(35,718)	216	78,866	305,403	601,209	2,830,074
Opening adjustment on adoption of HK (IFRIC) – Int 13	2.5	–	–	–	–	–	–	–	–	(91,946)	(91,946)
As restated		170,667	1,685,230	13,824	10,377	(35,718)	216	78,866	305,403	509,263	2,738,128
Total comprehensive income for the year		–	–	–	–	16,924	–	–	163,325	(52,057)	128,192
Exercise of share options	30	487	3,376	–	–	–	–	–	–	–	3,863
At 31 December 2008		171,154	1,688,606*	13,824*	10,377*	(18,794)*	216*	78,866*	468,728*	457,206*	2,870,183

	Note	**Issued capital** ***HK$'000 (Note 30)***	**Share premium account*** ***HK$'000 (Note 30)***	**Capital reserve*** ***HK$'000 (Note 32(a))***	**Property revaluation reserve*** ***HK$'000***	**Hedging reserve*** ***HK$'000 (Note 25)***	**Enterprise development funds*** ***HK$'000 (Note 32(a))***	**Reserve funds*** ***HK$'000 (Note 32(a))***	**Exchange fluctuation reserve*** ***HK$'000***	**Retained profits*** ***HK$'000 (Restated)***	**Total equity** ***HK$'000 (Restated)***
At 1 January 2009											
As previously reported		**171,154**	**1,688,606**	**13,824**	**10,377**	**(18,794)**	**216**	**78,866**	**468,728**	**561,298**	**2,974,275**
Opening adjustment on adoption of HK (IFRIC) – Int 13	2.5	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(104,092)**	**(104,092)**
As restated		**171,154**	**1,688,606**	**13,824**	**10,377**	**(18,794)**	**216**	**78,866**	**468,728**	**457,206**	**2,870,183**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**18,794**	**–**	**–**	**(23,045)**	**14,515**	**10,264**
At 31 December 2009		**171,154**	**1,688,606***	**13,824***	**10,377***	**–***	**216***	**78,866***	**445,683***	**471,721***	**2,880,447**

* These reserve accounts comprise the consolidated reserves of HK$2,709,293,000 (2008 (Restated): HK$2,699,029,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**20,947**	(49,415)
Adjustments for:			
Finance costs	6	**27,760**	30,271
Interest income	5	**(6,041)**	(6,172)
Fair value (gains)/losses on investment properties	14	**1,275**	(1,227)
Depreciation	7	**154,485**	153,178
Recognition of prepaid land lease payments	7	**6,139**	6,371
Amortisation of reusable packaging materials	7	**28,278**	39,544
Loss on disposal of items of property, plant and equipment	7	**1,302**	1,015
Write back of impairment of construction in progress and prepaid land lease payment	7	**(3,462)**	–
		230,683	173,565
Decrease in inventories		**70,724**	77,556
Decrease in trade and bills receivables		**19,682**	26,451
Decrease/(increase) in prepayments, deposits and other receivables		**(4,943)**	25,449
Increase/(decrease) in trade payables		**9,881**	(8,452)
Increase/(decrease) in deferred revenue		**(531)**	12,146
Increase/(decrease) in VAT payable		**(3,213)**	2,219
Increase/(decrease) in other payables and accruals		**38,731**	(43,684)
Increase/(decrease) in an amount due to the immediate holding company		**(140)**	19
Increase/(decrease) in amounts due to fellow subsidiaries		**7,914**	(35,602)
Cash generated from operations		**368,788**	229,667
Interest received		**6,041**	6,172
Interest paid		**(27,760)**	(30,271)
Hong Kong profits tax paid		**(2,863)**	(2,897)
PRC corporate income tax (paid)/refunded		**(2,710)**	646
Net cash flows from operating activities		**341,496**	203,317

Consolidated Cash Flow Statement (continued)

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	33	**(63,311)**	(147,521)
Additions to prepaid land lease payments		**(1,597)**	–
VAT refund		**25,923**	–
Purchases of reusable packaging materials		**(3,669)**	(5,110)
Decrease in pledged bank balances		**646**	3,324
Proceeds from disposal of items of property, plant and equipment		**–**	1,027
Net cash flows used in investing activities		**(42,008)**	(148,280)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share options exercised		**–**	3,863
Repayment of bank loans		**(278,560)**	(173,920)
Net cash flows used in financing activities		**(278,560)**	(170,057)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**20,928**	(115,020)
Cash and cash equivalents at beginning of year		**242,689**	347,144
Effect of foreign exchange rate changes, net		**377**	10,565
CASH AND CASH EQUIVALENTS AT END OF YEAR		**263,994**	242,689
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**122,149**	182,025
Non-pledged time deposits with original maturity of less than three months when acquired	21	**141,845**	61,310
Cash and cash equivalents as stated in the consolidated balance sheet		**263,994**	243,335
Bank balances pledged for banking facilities	21	**–**	(646)
Cash and cash equivalents as stated in the consolidated cash flow statement		**263,994**	242,689

Balance Sheet

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	17	**2,335,187**	2,621,320
CURRENT ASSETS			
Due from a subsidiary	17	**–**	2,454
Prepayments, deposits and other receivables	20	**146**	180
Cash and cash equivalents	21	**5,927**	12,239
Total current assets		**6,073**	14,873
CURRENT LIABILITIES			
Due to subsidiaries	17	**(19,888)**	(1,147)
Other payables and accruals	24	**(8,920)**	(7,390)
Derivative financial instrument	25	**–**	(18,794)
Due to the immediate holding company	26	**(97)**	(237)
Interest-bearing bank borrowings	28	**(135,000)**	(278,560)
Total current liabilities		**(163,905)**	(306,128)
NET CURRENT LIABILITIES		**(157,832)**	(291,255)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,177,355**	2,330,065
NON-CURRENT LIABILITIES			
Due to subsidiaries	17	**(18,712)**	(18,583)
Interest-bearing bank borrowings	28	**–**	(135,000)
Total non-current liabilities		**(18,712)**	(153,583)
Net assets		**2,158,643**	2,176,482
EQUITY			
Issued capital	30	**171,154**	171,154
Reserves	32(b)	**1,987,489**	2,005,328
Total equity		**2,158,643**	2,176,482

YE Xuquan
Director

LIANG Jianqin
Director

Notes to Financial Statements

31 December 2009

1. Corporate Information

Kingway Brewery Holdings Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at Office A1, 19th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong.

During the year, the Group was principally engaged in the production, distribution and sale of beer.

GDH Limited ("GDH") is the holding company of the Group. In the opinion of the directors, the ultimate holding company of the Group is Guangdong Holdings Limited (廣東粵海控股有限公司), a company established in the People's Republic of China (the "PRC").

2.1 Basis of Presentation

Despite the fact that the Group's total assets exceeded its current liabilities by HK$2,888,310,000 as at 31 December 2009, the Group reported a net cash flows from operating activities of HK$341,496,000 and a net profit of HK$14,515,000 during the year ended 31 December 2009, the Group had net current liabilities of approximately HK$176,977,000 as at 31 December 2009.

In order to improve the Group's immediate liquidity and cash flow and otherwise to sustain the Group as a going concern, the Group has implemented the following measures:

(a) the Group has obtained unsecured unutilised bank facilities totalling RMB300 million, which shall be revolving in nature and available for general working capital purpose, with expiry date on 18 November 2010;

(b) the directors of the Company have been taking various cost control measures to tighten the costs of operations and administrative expenses;

(c) the Group has been implementing various strategies to improve the Group's sales; and

(d) the Group's property, plant and equipment are not pledged as at 31 December 2009 and can be available as pledges for obtaining additional bank facilities, if necessary.

The directors of the Company consider that the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2.2 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for a derivative financial instrument and investment properties, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2.3 Changes in Accounting Policy and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's 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 HKFRSs has had no significant effect on these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC) – Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) – Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC) – Int 13	*Customer Loyalty Programmes*
HK(IFRIC) – Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC) – Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC) – Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*, which is effective for annual periods beginning on or after 1 July 2009.

2.3 Changes in Accounting Policy and Disclosures (continued)

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

(a) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the geographical segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

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

HKAS 1 (Revised) introduces changes in the presentation and disclosures 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 or 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 2.5 to the financial statements.

2.4 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 financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*[2]
HKFRS 1 Amendment	*Limited Exemption from Comparative* HKFRS 7 *Disclosure for First-time Adopters*[4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 8 Amendment	Amendment to HKFRS 8 *Operating Segments – Disclosure of information about segment assets*[2]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
HK(IFRIC) – Int 14 Amendments	Amendments to HK(IFRIC) – Int 14 *Prepayments of a Minimum Funding Requirement*[5]
HK(IFRIC) – Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC) – Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC) – Int 9 and HK(IFRIC) – Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

HKFRS 1 (Revised) was issued with an aim to improve the structure of the standard. The revised version of standard does not make any changes to the substance of accounting by first-time adopters. As the Group is not a first-time adopter of HKFRSs, the amendments will not have any financial impact on the Group.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that while the adoption of HKFRS 1 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.5 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 in the sales transactions is allocated to the award credits and deferred. These award credits are 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.

The effect of the above changes is summarised below:

	HK$'000
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 year ended 31 December 2008:	
Net decrease in revenue:	12,146
Net decrease in profit for the year:	12,146

The effect on the earnings per share related to the restatement for the year ended 31 December 2009 is less than 1 HK cent.

2.6 Summary of Significant Accounting Policies

Subsidiaries

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

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

Goodwill

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the consideration over the book value of the Group's acquired share of the subsidiary's net assets as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in an acquisition of minority interests is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill previously eliminated against consolidated reserves

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKFRS 3 *Business Combinations*, such goodwill remains eliminated against consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

2.6 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, investment properties, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries:

- i. controls, is controlled by, or is under common control, with the Group;
- ii. has an interest in the Group that gives it significant influence over the Group; or
- iii. has joint control over the Group;

(b) the party is a member of the key management personnel of the Group or its parent;

(c) the party is a close member of the family of any individual referred to in (a) or (b);

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c); or

(e) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

2.6 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3% – 20%
Plant, machinery and equipment	4.5% – 20%
Furniture and fixtures	18% – 20%
Motor vehicles	18% – 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant, machinery and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction and capitalised borrowing costs on related borrowing funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.6 Summary of Significant Accounting Policies (continued)

Investment properties

Investment properties are interests in land and buildings (including leasehold interest under an operating lease for a property which otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Reusable packaging materials

Reusable packaging materials currently in use are stated at cost less impairment losses and are amortised on the straight-line basis over their estimated useful life of four years.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and bill receivables and other receivables.

2.6 Summary of Significant Accounting Policies (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

2.6 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the assets or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the immediate holding company, amounts due to fellow subsidiaries, derivative financial instrument and interest-bearing bank borrowings.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

2.6 Summary of Significant Accounting Policies (continued)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses a derivative financial instrument, cross currency interest rate swap to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently remeasured at fair value. The derivative is carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure of the changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging the exposure to the variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they have actually been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as cash flow hedges.

Fair value hedges

The change in the fair value of an interest rate hedging derivative is recognised in the income statement in finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the income statement in finance costs.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the income statement over the remaining term to maturity. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the income statement.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement. The changes in the fair value of the hedging instrument are also recognised in the income statement.

2.6 Summary of Significant Accounting Policies (continued)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the income statement in finance costs.

Amounts recognised in other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of production overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

2.6 Summary of Significant Accounting Policies (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.6 Summary of Significant Accounting Policies (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge. Where the Group receives a non-monetary grant, the asset and the grant are recorded at the nominal amount of the non-monetary asset and released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

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

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

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(c) rental income, on a time proportion basis over the lease terms.

Employee benefits

Retirement benefit schemes

The Company and certain of its subsidiaries operate a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's certain subsidiaries which operate in Mainland China are mandatory to participate in a local pension scheme (the "LPS") operated by the local municipal government. These subsidiaries are required to contribute 26% to 45% of their payroll costs to the LPS. The contributions under the LPS are charged to the income statement as they become payable in accordance with the rules of the LPS.

2.6 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binominal model, taking into account the terms and conditions upon which the instruments were granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movements in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification, that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.6 Summary of Significant Accounting Policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the costs of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of subsidiaries not operating in Hong Kong are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, in the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of subsidiaries not operating in Hong Kong are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries not operating in Hong Kong which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2009 was HK$9,384,000 (2008: HK$9,384,000). More details are given in note 16 to the financial statements.

Fair value of derivative instrument

The fair value of cross currency interest rate swap is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current market conditions and the current creditworthiness of the swap counterparties.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at each financial year end date based on changes in circumstances.

Useful lives of reusable packaging materials

In determining the estimated useful lives and related amortisation expenses for its reusable packaging materials, the Group has to consider various factors, such as the expected usage of the asset, the expected physical wear and tear, and the experience of the Group with similar assets that are used in the similar way. Additional or less amortisation is made if the estimated useful lives are different from previous estimation. Useful lives are reviewed at each financial year date on changes in circumstances.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market price less incremental costs for disposing of the assets. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred tax assets have been recognised for recognised tax losses as at 31 December 2008 and 2009. The amount of unrecognised tax losses at 31 December 2009 was HK$350,079,000 (2008: HK$264,902,000). Further details are contained in note 29 to the financial statements.

Impairment allowances on loans and receivables

The Group regularly reviews its portfolio of trade and other receivables to assess impairment. In determining whether an impairment loss should be recorded in the income statement, the Group considers whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of trade and other receivables before the decrease can be identified with an individual receivable balance in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of customers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs from previous calculation, the provision estimated would be changed.

4. Operating Segment Information

For management purpose, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the Mainland China segment engages in the production, distribution and sale of beer in Mainland China;

(b) the Overseas and Hong Kong segment engages in the distribution and sale of beer in 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.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income and finance costs are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged and restricted bank balances and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instrument, interest-bearing bank borrowings, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

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

4. Operating Segment Information (continued)

Group

	Mainland China		Overseas and Hong Kong		Corporate		Eliminations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)								*(Restated)*
Segment revenue:										
Sales to external customers	**1,468,191**	1,260,724	**71,057**	74,187	**–**	–	**–**	–	**1,539,248**	1,334,911
Intersegment sales	**32,693**	33,226	**–**	–	**–**	–	**(32,693)**	(33,226)	**–**	–
Other income and gains	**53,182**	28,392	**–**	–	**28,245**	36,047	**–**	–	**81,427**	64,439
Total	**1,554,066**	1,322,342	**71,057**	74,187	**28,245**	36,047	**(32,693)**	(33,226)	**1,620,675**	1,399,350
Segment results	**(1,736)**	(77,647)	**25,386**	25,310	**19,016**	27,021	**–**	–	**42,666**	(25,316)
Interest income									**6,041**	6,172
Finance costs									**(27,760)**	(30,271)
Profit/(loss) before tax									**20,947**	(49,415)
Income tax expense									**(6,432)**	(2,642)
Profit/(loss) for the year									**14,515**	(52,057)
Assets and liabilities:										
Segment assets	**3,293,678**	3,556,516	**9,066**	7,705	**476**	871	**–**	–	**3,303,220**	3,565,092
Unallocated assets									**269,012**	248,334
Total assets									**3,572,232**	3,813,426
Segment liabilities	**537,007**	487,323	**3,719**	3,383	**6,790**	11,793	**–**	–	**547,516**	502,499
Unallocated liabilities									**144,269**	440,744
Total liabilities									**691,785**	943,243
Other segment information:										
Depreciation and amortisation	**188,867**	199,046	**35**	47	**–**	–	**–**	–	**188,902**	199,093
Fair value (gains)/losses on investment properties	**1,275**	(1,227)	**–**	–	**–**	–	**–**	–	**1,275**	(1,227)
Impairment losses reversed in the income statement	**3,462**	–	**–**	–	**–**	–	**–**	–	**3,462**	–
Capital expenditure	**32,179**	65,022	**8**	43	**–**	–		**–**	**32,187**	65,065

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments and reusable packaging materials.

5. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after trade discounts, allowances for returns, value-added tax and consumption tax, after elimination of all significant intra-group transactions.

An analysis of revenue, other income and gains is as follows:

	2009	2008
	HK$'000	*HK$'000*
		(Restated)
Revenue		
Invoiced value of goods sold (net of trade discounts, allowances for returns and value-added tax)	**1,738,476**	1,491,791
Beer consumption tax	**(199,228)**	(156,880)
Sale of goods	**1,539,248**	1,334,911
Other income		
Gains on sale of scrap materials	**24,676**	20,062
Government grant	**15,855**	–
Bank interest income	**6,041**	6,172
Gross rental income	**5,175**	3,481
Others	**4,014**	3,622
	55,761	33,337
Gains		
Fair value gains on investment properties	**–**	1,227
Foreign exchange difference, net	**28,245**	36,047
Write back of impairment of construction in progress and prepaid land lease payment	**3,462**	–
	31,707	37,274
	87,468	70,611

6. Finance Costs

		Group	
		2009	2008
	Note	***HK$'000***	*HK$'000*
Interest on bank loans wholly repayable within five years		**3,624**	17,343
Interest on discount of bills receivable		**1,628**	–
Fair value loss on cash flow hedge	*25*	**22,508**	12,928
		27,760	30,271

7. Profit/(Loss) Before Tax

This is arrived at after charging/(crediting):

	Notes	2009 HK$'000	2008 HK$'000
Cost of inventories sold		**1,178,353**	1,054,712
Depreciation#	13	**154,485**	153,178
Recognition of prepaid land lease payments		**6,139**	6,371
Amortisation of reusable packaging materials#		**28,278**	39,544
Loss on disposal of items of property, plant and equipment		**1,302**	1,015
Write back of impairment of construction in progress and prepaid land lease payment		**(3,462)**	–
Minimum lease payments under operating leases in respect of land and buildings		**1,116**	962
Auditors' remuneration		**2,450**	2,580
Employee benefit expense (excluding directors' remuneration – note 8)#:			
Wages and salaries		**197,866**	162,292
Pension scheme contributions		**26,284**	28,841
		224,150	191,133
Foreign exchange difference, net		**(28,245)**	(36,047)
Rental income on investment properties		**4,700**	2,520
Impairment of trade receivables, net	19	**–**	639
Changes in fair value of investment properties	14	**1,275**	(1,227)

The depreciation, amortisation of reusable packaging materials and employee benefit expense for the year of HK$135,649,000 (2008: HK$134,367,000), HK$28,278,000 (2008: HK$39,544,000) and HK$91,001,000 (2008: HK$74,803,000), respectively, are included in the cost of inventories sold as disclosed above.

8. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Fees:		
Independent non-executive directors	**778**	820
Non-executive directors	**–**	–
Executive directors	**63**	86
	841	906
Other emoluments:		
Salaries, allowances and benefits in kind	**3,295**	2,657
Bonuses	**2,299**	793
Pension scheme contributions	**800**	864
	6,394	4,314
	7,235	5,220

In prior years, certain directors were granted share options in respect of their services to the Group under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2009	2008
	HK$'000	*HK$'000*
Alan Howard Smith	**260**	260
Fong Wo, Felix	**260**	260
Vincent Marshall Lee Kwan Ho	**242**	–
V-nee Yeh	**16**	300
	778	820

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

8. Directors' Remuneration (continued)

(b) Executive directors and non-executive directors

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Bonuses *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
2009					
Executive directors:					
Ye Xuquan	–	1,800	1,300	400	3,500
Jiang Guoqiang	34	830	558	239	1,661
Liang Jianqin	29	665	441	161	1,296
	63	3,295	2,299	800	6,457
Non-executive directors:					
Li Wenyue	–	–	–	–	–
Huang Xiaofeng	–	–	–	–	–
Luo Fanyu	–	–	–	–	–
Michael Wu	–	–	–	–	–
Roland Pirmez	–	–	–	–	–
Koh Poh Tiong	–	–	–	–	–
Sijbe Hiemstra	–	–	–	–	–
	–	–	–	–	–
	63	3,295	2,299	800	6,457

8. Directors' Remuneration (continued)

(b) Executive directors and non-executive directors (continued)

	Fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008					
Executive directors:					
Ye Xuquan	23	1,679	443	426	2,571
Jiang Guoqiang	34	520	225	286	1,065
Liang Jianqin	29	458	125	152	764
	86	2,657	793	864	4,400
Non-executive directors:					
Li Wenyue	–	–	–	–	–
Huang Xiaofeng	–	–	–	–	–
Zhao Leili	–	–	–	–	–
Luo Fanyu	–	–	–	–	–
Ho Lam Lai Ping, Theresa	–	–	–	–	–
Michael Wu	–	–	–	–	–
Roland Pirmez	–	–	–	–	–
Koh Poh Tiong	–	–	–	–	–
Sijbe Hiemstra	–	–	–	–	–
Cheung Fook Seng, Anthony	–	–	–	–	–
	–	–	–	–	–
	86	2,657	793	864	4,400

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: Nil).

9. Five Highest Paid Employees

The five highest paid employees during the year included three (2008: three) directors, details of whose remuneration are set out in note 8 above. The details of the remuneration of the remaining two (2008: two) non-director, highest paid employees for the year are as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,348**	1,174
Bonuses	**326**	815
Pension scheme contributions	**56**	46
	1,730	2,035

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

	Number of employees	
	2009	2008
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1
	2	2

10. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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 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.

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, followed by a 50% reduction in CIT rate for the next three years.

Shenzhen Kingway Brewing Co., Ltd. was entitled to a 50% tax relief for the year ended 31 December 2008, which was the last year of tax concession.

Kingway Brewery (Dongguan) Co., Ltd. was entitled to a 50% tax relief for the years ended 31 December 2009 and 2008.

Kingway Brewery (Shan Tou) Co., Ltd. was entitled to a 50% tax relief for the year ended 31 December 2009 and was exempted from CIT for the year ended 31 December 2008.

Kingway Brewery (Foshan) Co., Ltd. was exempted from CIT for the years ended 31 December 2009 and 2008.

10. Income Tax (continued)

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 establishment. Pursuant to the New CIT Tax Law, these companies are entitled to full tax exemption from CIT for two years commencing from 1 January 2008, followed by a 50% reduction in CIT rate for the next three years.

	2009 ***HK$'000***	2008 *HK$'000*
Group:		
Current:		
Hong Kong:		
Charge for the year	**2,686**	3,228
Under/(over) provision in prior years	**177**	(332)
Mainland China:		
Charge for the year	**4,047**	209
Overprovision in prior years	**–**	(102)
Deferred *(note 29)*	**(478)**	(361)
Total tax charge for the year	**6,432**	2,642

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the locations in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

Group – 2009

	Hong Kong ***HK$'000***	**Mainland China** ***HK$'000***	**Total** ***HK$'000***
Profit/(loss) before tax	**(16,468)**	**37,415**	**20,947**
Tax at the statutory tax rates	**(2,717)**	**9,354**	**6,637**
Lower tax rates for specific provinces or enacted by local authorities	**–**	**(2,905)**	**(2,905)**
Adjustments in respect of current tax of previous periods	**177**	**–**	**177**
Profit exempted from PRC corporate income tax	**–**	**(7,758)**	**(7,758)**
Income not subject to tax	**(1,791)**	**–**	**(1,791)**
Expenses not deductible for tax	**4,343**	**916**	**5,259**
Tax losses not recognised	**2,851**	**3,962**	**6,813**
Tax charge at the Group's effective rate	**2,863**	**3,569**	**6,432**

10. Income Tax (continued)

Group – 2008

	Hong Kong *HK$'000*	Mainland China *HK$'000* *(Restated)*	Total *HK$'000* *(Restated)*
Profit/(loss) before tax	7,955	(57,370)	(49,415)
Tax at the statutory tax rates	1,312	(14,343)	(13,031)
Lower tax rates for specific provinces or enacted by local authorities	–	1,863	1,863
Adjustments in respect of current tax of previous periods	(332)	(102)	(434)
Profit exempted from PRC corporate income tax	–	(9,913)	(9,913)
Income not subject to tax	(4,006)	–	(4,006)
Expenses not deductible for tax	5,364	192	5,556
Tax losses not recognised	558	22,049	22,607
Tax charge at the Group's effective rate	2,896	(254)	2,642

11. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 31 December 2009 includes a loss of HK$36,633,000 (2008: profit of HK$16,806,000) which has been dealt with in the financial statements of the Company (note 32(b)).

12. Earnings/(Loss) Per Share

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

12. Earnings/(Loss) Per Share (continued)

The calculations of basic and diluted earnings/(loss) per share are based on:

	2009	2008
	HK$'000	*HK$'000*
		(Restated)
Earnings/(loss)		
Profit/(loss) attributable to equity holders of the Company, used in the basic and diluted earnings/(loss) per share calculations	**14,515**	(52,057)

	Number of shares	
	2009	2008
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**1,711,536,850**	1,709,103,847

13. Property, Plant and Equipment

Group – 2009

	Note	**Buildings** ***HK$'000***	**Plant, machinery and equipment** ***HK$'000***	**Furniture and fixtures** ***HK$'000***	**Motor vehicles** ***HK$'000***	**Construction in progress** ***HK$'000***	**Total** ***HK$'000***
At 31 December 2008 and at 1 January 2009:							
Cost		**1,384,583**	**2,924,267**	**896**	**33,774**	**5,816**	**4,349,336**
Accumulated depreciation		**(295,543)**	**(1,133,354)**	**(896)**	**(22,258)**	**–**	**(1,452,051)**
Net carrying amount		**1,089,040**	**1,790,913**	**–**	**11,516**	**5,816**	**2,897,285**
At 1 January 2009, net of accumulated depreciation		**1,089,040**	**1,790,913**	**–**	**11,516**	**5,816**	**2,897,285**
Additions		**1,327**	**19,392**	**–**	**425**	**5,777**	**26,921**
Write back of impairment		**–**	**–**	**–**	**–**	**973**	**973**
VAT refund		**–**	**(25,923)**	**–**	**–**	**–**	**(25,923)**
Disposals/write-off		**–**	**(668)**	**–**	**(525)**	**(109)**	**(1,302)**
Depreciation provided during the year	7	**(37,673)**	**(113,877)**	**–**	**(2,935)**	**–**	**(154,485)**
Transfers		**101**	**4,845**	**–**	**–**	**(4,946)**	**–**
Exchange realignment		**1,715**	**2,716**	**–**	**16**	**7**	**4,454**
At 31 December 2009, net of accumulated depreciation		**1,054,510**	**1,677,398**	**–**	**8,497**	**7,518**	**2,747,923**
At 31 December 2009:							
Cost		**1,388,220**	**2,921,449**	**896**	**30,622**	**7,518**	**4,348,705**
Accumulated depreciation		**(333,710)**	**(1,244,051)**	**(896)**	**(22,125)**	**–**	**(1,600,782)**
Net carrying amount		**1,054,510**	**1,677,398**	**–**	**8,497**	**7,518**	**2,747,923**

13. Property, Plant and Equipment (continued)

Group – 2008

	Note	Buildings HK$'000	Plant, machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 December 2007 and at 1 January 2008:							
Cost		1,213,859	2,712,185	896	31,341	86,224	4,044,505
Accumulated depreciation		(245,130)	(959,646)	(892)	(17,955)	–	(1,223,623)
Net carrying amount		968,729	1,752,539	4	13,386	86,224	2,820,882
At 1 January 2008, net of accumulated depreciation		968,729	1,752,539	4	13,386	86,224	2,820,882
Additions		14,242	3,851	–	490	41,372	59,955
Disposals/write-off		(1,793)	(249)	–	–	–	(2,042)
Depreciation provided during the year	7	(35,854)	(114,166)	(4)	(3,154)	–	(153,178)
Transfers		83,429	41,944	–	–	(125,373)	–
Exchange realignment		60,287	106,994	–	794	3,593	171,668
At 31 December 2008, net of accumulated depreciation		1,089,040	1,790,913	–	11,516	5,816	2,897,285
At 31 December 2008:							
Cost		1,384,583	2,924,267	896	33,774	5,816	4,349,336
Accumulated depreciation		(295,543)	(1,133,354)	(896)	(22,258)	–	(1,452,051)
Net carrying amount		1,089,040	1,790,913	–	11,516	5,816	2,897,285

14. Investment Properties

Group

	2009 HK$'000	2008 HK$'000
Carrying amount at 1 January	**36,368**	33,762
Net profit/(loss) from a fair value adjustment	**(1,275)**	1,227
Exchange realignment	**27**	1,379
Carrying amount at 31 December	**35,120**	36,368

The Group's investment properties are situated in Mainland China and are held under medium term leases.

The Group's investment properties were revalued at 31 December 2009 by RHL Appraisal Ltd., independent professionally qualified valuers, at HK$35,120,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 34(a) to the financial statements.

15. Prepaid Land Lease Payments

The Group's leasehold land is held under medium term leases and is situated in Mainland China.

The applications for certain land use right certificates in connection with prepaid land lease payments totalling HK$50,160,000 (2008: HK$49,432,000) have commenced, however, the land use right certificates had not yet been issued by the relevant offices of the Land Authorities in the PRC as at the end of the reporting period. Notwithstanding this, the directors are of the opinion that the Group has obtained the legal rights to use these assets as at 31 December 2009 and that the land use right certificates can be received.

16. Goodwill

Group

	HK$'000
Cost and net carrying amount at 1 January 2008, 31 December 2008, 1 January 2009 and 31 December 2009	9,384

As further detailed in note 2.6 to the financial statements, the Group applied the transitional provisions of HKFRS 3 that permitted goodwill in respect of business combinations which occurred prior to 2001, to remain eliminated against the capital reserve.

The amount of goodwill remaining in the capital reserve, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, was HK$126,410,000 as at 31 December 2008 and 2009. The amount of goodwill is stated at cost.

Impairment testing of goodwill

The goodwill arising on acquisition of minority interests is related to the operations of a subsidiary, namely Shenzhen Kingway Brewery Co., Ltd. Its recoverable amount has been determined based on a value-in-use calculation using cash flow projections over a period of 5 years, which are based on financial budgets approved by management of the Group and the subsidiary. The discounted rate applied to the cash flow projections is 9.6%.

Key assumptions were used in the value in use calculation of the subsidiary, which is considered as a single cash-generating unit. The following describes each key assumption on which management has based its cash flow projection to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the unit.

Raw materials price fluctuation – The basis used to determine the value assigned to raw materials price fluctuation is the forecast indices during the budget year for locations where raw materials are sourced.

The values assigned to key assumptions are consistent with external information sources.

17. Interests in Subsidiaries

	Company	
	2009	2008
	HK$'000	*HK$'000*
Unlisted shares/investments, at cost	**312,383**	312,383
Due from subsidiaries	**2,022,804**	2,308,937
	2,335,187	2,621,320

The amounts due from and to subsidiaries included in the Company's current assets and liabilities of HK$Nil (2008: HK$2,454,000) and HK$19,888,000 (2008: HK$1,147,000), respectively, are unsecured, interest-free and repayable on demand or within one year.

At 31 December 2009, the amounts due from and to subsidiaries of HK$2,022,804,000 (2008: HK$2,308,937,000) and HK$18,712,000 (2008: 18,583,000), respectively, are unsecured, interest-free and are not repayable within one year from 31 December 2009. In the opinion of the directors, these advances are considered as quasi-equity loans to the subsidiaries.

17. Interests in Subsidiaries (continued)

Particulars of the principal subsidiaries are as follows:

Company	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangdong Kingway Sales Limited	Hong Kong	Ordinary HK$2	100	–	Sale and marketing of beer
Shenzhen Kingway Brewery Co., Ltd.# ("Shenzhen Brewery")	PRC/Mainland China	US$50,000,000	–	100	Production, distribution and sale of beer
Shenzhen Kingway Brewing Co., Ltd.#	PRC/Mainland China	US$36,000,000	–	100	Production, distribution and sale of beer
Kingway Brewery (Shan Tou) Co., Ltd.#	PRC/Mainland China	RMB186,000,000	–	100	Production, distribution and sale of beer
Kingway Brewery (Dongguan) Co., Ltd.# ("Kingway Dongguan")	PRC/Mainland China	US$11,880,000	–	100	Production, distribution and sale of beer
Kingway Brewery (Tianjin) Co., Ltd.# ("Kingway Tianjin")	PRC/Mainland China	US$30,000,000	–	100	Production, distribution and sale of beer
Kingway Brewery (Xian) Co., Ltd.# ("Kingway Xian")	PRC/Mainland China	US$17,000,000	–	100	Production, distribution and sale of beer
Kingway Brewery Group (Chengdu) Co., Ltd.#	PRC/Mainland China	US$33,500,000	–	100	Production, distribution and sale of beer
Kingway Brewery (Foshan) Co., Ltd.# ("Kingway Foshan")	PRC/Mainland China	US$20,000,000	–	100	Production, distribution and sale of beer
Kingway Brewery (China) Co., Ltd.#	PRC/Mainland China	RMB50,000,000	100	–	Beer information management

These subsidiaries are established as wholly-foreign-owned enterprises.

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

18. Inventories

	Group	
	2009	2008
	HK$'000	*HK$'000*
Raw materials	**12,592**	51,088
Spare parts and consumables	**46,898**	53,140
Packaging materials	**80,907**	91,526
Work in progress	**35,905**	39,509
Finished goods	**12,590**	24,006
	188,892	259,269

19. 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 the 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.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the payment due date and net of provisions, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within 3 months	**16,435**	24,614
3 to 6 months	**965**	1,379
6 months to 1 year	**206**	662
Over 1 year	**429**	507
	18,035	27,162
Less: Impairment	**(489)**	(746)
Trade receivables	**17,546**	26,416
Bills receivables	**935**	11,723
	18,481	38,139

Bills receivables were all bank acceptance notes with a maturity period within six months and had aged less than six months.

19. Trade and Bills Receivables (continued)

The aged analysis of the trade and bills receivables, that are neither individually nor collectively considered to be impaired, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Neither past due nor impaired	**13,041**	32,127
Less than 3 months past due	**4,329**	4,210
3 to 6 months past due	**965**	1,379
Over 6 months past due	**146**	423
	18,481	38,139

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The movements in the provision for impairment of trade receivables are as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
At beginning of the year	**746**	390
Impairment losses recognised, net *(note 7)*	**–**	639
Amount written off as uncollectible	**(255)**	(283)
Impairment losses reversed	**(2)**	–
At end of the year	**489**	746

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$489,000 (2008: HK$746,000). The individually impaired trade receivables relate to customers that were in default or delinquency payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

20. Prepayments, Deposits and Other Receivables

None of the prepayments, deposits and other receivables is either past due or impaired. The financial assets included in the prepayments, deposits and other receivables relate to receivables for which there was no recent history of default.

21. Cash and Cash Equivalents and Pledged and Restricted Bank Balances

	Notes	Group 2009 HK$'000	Group 2008 HK$'000	Company 2009 HK$'000	Company 2008 HK$'000
Cash and bank balances		**122,149**	182,025	**5,927**	12,239
Time deposits		**141,845**	61,310	**–**	–
		263,994	243,335	**5,927**	12,239
Less: Bank balances pledged for banking facilities	*(i)*	**–**	(646)	**–**	–
Cash and cash equivalents	*(ii)*	**263,994**	242,689	**5,927**	12,239

Notes:

(i) In the prior year, certain bank balances and time deposits totalling HK$646,000 were pledged for banking facilities granted to certain subsidiaries of the Group.

(ii) At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$244,760,000 (2008: HK$193,691,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash and cash equivalents earn interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

22. Trade Payables

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within 3 months	**77,644**	64,854
3 to 6 months	**9,030**	9,035
6 months to 1 year	**1,583**	3,784
Over 1 year	**1,353**	1,921
	89,610	79,594

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

23. Deferred Revenue

The deferred revenue represents accrual and release of customer loyalty credits transactions. As at 31 December 2009, the estimated liability for unredeemed credits was approximately HK$103,561,000 (31 December 2008 (restated): HK$104,092,000, 31 December 2007 (restated): HK$91,946,000).

24. Other Payables and Accruals

The Group's and the Company's other payables are non-interest-bearing and have no fixed terms of repayment.

25. Derivative Financial Instrument

	Group and Company	
	2009	2008
	HK$'000	HK$'000
Cross currency interest rate swap classified as a current liability	**–**	18,794

The carrying amount of cross currency interest rate swap is the same as its fair value. The above transaction involving a derivative financial instrument is with Societe Generale Paris.

Cross currency interest rate swap

At 31 December 2008, the Company and the Group held a cross currency interest rate swap with a notional amount of US$38,000,000 (equivalent to HK$296,400,000), designated as a hedge in respect of the Company's and the Group's bank loans, whereby the Company and the Group:

(i) receive interest at a variable rate of LIBOR plus 0.413% per annum, and pay interest at a fixed rate of 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) receive the US dollar-denominated loan principal of US$38,000,000 in six instalments as stipulated in the swap contract, and pay the RMB equivalent amounts at a contracted exchange rate of RMB8.08 to US$1.

The swap was fully settled during the year ended 31 December 2009.

25. Derivative Financial Instrument (continued)

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 the cash flow hedge included in the hedging reserve was HK$18,794,000 (2008: HK$16,924,000).

	Group and Company	
	2009	2008
	HK$'000	*HK$'000*
Total fair value loss/(gain) included in the hedging reserve	**3,714**	(3,996)
Transfer of hedging reserve to the income statement *(note 6)*	**(22,508)**	(12,928)
Movement of the cash flow hedge	**(18,794)**	(16,924)

26. Due to the Immediate Holding Company

The Group's and the Company's amount due to the immediate holding company is unsecured, non-interest-bearing and has no fixed terms of repayment.

27. Due to Fellow Subsidiaries

The Group's amounts due are unsecured, non-interest-bearing and repayable within 30 days from the date of invoices (note 36(a)(i)).

28. Interest-Bearing Bank Borrowings

			Group and Company	
			2009	2008
	Effective interest rate	**Maturity**	***HK$'000***	*HK$'000*
Current				
US$38,000,000 unsecured bank loan	2.85% per annum*	N/A	–	118,560
Bank loan – unsecured	HIBOR+1.30% per annum	2010	**55,000**	80,000
Bank loan – unsecured	HIBOR+0.30% per annum	2010	**80,000**	80,000
			135,000	278,560
Non-current				
Bank loan – unsecured	HIBOR+1.30% per annum	N/A	–	55,000
Bank loan – unsecured	HIBOR+0.30% per annum	N/A	–	80,000
			–	135,000
			135,000	413,560

* Includes the effects of a related cross currency interest rate swap as further detailed in note 25 to the financial statements.

28. Interest-Bearing Bank Borrowings (continued)

	Group and Company	
	2009	2008
	HK$'000	*HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year	**135,000**	278,560
In the second year	**–**	135,000
	135,000	413,560

Note:

The carrying amounts of the Group's and the Company's bank borrowings approximate to their fair values. The fair values of the bank borrowings have been calculated by discounting their expected future cash flows at prevailing interest rates at 31 December 2009.

29. Deferred Tax

The movements in deferred tax assets and liabilities during the year are as follows:

Group – 2009

Deferred tax assets

	Decelerated tax depreciation ***HK$'000***	**Fair value adjustments arising from acquisition of subsidiaries** ***HK$'000***	**Total** ***HK$'000***
At 1 January 2009	**2,683**	**2,316**	**4,999**
Deferred tax credited/(charged) to the income statement during the year *(note 10)*	**(32)**	**43**	**11**
Exchange differences	**8**	**–**	**8**
Gross deferred tax assets at 31 December 2009	**2,659**	**2,359**	**5,018**

Deferred tax liabilities

	Accelerated tax depreciation ***HK$'000***	**Revaluation of properties** ***HK$'000***	**Total** ***HK$'000***
At 1 January 2009	**(4,456)**	**(3,866)**	**(8,322)**
Deferred tax credited to the income statement during the year *(note 10)*	**467**	**–**	**467**
Exchange differences	**(8)**	**–**	**(8)**
Gross deferred tax liabilities at 31 December 2009	**(3,997)**	**(3,866)**	**(7,863)**

29. Deferred Tax (continued)

Group – 2008

Deferred tax assets

	Decelerated tax depreciation *HK$'000*	Fair value adjustments arising from acquisition of subsidiaries *HK$'000*	Total *HK$'000*
At 1 January 2008	2,408	2,210	4,618
Deferred tax credited to the income statement during the year *(note 10)*	48	106	154
Exchange differences	227	–	227
Gross deferred tax assets at 31 December 2008	2,683	2,316	4,999

Deferred tax liabilities

	Accelerated tax depreciation *HK$'000*	Revaluation of properties *HK$'000*	Total *HK$'000*
At 1 January 2008	(4,394)	(3,866)	(8,260)
Deferred tax credited to the income statement during the year *(note 10)*	207	–	207
Exchange differences	(269)	–	(269)
Gross deferred tax liabilities at 31 December 2008	(4,456)	(3,866)	(8,322)

The Company and the Group have tax losses arising in Hong Kong of HK$87,942,000 (2008: HK$84,955,000) that are available indefinitely for offsetting against their future taxable profits. Deferred tax assets have not been recognised in respect of these losses as the directors considered it is not probable that sufficient taxable profit will be available against which the unused tax losses can be utilised by the Company and the Group.

The Group has tax losses arising in Mainland China of HK$262,137,000 (2008: HK$179,947,000) that are available for five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

29. Deferred Tax (continued)

At 31 December 2009, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$6,805,000 at 31 December 2009 (2008: HK$2,960,000).

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

30. Share Capital

Shares

	2009	2008
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
1,711,536,850 (2008: 1,711,536,850) ordinary shares of HK$0.10 each	**171,154**	171,154

A summary of the transactions during the years ended 31 December 2008 and 2009 with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	**Issued share capital**	**Share premium account**	**Total**
		HK$'000	*HK$'000*	*HK$'000*
At 1 January 2008	1,706,672,000	170,667	1,685,230	1,855,897
Share options exercised	4,864,850	487	3,376	3,863
At 31 December 2008, 1 January 2009, and 31 December 2009	1,711,536,850	171,154	1,688,606	1,859,760

Share options

Details of the Company's share option scheme and the share options issued under the share option scheme are included in note 31 to the financial statements.

31. 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 maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares in issue at any time. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue as at the date of adopting the Share Option Scheme, but the Company may seek approval of its shareholders in a general meeting to refresh the 10% limit under the Share Option Scheme. As at 31 December 2009, the total number of shares issuable for options granted under the Share Option Scheme of the Company was Nil (2008: 14,383,033) which represented approximately 0% (2008: 0.8%) of the Company's shares then in issue as at that date.

The total number of shares issued and to be issued upon exercise of the share options granted and to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period up to the date of grant must not exceed 1% of the Company's shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

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

The offer of a grant of share options may be accepted within 14 days from the date of offer upon payment of a consideration of HK$1.00 by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the directors of the Company, but must not be less than the highest of (i) the closing price of the Company's shares as stated on daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the grant, which must be a business day; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of the grant; and (iii) the nominal value of the Company's shares.

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

31. Share Option Scheme (continued)

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

	2009 Weighted average exercise price *HK$ per share*	**2009** Number of options *'000*	2008 Weighted average exercise price *HK$ per share*	2008 Number of options *'000*
At 1 January	**1.825**	**14,383**	1.501	25,593
Exercised during the year	**–**	**–**	0.794	(4,865)
Lapsed during the year	**1.825**	**(14,383)**	1.310	(6,345)
At 31 December	**N/A**	**–**	1.825	14,383

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2009

Number of options *'000*	**Exercise price** *HK$ per share*	**Exercise period**
–	N/A	N/A

2008

Number of options *'000*	Exercise price* *HK$ per share*	Exercise period
14,383	1.825	07/05/2004–06/05/2009

* 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.

32. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Pursuant to the relevant PRC 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.

On 23 April 1998, a special resolution was passed in a special general meeting of the Company for a reduction of its share premium account in the amount of HK$140,234,000. This amount was credited to the Group's and the Company's capital reserve accounts against which goodwill arising on the acquisitions of subsidiaries were eliminated in the Group account.

32. Reserves (continued)

(b) Company

	Note	Share premium account HK$'000	Capital reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2008		1,685,230	140,234	(35,718)	178,476	1,968,222
Total comprehensive income		–	–	16,924	16,806	33,730
Exercise of share options	30	3,376	–	–	–	3,376
At 31 December 2008 and 1 January 2009		1,688,606	140,234	(18,794)	195,282	2,005,328
Total comprehensive loss		–	–	18,794	(36,633)	(17,839)
At 31 December 2009		1,688,606	140,234	–	158,649	1,987,489

33. Notes to the Consolidated Cash Flow Statement

Other payable of HK$36,390,000 in connection with the construction costs of certain factory premises accrued were settled by cash during the year ended 31 December 2008.

34. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with terms ranging from three to ten years (2008: three to ten years). The terms of the leases generally also require the tenants to pay security deposits and provide periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within one year	**3,157**	3,789
In the second to fifth years, inclusive	**8,493**	6,453
After five years	**789**	40
	12,439	10,282

34. Operating Lease Arrangements (continued)

(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 (2008: one to two years).

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within one year	**542**	1,110
In the second to fifth years, inclusive	**–**	542
	542	1,652

At the end of the reporting period, the Company did not have any operating lease arrangements (2008: Nil).

35. Commitments

In addition to the operating lease commitments detailed in note 34(b) to the financial statements, the Group had the following commitments at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
Capital commitments on the acquisition of items of property, plant and equipment:		
Contracted, but not provided for	**6,654**	1,224
Authorised, but not contracted for	**89,375**	–
	96,029	1,224

At the end of the reporting period, the Company had no significant capital commitments (2008: Nil).

36. Connected and Related Party Transactions

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following connected and related party transactions during the year:

The transactions referred to in items (i) to (iii) below constituted related party transactions and those referred to in items (i) to (iv) below constituted connected transactions disclosed under the Listing Rules.

(i) During the year, the Group purchased malt from certain fellow subsidiaries of the Company, including Guangzhou Malting Co., Ltd. and Ningbo Malting Co., Ltd., which are respectively 87.4% (2008: 87.4%) owned and 100% (2008: 100%) owned subsidiaries of GDH, and from Supertime (Nanjing) Malting Co., Ltd., Supertime (Changle) Malting Co., Ltd., Supertime (Qinhuangdao) Malting Co., Ltd., Supertime (Baoying) Malting Co., Ltd., which are wholly-owned subsidiaries of GDH on what the directors believe to be terms similar to those offered to other customers unrelated to GDH.

The aggregate amount of malt purchased by the Group from the fellow subsidiaries is as follows:

	2009	2008
	HK$'000	*HK$'000*
Guangzhou Malting Co., Ltd.	**82,122**	15,754
Ningbo Malting Co., Ltd.	**–**	3,107
Supertime (Nanjing) Malting Co., Ltd.	**13,672**	32,592
Supertime (Changle) Malting Co., Ltd.	**–**	4,222
Supertime (Qinhuangdao) Malting Co., Ltd.	**4,071**	–
Supertime (Baoying) Malting Co., Ltd.	**16,842**	–
	116,707	55,675

The balances due to fellow subsidiaries are unsecured, non-interest-bearing and repayable within 30 days from the date of invoice (note 27). Details of the balances due to the fellow subsidiaries are as follows:

	2009	2008
	HK$'000	*HK$'000*
Guangzhou Malting Co., Ltd.	**9,988**	920
Supertime (Nanjing) Malting Co., Ltd.	**860**	7,185
Supertime (Changle) Malting Co., Ltd.	**57**	–
Supertime (Qinhuangdao) Malting Co., Ltd.	**410**	–
Supertime (Baoying) Malting Co., Ltd.	**4,704**	–
	16,019	8,105

(ii) The Group entered into a tenancy agreement dated 25 September 2008 with Global Head Developments Limited ("GHD"), a fellow subsidiary of the Company, whereby the Group agreed to lease a leasehold property owned by GHD as office premises at a monthly rental of HK$69,849 for a term of two years commencing on 1 September 2008.

During the year, the Group paid operating lease rentals to GHD amounting to HK$839,000 (2008: HK$643,000).

36. Connected and Related Party Transactions (continued)

(a) (continued)

(iii) On 18 April 2008, Kingway Foshan entered into a subcontracting agreement with Hainan Asia Pacific Brewery Co., Ltd. ("HAPB"), a wholly-owned subsidiary of Heineken-APB (China) Pte Ltd., which is a substantial shareholder of the Group, Kingway Foshan manufactured and supplied beer to HAPB to be sold under the ANCHOR brand.

During the year ended 31 December 2009, the aggregate subcontracting income received from HAPB amounted to RMB19,799,000 (2008: RMB5,987,000).

(iv) As at 31 December 2009, pursuant to certain entrusted loan agreements entered into between Shenzhen Brewery, as the lender, and Kingway Dongguan, Kingway Tianjin, Kingway Xian, Kingway Foshan and Kingway Shantou as the borrowers. Shenzhen Brewery, through placing the same lending amounts to banks, advanced RMB100,000,000 (2008: RMB100,000,000), RMB 46,000,000 (2008: RMB56,000,000), RMB95,000,000 (2008: RMB83,000,000), RMB55,000,000 (2008: RMB42,000,000) and RMB10,000,000 (2008: RMB45,000,000) to Kingway Dongguan, Kingway Tianjin, Kingway Xian, Kingway Foshan and Kingway Shantou, respectively, to finance their working capital. The unsecured loans are non-interest-bearing and have repayment terms as follows:

	2009 ***RMB'000***	2008 *RMB'000*
Repayable within one year	**211,000**	56,000
In the second year	**95,000**	145,000
In the third year	–	6,000
In the fourth year	–	119,000
	306,000	326,000

(b) Compensation of key management personnel of the Group:

	2009 ***HK$'000***	2008 *HK$'000*
Short term employee benefits	**6,435**	4,356
Post-employment benefits	**800**	864
Total compensation paid to key management personnel	**7,235**	5,220

Further details of the directors' emoluments are included in note 8 to the financial statements.

37. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2009 – Group

Financial assets

	Loans and receivables *HK$'000*
Trade and bills receivables	18,481
Financial assets included in prepayments, deposits and other receivables	11,239
Cash and cash equivalents	263,994

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Trade payables	89,610
Financial liabilities included in other payables and accruals	209,438
Due to the immediate holding company	97
Due to fellow subsidiaries	16,019
Interest-bearing bank borrowings	135,000

37. Financial Instruments by Category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2008 – Group

Financial assets

	Loans and receivables *HK$'000*
Trade and bills receivables	38,139
Financial assets included in prepayments, deposits and other receivables	9,632
Pledged and restricted bank balances	646
Cash and cash equivalents	242,689

Financial liabilities

	Derivative financial instrument designated for hedging *HK$'000*	Financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Trade payables	–	79,594	79,594
Financial liabilities included in other payables and accruals	–	219,791	219,791
Derivative financial instrument	18,794	–	18,794
Due to the immediate holding company	–	237	237
Due to fellow subsidiaries	–	8,105	8,105
Interest-bearing bank borrowings	–	413,560	413,560

37. Financial Instruments by Category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2009 – Company

Financial assets

	Loans and receivables *HK$'000*
Due from subsidiaries	**2,022,804**
Financial assets included in prepayments, deposits and other receivables	**–**
Cash and cash equivalents	**5,927**

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Due to subsidiaries	**38,600**
Financial liabilities included in other payables and accruals	**8,920**
Due to the immediate holding company	**97**
Interest-bearing bank borrowings	**135,000**

37. Financial Instruments by Category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2008 – Company

Financial assets

	Loans and receivables *HK$'000*
Due from subsidiaries	2,308,937
Financial assets included in prepayments, deposits and other receivables	35
Cash and cash equivalents	12,239

Financial liabilities

	Derivative financial instrument designated for hedging *HK$'000*	Financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Due to subsidiaries	–	19,730	19,730
Financial liabilities included in other payables and accruals	–	7,129	7,129
Derivative financial instrument	18,794	–	18,794
Due to the immediate holding company	–	237	237
Interest-bearing bank borrowings	–	413,560	413,560

38. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, comprise bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also entered into a derivative transaction, which was the cross currency interest rate swap. The purpose was to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.6 to the financial statements.

(i) Interest rate risk

The Group's exposure to the risk for changes in market interest rate relates primarily to the Group's certain debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and floating rate borrowings. The Group's policy is to maintain between 25% and 50% of its interest-bearing borrowings at fixed interest rates. To hedge the cash flow interest rate risk, the Group entered into a cross currency interest rate swap, in which the Group agreed to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. This swap agreement was designated to hedge the Group's obligation to the unsecured bank loan and was fully settled during the year. As at 31 December 2009, all of the Group' interest-bearing borrowings bore interest at floating rates. As at 31 December 2008, after taking into account the effect of the cross currency interest rate swap, approximately 29% of the Group's interest-bearing borrowings bore interest at fixed rates.

If there would be a general increase in the interest rate of debts obligations with floating interest rates by one hundred basis points (2008: two hundred basis points), with all other variables held constant, the Group's profit before tax and retained profits would have been decreased by approximately HK$1,350,000 (2008: HK$5,900,000) after taking into account the effect of the cross currency interest rate swap for the bank borrowings denominated in HK$, for the year ended 31 December 2009, and there is no impact on other components of the equity of the Group.

If there would be a general decrease in the interest rate of debts obligations with floating interest rates by twenty basis points (2008: fifteen basis points), with all other variables held constant, the Group's profit before tax and retained profits would have been increased by approximately HK$270,000 (2008: HK$443,000) after taking into account the effect of the cross currency interest rate swap for the bank borrowings denominated in HK$, for the year ended 31 December 2009, and there is no impact on other components of the equity of the Group.

38. Financial Risk Management Objectives and Policies (continued)

(ii) Foreign currency risk

The Group is exposed to foreign currency risk primarily through a bank borrowing (together with its interest) in a currency other than the functional currency of operating units of the Group. To mitigate the foreign currency risk of the bank borrowing, the Group entered into a cross currency interest rate swap with a contracted exchange rate to hedge the future repayment of the bank loan principal in a foreign currency.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged items to maximise hedge effectiveness.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rates, with all other variables held constant, of the Group's equity (due to changes in the fair value of the cross currency interest rate swap). There is no impact on profit before tax or retained profits of the Group.

	Increase/(decrease) in exchange rate	**Increase/(decrease) in equity***
	%	*HK$'000*
2009		
If US$ weakens against RMB	**(2)**	**–#**
If US$ strengthens against RMB	**2**	**–#**
2008		
If US$ weakens against RMB	(2)	(2,871)
If US$ strengthens against RMB	2	2,871

* Excluding retained profits

\# There is no impact on equity of the Group as at 31 December 2009 as the contract for the cross currency interest rate swap was settled during the year ended 31 December 2009.

38. Financial Risk Management Objectives and Policies (continued)

(iii) Credit risk

The Group trades only with creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and a derivative financial instrument, arises from default of the counterparty, with a maximum exposure equal to carrying amounts of these instruments.

Since the Group trades only with creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customers. There are no significant concentrations of credit risk within the Group, as the Group's credit exposure is spread over a diversified portfolio of customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 19 to the financial statements.

(iv) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the bank loans.

Management of the Group has carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the end of the reporting period. Based on this forecast, accompanied by the bank facilities available, the directors of the Group have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during the forecast period. In preparing the cash flow forecast, the directors of the Group have considered historical cash requirements of the Group as well as other key factors, including the availability of loans financing which may impact the operations of the Group prior to the end of the next twelve months after the end of the reporting period. The directors of the Group are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

38. Financial Risk Management Objectives and Policies (continued)

(iv) Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	2009				
	On demand *HK$'000*	**Less than 3 months** *HK$'000*	**3 to less than 12 months** *HK$'000*	**More than 1 year** *HK$'000*	**Total** *HK$'000*
Trade payables	**11,966**	**77,644**	**–**	**–**	**89,610**
Other payables	**64,260**	**87,921**	**57,257**	**–**	**209,438**
Due to the immediate holding company	**97**	**–**	**–**	**–**	**97**
Due to fellow subsidiaries	**–**	**16,019**	**–**	**–**	**16,019**
Interest-bearing bank borrowings	**–**	**–**	**135,000**	**–**	**135,000**
	76,323	**181,584**	**192,257**	**–**	**450,164**

	2008				
	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	More than 1 year *HK$'000*	Total *HK$'000*
Trade payables	14,740	64,854	–	–	79,594
Other payables	56,781	76,032	86,978	–	219,791
Derivative financial instrument	–	–	18,794	–	18,794
Due to the immediate holding company	237	–	–	–	237
Due to fellow subsidiaries	–	8,105	–	–	8,105
Interest-bearing bank borrowings	–	–	278,560	135,000	413,560
	71,758	148,991	384,332	135,000	740,081

38. Financial Risk Management Objectives and Policies (continued)

(iv) Liquidity risk (continued)

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows: (continued)

Company

	2009				
	On demand *HK$'000*	**Less than 3 months** *HK$'000*	**3 to less than 12 months** *HK$'000*	**More than 1 year** *HK$'000*	**Total** *HK$'000*
Due to subsidiaries	**19,888**	**–**	**–**	**18,712**	**38,600**
Other payables	**8,920**	**–**	**–**	**–**	**8,920**
Due to the immediate holding company	**97**	**–**	**–**	**–**	**97**
Interest-bearing bank borrowings	**–**	**–**	**135,000**	**–**	**135,000**
	28,905	**–**	**135,000**	**18,712**	**182,617**

	2008				
	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	More than 1 year *HK$'000*	Total *HK$'000*
Due to subsidiaries	1,147	–	–	18,583	19,730
Other payables	7,129	–	–	–	7,129
Derivative financial instrument	–	–	18,794	–	18,794
Due to the immediate holding company	237	–	–	–	237
Interest-bearing bank borrowings	–	–	278,560	135,000	413,560
	8,513	–	297,354	153,583	459,450

(v) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Except for the compliance of certain bank covenant for maintaining the Group's bank facilities, the Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2009 and 2008.

38. Financial Risk Management Objectives and Policies (continued)

(v) Capital management (continued)

The Group monitors capital using a gearing ratio, which is total debt divided by adjusted capital plus total debt. The Group's policy is to maintain the ratio less than 100%. Total debt includes interest-bearing bank and other borrowings. Adjusted capital includes equity attributable to equity holders of the Company and the hedging reserve. The gearing ratio as at the ends of the reporting periods were as follows:

	2009 *HK$'000*	2008 *HK$'000* *(Restated)*
Total debt	**135,000**	413,560
Equity attributable to equity holders	**2,880,447**	2,870,183
Hedging reserve	**–**	18,794
Adjusted capital	**2,880,447**	2,888,977
Adjusted capital and total debt	**3,015,447**	3,302,537
Gearing ratio	**4%**	13%

39. Litigation

On 18 August 2009, Chinese Super League Limited ("CSLL"), an organiser of the Chinese Super League, filed a writ of summons with the China International Economic and Trade Arbitration Commission against Shenzhen Brewery, a wholly-owned subsidiary of the Company which is also the sponsor of the China Super League, in respect of a dispute relating to the sponsorship contract ("Sponsorship Contract") entered into between the CSLL and Shenzhen Brewery on 18 July 2008. CSLL claimed for repayment in the sum of RMB11 million (approximately HK$12.5 million) together with overdue interest, and the legal cost of RMB0.4 million (approximately HK$0.5 million).

On 15 September 2009, Shenzhen Brewery filed a counter-claim for the economic loss incurred as CSLL breached the terms of the Sponsorship Contract. Based on the advice from the Group's legal counsel, the directors believed that the Group has a good likelihood of success in defending the claims asserted by CSLL.

As at the date of approval of these financial statements, CSLL has expressed an intention to settle the case and Shenzhen Brewery is awaiting formal settlement proposal to be proposed by CSLL. The Company had made sufficient accruals for the year ended 31 December 2009 and the litigation has no material impact to the Group's financial position and its annual results in 2009.

40. Comparative Amounts

As further explained in note 2.3 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's accounting treatment and presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2010.