



**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

**2010**  
**Interim Report 中期報告**



中国驰名商标



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# Corporate Information

(As at 25 August 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.



# Highlights

	For the six months ended 30 June		
	2010 (Unaudited)	2009 (Unaudited)	Change
Beer sales volume, in tonne	<b>442,000</b>	390,000	+13.3%
Profit for the period, in thousand HK\$	<b>9,227</b>	9,107	+1.3%
Basic earnings per share, in HK cent	<b>0.5</b>	0.5	–
EBITDA, in thousand HK\$	<b>99,549</b>	129,286	–23.0%
	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)	Change
Current ratio	<b>0.9 times</b>	0.7 times	+28.6%
Gearing ratio <sup>1</sup>	<b>net cash</b>	net cash	–
Total assets, in million HK\$	<b>3,618</b>	3,572	+1.3%
Net asset value per share, in HK\$	<b>1.70</b>	1.68	+1.2%
Period-end number of employees	<b>2,837</b>	2,733	+3.8%

Note:

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

# Unaudited Interim Financial Report

## Condensed Consolidated Income Statement

For the six months ended 30 June 2010

	Notes	For the six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>REVENUE</b>	3	<b>783,497</b>	749,128
Cost of sales		<b>(604,298)</b>	(576,052)
<b>Gross profit</b>		<b>179,199</b>	173,076
Other income and gains		<b>33,302</b>	49,138
Selling and distribution expenses		<b>(135,504)</b>	(130,884)
Administrative expenses		<b>(65,127)</b>	(58,720)
Finance costs	4	<b>(433)</b>	(22,214)
<b>PROFIT BEFORE TAX</b>	5	<b>11,437</b>	10,396
Income tax expense	6	<b>(2,210)</b>	(1,289)
<b>PROFIT FOR THE PERIOD</b>		<b>9,227</b>	9,107
<b>EARNINGS PER SHARE</b>	7		
Basic		<b>0.5 HK cents</b>	0.5 HK cents
Diluted		<b>N/A</b>	N/A

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

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

		For the six months ended 30 June	
	Notes	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>PROFIT FOR THE PERIOD</b>		<b>9,227</b>	9,107
Exchange differences on translation of foreign operations	13	<b>20,299</b>	(16,584)
Net gain on cash flow hedges		–	4,594
Transfer of hedging reserve to the income statement	4	–	10,126
Other comprehensive income/(loss) for the period		<b>20,299</b>	(1,864)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>29,526</b>	7,243

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

## Condensed Consolidated Balance Sheet

30 June 2010

	<i>Notes</i>	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>2,708,802</b>	2,747,923
Investment properties		<b>36,365</b>	35,120
Prepaid land lease payments		<b>249,395</b>	250,043
Goodwill		<b>9,384</b>	9,384
Reusable packaging materials		<b>12,984</b>	17,799
Deferred tax assets		<b>4,986</b>	5,018
<b>Total non-current assets</b>		<b>3,021,916</b>	3,065,287
<b>CURRENT ASSETS</b>			
Inventories		<b>243,595</b>	188,892
Trade and bills receivables	8	<b>29,772</b>	18,481
Prepayments, deposits and other receivables		<b>29,900</b>	35,578
Pledged bank balance		<b>6,419</b>	–
Cash and cash equivalents		<b>286,064</b>	263,994
<b>Total current assets</b>		<b>595,750</b>	506,945
<b>CURRENT LIABILITIES</b>			
Trade payables	9	<b>(198,128)</b>	(89,610)
Deferred revenue		<b>(94,961)</b>	(103,561)
Tax payable		<b>(2,530)</b>	(1,406)
Other payables and accruals		<b>(292,683)</b>	(336,958)
VAT payable		<b>(10,104)</b>	(1,271)
Due to the immediate holding company	16(b)	<b>(207)</b>	(97)
Due to fellow subsidiaries	16(b)	<b>(46,439)</b>	(16,019)
Interest-bearing bank borrowings	10	<b>(55,000)</b>	(135,000)
<b>Total current liabilities</b>		<b>(700,052)</b>	(683,922)
<b>NET CURRENT LIABILITIES</b>		<b>(104,302)</b>	(176,977)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,917,614</b>	2,888,310

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

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

30 June 2010

	Notes	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,917,614</b>	2,888,310
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>(7,641)</b>	(7,863)
Net assets		<b>2,909,973</b>	2,880,447
<b>EQUITY</b>			
Issued capital	11	<b>171,154</b>	171,154
Reserves	13	<b>2,738,819</b>	2,709,293
Total equity		<b>2,909,973</b>	2,880,447



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

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Note	For the six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Total equity at 1 January		<b>2,880,447</b>	2,870,183
Profit for the period		<b>9,227</b>	9,107
Other comprehensive income/(loss)	13	<b>20,299</b>	(1,864)
Total comprehensive income		<b>29,526</b>	7,243
Total equity at 30 June		<b>2,909,973</b>	2,877,426

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

## Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>NET CASH INFLOWS FROM OPERATING ACTIVITIES</b>	<b>128,718</b>	482,186
<b>NET CASH OUTFLOWS FROM INVESTING ACTIVITIES</b>	<b>(22,732)</b>	(16,155)
<b>NET CASH OUTFLOWS FROM FINANCING ACTIVITIES</b>	<b>(80,000)</b>	(179,060)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>25,986</b>	286,971
Cash and cash equivalents at beginning of period	<b>263,994</b>	242,689
Effect of foreign exchange rate changes, net	<b>2,503</b>	97
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>292,483</b>	529,757
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>249,710</b>	237,894
Non-pledged time deposits	<b>36,354</b>	155,526
Cash and cash equivalents as stated in the condensed consolidated balance sheet	<b>286,064</b>	393,420
Bank balances pledged for banking facilities	<b>6,419</b>	209
Time deposits pledged for banking facilities	–	136,128
Cash and cash equivalents as stated in the condensed consolidated cash flow statement	<b>292,483</b>	529,757

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

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2010

### 1. Accounting Policies

The unaudited condensed consolidated interim financial statements of Kingway Brewery Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group") for the six months ended 30 June 2010 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2009, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) as disclosed in note 2.1 to the interim condensed consolidated financial statements.

### 2.1 Changes in Accounting Policy and Disclosures

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

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKFRS 8 Amendment*	<i>Amendment to HKFRS 8 Operating Segments – Disclosure of information about segment assets</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>

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

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

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

30 June 2010

### 2.1 Changes in Accounting Policy and Disclosures *(Cont'd)*

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.

The adoption of these new and revised HKFRSs has had no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

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

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

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for the First-time Adopters</i> <sup>2</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>4</sup>
HKAS 24 (Revised)	<i>Related Party Disclosures</i> <sup>3</sup>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i> <sup>1</sup>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> <sup>3</sup>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013



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

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

30 June 2010

### 2.2 Issued but not Yet Effective Hong Kong Financial Reporting Standards *(Cont'd)*

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments and transition requirements for amendments to a number of HKFRSs. For *Improvements to HKFRSs 2010*, the amendments to HKFRS 3 and transition requirements for amendments arising as a result of HKAS 27 are effective for annual periods beginning on or after 1 July 2010 while the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

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 these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.



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

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

30 June 2010

### 3. 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, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income and finance costs are excluded from such measurement.

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

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

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

30 June 2010

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

The following table presents revenue and results of the Group's operating segments for the six months ended 30 June 2010 and 2009.

	Mainland China		Overseas and Hong Kong		Corporate		Eliminations		Consolidated	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	<b>750,292</b>	715,704	<b>33,205</b>	33,424	-	-	-	-	<b>783,497</b>	749,128
Intersegment sales	<b>17,849</b>	15,327	-	-	-	-	<b>(17,849)</b>	(15,327)	-	-
Other income and gains	<b>24,713</b>	28,039	-	20	<b>6,747</b>	18,266	-	-	<b>31,460</b>	46,325
Total	<b>792,854</b>	759,070	<b>33,205</b>	33,444	<b>6,747</b>	18,266	<b>(17,849)</b>	(15,327)	<b>814,957</b>	795,453
Segment results	<b>1,343</b>	3,613	<b>8,237</b>	13,185	<b>448</b>	12,999	-	-	<b>10,028</b>	29,797
Interest income									<b>1,842</b>	2,813
Finance costs									<b>(433)</b>	(22,214)
Profit before tax									<b>11,437</b>	10,396
Income tax expense									<b>(2,210)</b>	(1,289)
Profit for the period									<b>9,227</b>	9,107

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

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

30 June 2010

### 4. Finance Costs

	For the six months ended 30 June	
	2010	2009
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on bank loans wholly repayable within five years	433	3,683
Fair value loss on cash flow hedges	–	8,405
Transfer of hedging reserve to the income statement	–	10,126
	<b>433</b>	<b>22,214</b>

### 5. Profit Before Tax

This is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2010	2009
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation	75,869	77,687
Recognition of prepaid land lease payments	3,055	3,100
Amortisation of reusable packaging materials	8,755	15,889
Interest income	(1,842)	(2,813)
Foreign exchange difference, net	(6,747)	(18,266)
Changes in fair value of investment properties	(1,245)	(746)

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

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

30 June 2010

### 6. Income Tax

	For the six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Group:		
Current – Hong Kong	927	1,563
Current – Mainland China:		
Charge for the period	1,937	2,361
Overprovision in prior periods	(465)	–
Deferred	(189)	(2,635)
Total tax charge for the period	2,210	1,289

Hong Kong profits tax has been provided at a rate of 16.5% (Six months ended 30 June 2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in those places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Tax Law"), which is effective from 1 January 2008. Under the New CIT Tax Law, corporate income tax ("CIT") rate for domestic companies and foreign-invested enterprises will decrease from 33% to 25% since 1 January 2008. In addition, for those enterprises benefiting from lower preferential tax rates, such preferential rates will be gradually phased out by increasing them over the next five years commencing from 1 January 2008.

The CIT rate shall unify at 25% with effect from 1 January 2008 pursuant to the New CIT Law, however, a transition provision was granted to the existing foreign-invested enterprises which have been currently enjoying the preferential tax treatment until it is exhausted. Moreover, all preferential tax treatment will be deemed to begin in 2008 if the preferential tax treatment has not yet commenced due to accumulated losses.

Kingway Brewery (Dongguan) Co., Ltd. and Kingway Brewery (Shan Tou) Co., Ltd. are entitled to a 50% tax relief for the six months ended 30 June 2010 and 2009.

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

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

30 June 2010

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

Kingway Brewery (Foshan) Co., Ltd. is entitled to a 50% tax relief for the six months ended 30 June 2010. For the six months ended 30 June 2009, Kingway Brewery (Foshan) Co., Ltd. was exempted from CIT.

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.

### 7. Earnings Per Share

The calculation of the basic earnings per share for the six months end 30 June 2009 and 2010 are based on:

	For the six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Profit for the period	9,227	9,107
	For the six months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
Number of shares:		
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share calculation	1,711,536,850	1,711,536,850



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

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

30 June 2010

### 8. Trade and Bills Receivables

The Group's trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, invoices are normally payable within 30 to 180 days of issuance. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

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

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Within 3 months	<b>26,925</b>	16,435
3 to 6 months	<b>2,888</b>	965
6 months to 1 year	<b>9</b>	206
Over 1 year	<b>444</b>	429
	<b>30,266</b>	18,035
Less: Impairment	<b>(494)</b>	(489)
Trade receivables	<b>29,772</b>	17,546
Bills receivables	<b>–</b>	935
	<b>29,772</b>	18,481

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

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

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

30 June 2010

### 9. Trade Payables

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

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Within 3 months	<b>185,120</b>	77,644
3 to 6 months	<b>9,718</b>	9,030
6 months to 1 year	<b>2,631</b>	1,583
Over 1 year	<b>659</b>	1,353
	<b>198,128</b>	89,610

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

### 10. Interest-bearing Bank Borrowings

	<b>Effective interest rate</b>	<b>Maturity</b>	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Bank loan – unsecured	HIBOR+1.30% per annum	2010	<b>15,000</b>	55,000
Bank loan – unsecured	HIBOR+0.30% per annum	2010	<b>40,000</b>	80,000
			<b>55,000</b>	135,000

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

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

30 June 2010

### 11. Share Capital

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Authorised:		
2,000,000,000 (31 December 2009: 2,000,000,000) ordinary shares of HK\$0.10 each	<b>200,000</b>	200,000
Issued and fully paid:		
1,711,536,850 (31 December 2009: 1,711,536,850) ordinary shares of HK\$0.10 each	<b>171,154</b>	171,154

### 12. 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 30 June 2010 and 31 December 2009, there were no outstanding options under the Share Option Scheme. During the six months ended 30 June 2010, no options were granted, exercised, cancelled nor lapsed pursuant to the Share Option Scheme.

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

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

30 June 2010

### 13. Reserves

	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Hedging reserve <i>HK\$'000</i>	Enterprise development funds <sup>#</sup> <i>HK\$'000</i>	Reserve funds <sup>#</sup> <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2009	1,688,606	13,824	10,377	(18,794)	216	78,866	468,728	457,206	2,699,029
Profit for the period	-	-	-	-	-	-	-	9,107	9,107
Other comprehensive income/(loss)	-	-	-	14,720	-	-	(16,584)	-	(1,864)
Total comprehensive income	-	-	-	14,720	-	-	(16,584)	9,107	7,243
At 30 June 2009 (Unaudited)	1,688,606	13,824	10,377	(4,074)	216	78,866	452,144	466,313	2,706,272
At 1 January 2010	1,688,606	13,824	10,377	-	216	78,866	445,683	471,721	2,709,293
Profit for the period	-	-	-	-	-	-	-	9,227	9,227
Other comprehensive income	-	-	-	-	-	-	20,299	-	20,299
Total comprehensive income	-	-	-	-	-	-	20,299	9,227	29,526
At 30 June 2010 (Unaudited)	1,688,606	13,824	10,377	-	216	78,866	465,982	480,948	2,738,819

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

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

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

30 June 2010

### 14. Operating Lease Arrangements

(a) *As lessor*

The Group leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms ranging from three to ten years (31 December 2009: three to ten years). The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Within one year	<b>4,015</b>	3,157
In the second to fifth years, inclusive	<b>7,009</b>	8,493
After five years	<b>655</b>	789
	<b>11,679</b>	12,439

(b) *As lessee*

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging one to two years (31 December 2009: one to two years).

At 30 June 2010, the Group had total future minimum lease payments under non-cancellable operating leases, in respect of land and buildings, falling due as follows:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Within one year	<b>347</b>	542



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

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

30 June 2010

### 15. Commitments

In addition to the operating lease commitments detailed in note 14 to the interim condensed consolidated financial statements, the Group had the following commitments at the balance sheet date:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Capital commitments for the Group's property, plant and equipment:		
Contracted, but not provided for	<b>70,237</b>	6,654
Authorised, but not contracted for	<b>25,268</b>	89,375
	<b>95,505</b>	96,029

### 16. Significant Related Party Transactions

(a) *Transactions with fellow subsidiaries:*

	<b>For the six months ended 30 June</b>	
	<b>2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
Purchase of malt from Guangzhou Malting Co., Ltd	<b>68,884</b>	33,753
Purchase of malt from Ningbo Malting Co., Ltd.	<b>4,722</b>	–
Purchase of malt from Supertime (Baoying) Malting Co., Ltd.	–	1,943
Purchase of malt from Supertime (Nanjing) Malting Co., Ltd.	–	14,966
Purchase of malt from Supertime (Qinhuangdao) Malting Co., Ltd.	<b>3,071</b>	3,774
Rental of office premises paid to Global Head Developments Limited	<b>407</b>	419
Subcontracting income received from Hainan Asia Pacific Brewery Co., Ltd.	<b>3,050</b>	9,652

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

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

30 June 2010

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

(b) *Outstanding balances with related parties:*

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Balances due to:		
The immediate holding company	<b>207</b>	97
Fellow subsidiaries	<b>46,439</b>	16,019

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

	<b>For the six months ended 30 June</b>	
	<b>2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
Short term employee benefits	<b>3,248</b>	1,380
Post-employment benefits	<b>436</b>	374
Total compensation paid to key management personnel	<b>3,684</b>	1,754

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

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

30 June 2010

### 17. 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 Kingway Brewery Co., Ltd., ("SKBCL"), 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 SKBCL on 18 July 2008. CSLL claimed for payment 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) ("Proceeding").

On 15 September 2009, SKBCL 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 consider that the Group has a good likelihood of success in defending the claims asserted by CSLL.

On 18 May 2010, SKBCL and CSLL mutually accepted an out of court settlement in which SKBCL agreed to pay RMB7 million (approximately HK\$8 million) ("Claim") to CSLL. As at 30 June 2010, the Claim was fully settled by SKBCL and the Proceeding was closed accordingly. The Group had made an accrual of RMB9.9 million (approximately HK\$11.2 million) in 2009. As such, an overprovision of RMB2.9 million (approximately HK\$3.3 million) has been credited to the income statement during the period ended 30 June 2010.

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

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 25 August 2010.

# Report on Review of Interim Financial Information



**To the board of directors of  
Kingway Brewery Holdings Limited**  
*(Incorporated in Bermuda with limited liability)*

## Introduction

We have reviewed the interim financial information set out on pages 4 to 25 which comprises the condensed consolidated balance sheet of Kingway Brewery Holdings Limited as at 30 June 2010 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

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

## Scope of Review

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

## Conclusion

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

## Ernst & Young

*Certified Public Accountants*  
18th Floor, Two International Finance Centre  
8 Finance Street, Central  
Hong Kong  
25 August 2010

# Management Discussion and Analysis

## Results and Key Operating Data

The total sales volume of the Group for the first half of the year was 442,000 tonnes (2009: 390,000 tonnes), representing an increase of 13.3% over the same period last year. The consolidated revenue was HK\$783 million (2009: HK\$749 million), representing an increase of 4.5% as compared to the same period last year. The Group's sales in Mainland China accounted for 95.8% of the consolidated revenue, whereas the sales in overseas and Hong Kong market accounted for 4.2% of the consolidated revenue. The unaudited consolidated profit for the period under review was HK\$9.23 million (2009: HK\$9.11 million), representing an increase of 1.3% year-on-year.

During the period under review, Kingway plants in Tianjin, Xian and Chengdu have achieved higher growth rate in sales volume respectively, delivering a satisfactory performance. The sales volume in Guangdong also recorded a growth.

The Board of Directors of the Company resolved not to declare the payment of an interim dividend for the six months ended 30 June 2010 (2009: nil).

## Business and Financial Review

The Group's average costs of sales per tonne of beer for the first half of the year was HK\$1,367 (2009: HK\$1,477), representing a decrease of 7.4% over the same period last year. The decrease in average costs of sales per tonne of beer was primarily due to the decrease in shared fixed costs per tonne of beer resulted from the increase in sales volume.

The Group's selling and distribution expenses for the first half of the year amounted to HK\$136 million (2009: HK\$131 million), representing an increase of 3.8% over the same period last year. The Group's average selling and distribution expenses per tonne was HK\$307 (2009: HK\$336), representing a decrease of 8.6% over the same period last year. The Group's administrative expenses for the first half of the year was HK\$65.13 million (2009: HK\$58.72 million), representing an increase over the same period last year.

The Group's finance costs for the first half of the year amounted to HK\$0.43 million (2009: HK\$22.21 million), representing a decrease of 98.1%. Significant decrease in finance costs was primarily attributable to the decrease in outstanding bank loans and no expenses incurred in connection with the settlement of a swap contract. The swap contract served to hedge against the interest rate and the exchange rate between USD and RMB in respect of the Company's USD-denominated bank loan and was settled last year. Such expense incurred in the same period last year in connection with the swap contract were essentially offset by exchange gains recorded in the same period last year. The decrease in finance costs during the period under review was the major reason that contributed to the drop of Earnings before interests, taxes, depreciation and amortisation (EBITDA).





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

### Capital Expenditure

Capital expenditure incurred by the Group, on a cash basis, for the period under review was approximately HK\$23.68 million (2009: HK\$47.67 million), typically in connection with addition and improvement of production equipment for our brewery plants.

### Financial Resources, Liquidity and Debt Position

The Group had cash and bank balances of HK\$292 million as at 30 June 2010 (including pledged bank deposits of HK\$6.42 million), of which 93.2% was in RMB, 3.8% was in USD and 3.0% was in HKD.

Net cash inflow from operating activities during the period under review was HK\$129 million. In addition, a total of HK\$80 million of interest-bearing bank loans were repaid during the period. As at 30 June 2010, the outstanding balance of interest-bearing bank loans of the Group amounted to HK\$55 million (31 December 2009: HK\$135 million). The Group will have sufficient financial resources to cover all of the debts due and payable. As at 30 June 2010, the Group had no material contingent liabilities.

### Human Resources

The Group had a total of 2,837 (31 December 2009: 2,733) employees as at 30 June 2010. Reasonable remuneration packages that take into account business performance, market practices and market conditions are offered to employees by the Group. In addition, discretionary bonuses are also granted based on the results of the Group and the performance of individual employee.

### Outlook

At present, our management focuses on market expansion, sales network consolidation as well as sales volume and market share enhancement. The Group aims to offer consumers the freshest Kingway beer by implementing specific marketing strategies targeting different regions, kinds of customers and requirements of consumers through an efficient sales network. With efforts having been made by all our employees, the Group remains cautiously optimistic in respect of the sales volume for the whole year. We will strive to improve our operating results and returns to the shareholders.

## Directors' Interests and Short Positions in Securities

As at 30 June 2010, the interests and short positions of the directors and 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 "Hong Kong 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 of the Company 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 Hong Kong 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 of Hong Kong Limited (the "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 interests held
JIANG Guoqiang	Personal	2,616,666	Long position	0.1529%
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 approximate percentage of interests held was calculated on the basis of 1,711,536,850 shares of the Company in issue as at 30 June 2010.

#### (ii) Guangdong Investment Limited

Name of director	Capacity/ nature of interest	Number of shares held	Long/Short position	Approximate percentage of interests held
LI Wenyue	Personal	31,320,000	Long position	0.5040%
LIANG Jianqin	Personal	100,000	Long position	0.0016%
Michael WU	Family <sup>#</sup>	18,000	Long position	0.0003%

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

Note: The approximate percentage of interests held was calculated on the basis of 6,213,938,071 ordinary shares of Guangdong Investment Limited in issue as at 30 June 2010.

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

## I. Shares *(Cont'd)*

### (iii) Guangdong Tannery Limited

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

Note: The approximate percentage of interests held was calculated on the basis of 537,619,000 ordinary shares of Guangdong Tannery Limited in issue as at 30 June 2010.

### (iv) Guangnan (Holdings) Limited

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

Note: The approximate percentage of interests held was calculated on the basis of 905,923,285 ordinary shares of Guangnan (Holdings) Limited in issue as at 30 June 2010.

## II. Options

### (i) Guangdong Investment Limited

Name of Director	Number of share options					Date of grant of share options <i>(dd.mm.yyyy)</i>	Total consideration paid for share options <i>HK\$</i>	Exercise price of share options* <i>HK\$</i> <i>(per share)</i>	Price of ordinary share at date immediately before date of grant** <i>HK\$</i> <i>(per share)</i>	Price of ordinary share at date immediately before the exercise date** <i>HK\$</i> <i>(per share)</i>
	At 1 January 2010	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	At 30 June 2010					
LI Wenyue	9,500,000	-	-	-	9,500,000	24.10.2008	-	1.88	1.73	-
HUANG Xiaofeng	5,700,000	-	-	-	5,700,000	24.10.2008	-	1.88	1.73	-

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

## II. Options *(Cont'd)*

### (i) Guangdong Investment Limited *(Cont'd)*

Notes to the above share options granted pursuant to the share option scheme adopted by Guangdong Investment Limited on 24 October 2008 :

- (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 before the date which is one year after the date of grant	10%
On or after the date which is one year after but before the date which is two years after the date of grant	25%
On or after the date which is two years after but before the date which is three years after the date of grant	40%
On or after the date which is three years after but before the date which is four years after the date of grant	70%
On or after the date which is four years after the date of grant	80%
	The remaining 20% also vests upon passing the overall performance appraisal for those four years

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

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

The price of the ordinary shares of Guangdong Investment Limited disclosed as "at date immediately before the exercise date" of the share options is the weighted average of the Hong Kong Stock Exchange closing prices immediately before the dates on which the options were exercised by each of the directors or all other participants as an aggregate whole.

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

## II. Options (Cont'd)

### (ii) Guangnan (Holdings) Limited

Name of Director	Number of share options				At 30 June 2010	Date of grant of share options <sup>#</sup> (dd.mm.yyyy)	Total consideration paid for share options HK\$	Exercise period of share options (both days inclusive) <sup>#</sup> (dd.mm.yyyy)	Exercise price of share options* HK\$ (per share)	Price of ordinary share at date immediately before date of grant** HK\$ (per share)	Price of ordinary share at date immediately before the exercise date** HK\$ (per share)
	At 1 January 2010	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period							
LUO Fanyu	200,000	-	-	-	200,000	09.03.2006	1	09.06.2006 to 08.03.2016	1.66	1.61	-

Notes to the above share options granted pursuant to the share option scheme adopted by Guangnan (Holdings) Limited on 11 June 2004:

- # The vesting period of the share options is from the date of grant until the commencement of the exercise 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 exercise period is not a business day in Hong Kong, the exercise period shall end at the close of business on the last business day preceding that day.
- \* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the share capital of Guangnan (Holdings) Limited.
- \*\* The price of the ordinary shares of Guangnan (Holdings) Limited disclosed as "at date immediately before date of grant" of the share options is the closing price on the Hong Kong Stock Exchange on the business day prior to which the options were granted.

The price of the ordinary shares of Guangnan (Holdings) Limited disclosed as "at date immediately before the exercise date" of the share options is the weighted average of the Hong Kong Stock Exchange closing prices immediately before the dates on which the options were exercised by each of the directors or all other participants as an aggregate whole.

Save as disclosed above, as at 30 June 2010, to the knowledge of the Company, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive of the Company 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 Hong Kong Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the period 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 and Short Positions in Securities

As at 30 June 2010, so far as is known to any director or chief executive of the Company, the following persons (other than a director or chief executive of the Company) had, or were deemed or taken to have interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which 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) <i>(Note 1)</i>	Shares	1,263,494,221	Long position	73.82%
GDH Limited ("GDH") <i>(Note 1)</i>	Shares	1,263,494,221	Long position	73.82%
Heineken Holdings N.V. ("Heineken HNV") <i>(Notes 2 and 3)</i>	Shares	1,263,494,221	Long position	73.82%
	Shares	365,767,453	Short position	21.37%
Heineken N.V. ("Heineken NV") <i>(Notes 2 and 3)</i>	Shares	1,263,494,221	Long position	73.82%
	Shares	365,767,453	Short position	21.37%
Heineken International B.V. ("Heineken IBV") <i>(Notes 2 and 3)</i>	Shares	1,263,494,221	Long position	73.82%
	Shares	365,767,453	Short position	21.37%
Fraser and Neave, Limited ("F & N") <i>(Notes 2 and 3)</i>	Shares	1,263,494,221	Long position	73.82%
	Shares	365,767,453	Short position	21.37%
Asia Pacific Investment Pte Ltd ("APIP") <i>(Notes 2 and 3)</i>	Shares	1,263,494,221	Long position	73.82%
	Shares	365,767,453	Short position	21.37%
Asia Pacific Breweries Limited ("APB") <i>(Notes 2 and 3)</i>	Shares	1,263,494,221	Long position	73.82%
	Shares	365,767,453	Short position	21.37%
Heineken – APB (China) Pte Ltd ("HAPBC") <i>(Notes 2 and 3)</i>	Shares	1,263,494,221	Long position	73.82%
	Shares	365,767,453	Short position	21.37%
Genesis Asset Managers, LLP <i>(Note 4)</i>	Shares	136,640,219	Long position	7.98%
Genesis Fund Managers, LLP <i>(Note 5)</i>	Shares	133,640,219	Long position	7.81%

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

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

Save as disclosed above, as at 30 June 2010, so far as is known to any director or chief executive of the Company, no other person (other than a director or chief executive of the Company) had, or were deemed or taken to have interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.



# Corporate Governance and Other Information

## Code on Corporate Governance Practices

The Company has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2010.

## Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors’ securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2010.

## Board of Directors

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

## Changes in Directors’ Information

Changes in directors’ information are set out below:

Ms. LIANG Jianqin will resign as the chief financial officer and will be re-designated as a non-executive director of the Company with effect from 1 September 2010 and, subsequently, she will not receive any remuneration from the Company. Mr. ZHOU Tao will be appointed as the chief financial officer of the Company with effect from 1 September 2010.

Mr. Felix FONG Wo has been appointed as an independent non-executive director of China Oilfield Services Limited (a listed company in Hong Kong) with effect from 28 May 2010.

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

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

## Remuneration Committee

The Company established a remuneration committee (“Remuneration Committee”) in June 2005. The terms of reference of the Remuneration Committee adopted by the Board of the Company are in line with the CG Code. The Remuneration Committee comprises Mr. Roland PIRMEZ as the chairman, Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho as members. The principal duties of the Remuneration Committee include, inter alia, making recommendations to the Board relating to the Company’s policy for directors’ and senior management’s remuneration, determining the executive directors’ and senior management’s remuneration packages, reviewing and approving their performance-based remuneration and compensation payable for their loss of offices.

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

### Audit Committee

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

### Review of Interim Results

The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements and the interim report of the Group for the six months ended 30 June 2010. In addition, the Company's external auditors, Ernst & Young, have also reviewed the aforesaid unaudited interim condensed consolidated financial statements.

### Purchase, Sale and Redemption of Listed Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

### Disclosure Pursuant to Rule 13.21 of the Listing Rules

The Company has entered into a facility letter with two banks respectively (collectively "Facility Letters") for loan facilities with an aggregate amount of up to HK\$400 million. The Facility Letters imposed specific performance obligations on GDH, the controlling shareholder of the Company, and/or HAPBC, a substantial shareholder of the Company. The Facility Letters include, inter alia, a condition to the effect that GDH and/or HAPBC shall in aggregate at all times to own directly or indirectly at least 51% of the issued ordinary shares of the Company. A breach of the above condition would constitute an event of default under the Facility Letters. If such an event of default occurs, the above facilities will become immediately due and repayable.

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

<b>Date of Facility Letters</b>	<b>Facility amount</b>	<b>Outstanding balance as at 30 June 2010</b>	<b>Last repayment date</b>
27 October 2006	HK\$200 million	HK\$15 million	October 2010
19 December 2006	HK\$200 million	HK\$40 million	December 2010

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

Hong Kong, 25 August 2010

