



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

2011
Interim Report 中期報告



中国驰名商标



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Corporate Information

(As at 25 August 2011)

Board of Directors

Executive Directors

YE Xuquan (*Chief Executive Officer*)

JIANG Guoqiang (*Senior Vice President*)

Non-Executive Directors

HUANG Xiaofeng (*Chairman*)

XU Wenfang

HUANG Zhenhai

LUO Fanyu

LIANG Jianqin

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

Felix FONG Wo (*Chairman*)

Alan Howard SMITH

Vincent Marshall LEE Kwan Ho

Company Secretary

Vanessa WONG Kin Yan

Auditors

Ernst & Young

Principal Bankers

Rabobank International

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

Website Address

<http://www.kingwaybeer.hk>

Highlights

	For the six months ended 30 June		Change
	2011 (Unaudited)	2010 (Unaudited)	
Beer sales volume, in tonne	475,000	442,000	+7.5%
Profit for the period, in thousand HK\$	1,456	9,227	-84.2%
Basic earnings per share, in HK cent	0.1	0.5	-80.0%
EBITDA, in thousand HK\$	89,646	99,549	-9.9%

	As at 30 June 2011 (Unaudited)	As at 31 December 2010 (Audited)	Change
	Current ratio	1.03 times	
Gearing ratio ¹	net cash	net cash	–
Total assets, in million HK\$	3,807	3,574	+6.5%
Net asset value per share, in HK\$	1.78	1.75	+1.7%
Number of employees	2,823	2,817	+0.2%

Note:

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

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 5 to 26 which comprises the condensed consolidated balance sheet of Kingway Brewery Holdings Limited as at 30 June 2011 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

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

Scope of Review

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

Conclusion

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

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong
25 August 2011

Unaudited Interim Financial Report

Condensed Consolidated Income Statement

For the six months ended 30 June 2011

		For the six months ended 30 June	
	Notes	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
REVENUE	4	892,254	783,497
Cost of sales		(729,559)	(604,298)
Gross profit		162,695	179,199
Other income and gains	4	33,477	33,302
Selling and distribution expenses		(123,957)	(135,504)
Administrative expenses		(68,456)	(65,127)
Finance costs	5	(357)	(433)
PROFIT BEFORE TAX	6	3,402	11,437
Income tax expense	7	(1,946)	(2,210)
PROFIT FOR THE PERIOD		1,456	9,227
EARNINGS PER SHARE	8		
Basic		0.1 HK cent	0.5 HK cent
Diluted		N/A	N/A

Unaudited Interim Financial Report *(Cont'd)*

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011 (Unaudited) <i>HK\$'000</i>	2010 (Unaudited) <i>HK\$'000</i>
PROFIT FOR THE PERIOD	1,456	9,227
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		
Exchange differences on translation of foreign operations	65,893	20,299
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	67,349	29,526

Unaudited Interim Financial Report *(Cont'd)*

Condensed Consolidated Balance Sheet

30 June 2011

	<i>Notes</i>	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,725,291	2,718,645
Investment properties		38,600	37,371
Prepaid land lease payments		251,658	249,151
Goodwill		9,384	9,384
Reusable packaging materials		7,338	9,061
Deferred tax assets		5,068	5,130
Total non-current assets		3,037,339	3,028,742
CURRENT ASSETS			
Inventories		286,356	305,789
Trade and bills receivables	9	32,237	14,676
Prepayments, deposits and other receivables		26,710	32,553
Tax recoverable		746	1,469
Due from fellow subsidiaries	17(b)	3,641	–
Pledged bank balances		6,734	7,051
Cash and cash equivalents		413,104	183,733
Total current assets		769,528	545,271
CURRENT LIABILITIES			
Trade and bills payables	10	(207,357)	(98,767)
Deferred revenue		(71,833)	(84,930)
Tax payable		(1,538)	(1,144)
Other payables and accruals		(325,456)	(329,852)
VAT payable		(16,532)	(901)
Dividend payable		(17,115)	–
Due to the immediate holding company	17(b)	(64)	(209)
Due to fellow subsidiaries	17(b)	(5,279)	(46,659)
Interest-bearing bank borrowing	11	(100,000)	–
Total current liabilities		(745,174)	(562,462)
NET CURRENT ASSETS/(LIABILITIES)		24,354	(17,191)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,061,693	3,011,551

Unaudited Interim Financial Report *(Cont'd)*

Condensed Consolidated Balance Sheet *(Cont'd)*

30 June 2011

	<i>Notes</i>	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
<hr/>			
TOTAL ASSETS LESS CURRENT LIABILITIES		3,061,693	3,011,551
<hr/>			
NON-CURRENT LIABILITIES			
Deferred tax liabilities		(7,721)	(7,813)
<hr/>			
Net assets		3,053,972	3,003,738
<hr/>			
EQUITY			
Issued capital	12	171,154	171,154
Reserves	14	2,882,818	2,815,469
Proposed final dividend		–	17,115
<hr/>			
Total equity		3,053,972	3,003,738
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Unaudited Interim Financial Report *(Cont'd)*

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Note	For the six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Total equity at 1 January		3,003,738	2,880,447
Profit for the period		1,456	9,227
Other comprehensive income for the period	14	65,893	20,299
Total comprehensive income		67,349	29,526
Final 2010 dividend declared		(17,115)	–
Total equity at 30 June		3,053,972	2,909,973

Unaudited Interim Financial Report *(Cont'd)*

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	147,927	128,718
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(31,965)	(22,732)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	100,000	(80,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	215,962	25,986
Cash and cash equivalents at beginning of period	190,784	263,994
Effect of foreign exchange rate changes, net	6,358	2,503
CASH AND CASH EQUIVALENTS AT END OF PERIOD	413,104	292,483
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	295,043	249,710
Non-pledged time deposits	118,061	36,354
Cash and cash equivalents as stated in the condensed consolidated balance sheet	413,104	286,064
Bank balances pledged for banking facilities	–	6,419
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	413,104	292,483

Unaudited Interim Financial Report *(Cont'd)*

Notes to Interim Condensed Consolidated Financial Statements

30 June 2011

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 2011 has 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 information are the same as those used in the annual financial statements for the year ended 31 December 2010, 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 information.

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 First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and 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.

The adoption of these new and revised HKFRSs has had no significant financial effect on the unaudited interim financial information.

Unaudited Interim Financial Report *(Cont'd)*

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

30 June 2011

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 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ¹
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> ¹
HKFRS 9	<i>Financial Instruments</i> ⁴
HKFRS 10	<i>Consolidated Financial Statements</i> ⁴
HKFRS 11	<i>Joint Arrangements</i> ⁴
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> ⁴
HKFRS 13	<i>Fair Value Measurement</i> ⁴
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Items of Other Comprehensive Income</i> ³
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> ²
HKAS 19 (2011)	<i>Employee Benefits</i> ⁴
HKAS 27 (2011)	<i>Separate Financial Statements</i> ⁴
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

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 2011

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 Hong Kong, Macau and overseas; and
- (c) the Corporate segment engages in providing corporate services to the Mainland China segment and the Overseas and Hong Kong segment in Hong Kong.

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.

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 2011

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 2011 and 2010.

	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	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	854,269	750,292	37,985	33,205	-	-	-	-	892,254	783,497
Intersegment sales	23,217	17,849	-	-	-	-	(23,217)	(17,849)	-	-
Other income and gains	28,472	24,713	336	-	3,234	6,747	-	-	32,042	31,460
Total	905,958	792,854	38,321	33,205	3,234	6,747	(23,217)	(17,849)	924,296	814,957
Segment results	(3,369)	1,343	8,520	8,237	(2,827)	448	-	-	2,324	10,028
Interest income									1,435	1,842
Finance costs									(357)	(433)
Profit before tax									3,402	11,437
Income tax expense									(1,946)	(2,210)
Profit for the period									1,456	9,227

Unaudited Interim Financial Report *(Cont'd)*

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

30 June 2011

4. 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, and after elimination of all significant intra-group transactions.

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

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Invoiced value of goods sold (net of trade discounts, allowances for returns and value-added tax)	1,030,682	888,904
Beer consumption tax and other taxes	(138,428)	(105,407)
	892,254	783,497
Other income		
Income on sale of scrap materials	22,075	16,149
Government grant	2,378	2,272
Bank interest income	1,435	1,842
Gross rental income	2,530	2,230
Others	1,170	2,817
	29,588	25,310
Gains		
Fair value gains on investment properties	655	1,245
Foreign exchange gain, net	3,234	6,747
	3,889	7,992
	33,477	33,302

Unaudited Interim Financial Report *(Cont'd)*

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

30 June 2011

5. Finance Costs

Finance costs represented interest on bank loans wholly repayable within five years.

6. Profit Before Tax

This is arrived at after charging:

	For the six months ended 30 June	
	2011 (Unaudited) <i>HK\$'000</i>	2010 (Unaudited) <i>HK\$'000</i>
Cost of inventories sold	729,559	604,298
Depreciation	79,276	75,869
Recognition of prepaid land lease payments	3,149	3,055
Amortisation of reusable packaging materials	3,462	8,755

Unaudited Interim Financial Report *(Cont'd)*

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

30 June 2011

7. Income Tax

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Current – Hong Kong	720	927
Current – Mainland China:		
Charge for the period	1,203	1,937
Underprovision/(overprovision) in prior periods	48	(465)
Deferred	(25)	(189)
Total tax charge for the period	1,946	2,210

Hong Kong profits tax has been provided at a rate of 16.5% (Six months ended 30 June 2010: 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 the local jurisdictions in which the Group operates.

Kingway Brewery (Shan Tou) Co., Ltd. and Kingway Brewery (Foshan) Co., Ltd. are entitled to a 50% tax relief for the six months ended 30 June 2011 and 2010.

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

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

Unaudited Interim Financial Report *(Cont'd)*

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

30 June 2011

8. Earnings Per Share

The calculation of the basic earnings per share for the six months ended 30 June 2011 and 2010 are based on:

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	1,456	9,227

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(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
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The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2011 and 2010.

9. 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 each customer. 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.

Unaudited Interim Financial Report *(Cont'd)*

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

30 June 2011

9. Trade and Bills Receivables *(Cont'd)*

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

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within 3 months	31,803	12,600
3 to 6 months	437	994
6 months to 1 year	131	469
Over 1 year	474	456
	32,845	14,519
Less: Impairment	(608)	(592)
Trade receivables	32,237	13,927
Bills receivables	–	749
	32,237	14,676

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 2011

10. Trade and Bills Payables

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

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within 3 months	206,291	76,770
3 to 6 months	282	17,731
6 months to 1 year	569	3,539
Over 1 year	215	657
Trade payables	207,357	98,697
Bills payable	–	70
	207,357	98,767

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

11. Interest-bearing Bank Borrowing

	Effective interest rate	Maturity	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Bank loan – unsecured	HIBOR+1.20% per annum	On demand	100,000	–

Unaudited Interim Financial Report *(Cont'd)*

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

30 June 2011

12. Share Capital

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Authorised:		
2,000,000,000 (31 December 2010: 2,000,000,000) ordinary shares of HK\$0.10 each	200,000	200,000
Issued and fully paid:		
1,711,536,850 (31 December 2010: 1,711,536,850) ordinary shares of HK\$0.10 each	171,154	171,154

13. Share Option Scheme

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

The 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 2011 and 31 December 2010, there were no outstanding options under the Share Option Scheme. During the six months ended 30 June 2011, 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 2011

14. Reserves

	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Enterprise development funds [#] <i>HK\$'000</i>	Reserve funds [#] <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 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
At 1 January 2011	1,688,606	13,824	10,377	216	78,866	532,702	490,878	2,815,469
Profit for the period	-	-	-	-	-	-	1,456	1,456
Other comprehensive income	-	-	-	-	-	65,893	-	65,893
Total comprehensive income	-	-	-	-	-	65,893	1,456	67,349
At 30 June 2011 (Unaudited)	1,688,606	13,824	10,377	216	78,866	598,595	492,334	2,882,818

[#] Pursuant to the relevant laws and regulations, a portion of the profits of the Group's subsidiaries which is registered in the People's Republic of China 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 reserves reaches 50% of respective subsidiaries' paid-up 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 2011

15. Operating Lease Arrangements

(a) *As lessor*

The Group leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to nine years (31 December 2010: 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 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within one year	4,893	3,018
In the second to fifth years, inclusive	6,898	5,788
	11,791	8,806

(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 three years (31 December 2010: one to three years).

At 30 June 2011, the Group had total future minimum lease payments under non-cancellable operating leases, in respect of land and buildings, falling due as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within one year	933	699
In the second to fifth years, inclusive	821	1,186
	1,754	1,885

Unaudited Interim Financial Report *(Cont'd)*

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

30 June 2011

16. Commitments

In addition to the operating lease commitments detailed in note 15, the Group had the following commitments at the end of the reporting period:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Capital commitments for the Group's property, plant and equipment:		
Contracted, but not provided for	47,450	66,284
Authorised, but not contracted for	16,415	18,789
	63,865	85,073

Unaudited Interim Financial Report *(Cont'd)*

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

30 June 2011

17. Significant Related Party Transactions

(a) *Transactions with related parties:*

	Note	For the six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Fellow subsidiaries:			
Purchase of malt from Guangzhou Malting Co., Ltd	(i)	38,405	68,884
Purchase of malt from Ningbo Malting Co., Ltd.	(i)	10,104	4,722
Purchase of malt from Supertime (Qinhuangdao) Malting Co., Ltd.	(i)	–	3,071
Purchase of malt from Supertime (Baoying) Malting Co., Ltd.	(i)	6,608	–
Rental of office premises paid to Global Head Developments Limited		350	407
A subsidiary of a substantial shareholder:			
Subcontracting income received from Hainan Asia Pacific Brewery Co., Ltd.	(ii)	–	3,050

Note:

- (i) The directors believe that the purchases of malt were made according to the terms similar to those offered to other customers unrelated to these fellow subsidiaries.
- (ii) On 5 May 2011, the holding company of Hainan Asia Pacific Brewery Co., Ltd., Heineken-APB (China) Pte Ltd ("HAPBC"), was no longer a substantial shareholder of the Company as HAPBC sold its entire interest in the Company to GDH Limited.

Unaudited Interim Financial Report *(Cont'd)*

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

30 June 2011

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

(b) *Outstanding balances with related parties:*

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Balances due from:		
Fellow subsidiaries	3,641	–
Balances due to:		
The immediate holding company	64	209
Fellow subsidiaries	5,279	46,659

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

	For the six months ended 30 June 2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Short term employee benefits	3,128	3,248
Post-employment benefits	299	436
Total compensation paid to key management personnel	3,427	3,684

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 2011.

Management Discussion and Analysis

Results and Key Operating Data

The total sales volume of the Group for the first half of 2011 was 475,000 tonnes (2010: 442,000 tonnes), representing an increase of 7.5% over the same period last year. The consolidated revenue was HK\$892 million (2010: HK\$783 million), representing an increase of 13.9% over the same period last year. The Group's sales in Mainland China accounted for 95.7% of the consolidated revenue, whereas the sales in overseas and Hong Kong accounted for 4.3% of the consolidated revenue. The unaudited consolidated profit of the Group for the period under review was HK\$1.46 million (2010: HK\$9.23 million), representing a decrease of 84.2% over the same period last year. The drop in profit was mainly due to the increase in the costs of production of approximately HK\$80 million, and the additional payment of the newly imposed city construction tax and education surcharge by the Group's subsidiaries in Mainland China of approximately HK\$20 million.

The board of directors of the Company resolved not to declare the payment of an interim dividend for the six months ended 30 June 2011 (2010: nil).

Business and Financial Review

The Group's average costs of sales per tonne of beer for the first half of the year increased 12.4% over the same period last year. The Group's selling and distribution expenses for the first half of the year was HK\$124 million (2010: HK\$136 million), representing a decrease of 8.8% over the same period last year. The average selling and distribution expenses per tonne was HK\$261 (2010: HK\$307), representing a decrease of 15.0% over the same period last year, with the utilization efficiency of selling and distribution expenses increased. The Group's administrative expenses for the first half of the year was HK\$68.46 million (2010: HK\$65.13 million), representing an increase of 5.1% over the same period last year. The Group's finance costs for the first half of the year amounted to HK\$0.36 million (2010: HK\$0.43 million), representing a decrease of 16.3%.

Capital Expenditure

Capital expenditure incurred by the Group, on a cash basis, for the period under review was approximately HK\$25.49 million (2010: HK\$23.68 million), mainly in connection with improvement of production equipment for our brewery plants and construction of staff quarters.

Financial Resources, Liquidity and Debt Position

The Group had cash and bank balances of HK\$420 million as at 30 June 2011 (including pledged bank deposits of HK\$6.73 million), of which 92.9% was in RMB, 5.4% was in USD and 1.7% was in HKD.

Net cash inflow from operating activities during the period under review was HK\$148 million. As at 30 June 2011, the outstanding balance of interest-bearing bank loan of the Group amounted to HK\$100 million (31 December 2010: nil), mainly used as working capital. The Group has strong financial position and sufficient liquidity for its ordinary operations. As at 30 June 2011, the Group had no material contingent liabilities.

Management Discussion and Analysis *(Cont'd)*

Human Resources

The Group had a total of 2,823 (31 December 2010: 2,817) employees as at 30 June 2011. 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

The results of the Group for the period under review were affected by the rise in raw material prices and increase in costs and expenses under inflation in Mainland China, and the imposition of city construction tax and education surcharge on foreign-invested enterprises by the government. The management of the Group will improve the Group's operating efficiency by increasing product sales volume, making appropriate upward adjustment to the price of beer products according to market condition to increase the revenue, and continuously implementing stringent cost control measures. We endeavour to improve our operating results and generate higher returns for our shareholders.

The Group has been appointed as the sole beer sponsor of the Summer Universiade 2011 held in Shenzhen in August 2011. It does not only facilitate the marketing of our brand, but also complements to the healthy and vibrant image of Kingway and further enlightens the brand awareness of Kingway among consumers.

Directors' Interests and Short Positions in Securities

As at 30 June 2011, 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 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%
LUO Fanyu	Personal	86,444	Long position	0.0051%
LIANG Jianqin	Personal	56,222	Long position	0.0033%
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 2011.

(ii) Guangdong Investment Limited

Name of director	Capacity/ nature of interest	Number of shares held	Long/Short position	Approximate percentage of interests held
XU Wenfang	Personal	1,320,000	Long position	0.0212%
LIANG Jianqin	Personal	100,000	Long position	0.0016%

Note: The approximate percentage of interests held was calculated on the basis of 6,230,898,071 ordinary shares of Guangdong Investment Limited in issue as at 30 June 2011.

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
LUO Fanyu	Personal	70,000	Long position	0.0130%

Note: The approximate percentage of interests held was calculated on the basis of 538,019,000 ordinary shares of Guangdong Tannery Limited in issue as at 30 June 2011.

II. Options

(i) Guangdong Investment Limited

Name of director	Date of grant of share options <i>(dd.mm.yyyy)</i>	Number of share options					At 30 June 2011	Total consideration paid for share options HK\$	Exercise price of share options* HK\$ <i>(per share)</i>	Price of ordinary share at date immediately before date of grant** HK\$ <i>(per share)</i>	Long/Short position
		At date of grant	At 1 January 2011	Granted during the period	Exercised during the period	Cancelled/ Lapsed/ during the period					
HUANG Xiaofeng	24.10.2008	5,700,000	5,700,000	-	-	-	5,700,000	-	1.88	1.73	Long position
XU Wenfang	24.10.2008	3,300,000	1,980,000	-	-	-	1,980,000	-	1.88	1.73	Long position

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

- The option period of all the share options is 5.5 years from the date of grant.
- Any share option is only exercisable during the option period after it has become vested.

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

II. Options *(Cont'd)*

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

(c) The normal vesting scale of the share options is as follows:

<u>Date</u>	<u>Percentage Vesting</u>
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:

<u>Date on which event occurs</u>	<u>Percentage Vesting</u>
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.

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

II. Options (Cont'd)

(ii) Guangnan (Holdings) Limited

Name of director	Date of grant of share options [#] (dd.mm.yyyy)	Number of share options				At 30 June 2011	Total consideration paid for share options HK\$	Exercise period of share options (both days inclusive) ^{##} (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)	Long/Short position
		At 1 January 2011	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period						
LUO Fanyu	09.03.2006	200,000	-	-	-	200,000	1	09.06.2006 to 08.03.2016	1.66	1.61	Long position

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.

Save as disclosed above, as at 30 June 2011, 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 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

As at 30 June 2011, 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	Number of securities held	Type of securities	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)	1,263,494,221	Shares	Long position	73.82%
GDH Limited ("GDH") ^(Note 1)	1,263,494,221	Shares	Long position	73.82%
Genesis Asset Managers, LLP ^(Note 2)	136,640,219	Shares	Long position	7.98%
Genesis Fund Managers, LLP ^(Note 3)	133,640,219	Shares	Long position	7.81%

Notes: (1) The shareholding interest of GDH in the Company has increased from approximately 52.45% to approximately 73.82% following completion of the acquisition by GDH of the shares of the Company disposed by Heineken-APB (China) Pte Ltd on 5 May 2011. Please refer to the announcements of the Company dated 11 March 2011, 4 April 2011 and 5 May 2011 for details. 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.

(2) The shares held by Genesis Asset Managers, LLP were held in the capacity of investment manager.

(3) The shares held by Genesis Fund Managers, LLP were held in the capacity of investment manager.

Save as disclosed above, as at 30 June 2011, 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 complied with the code provisions and, where appropriate, the applicable recommended best practices set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2011.

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, upon 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 2011.

Board of Directors

At as the date of the report, the board of directors (the “Board”) comprises two executive directors, being Mr. YE Xuquan and Mr. JIANG Guoqiang; five non-executive directors, being Mr. HUANG Xiaofeng, Ms. XU Wenfang, Mr. HUANG Zhenhai, Mr. LUO Fanyu and Ms. LIANG Jianqin; 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 is delegated with 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.

The Chairman of the Board is Mr. HUANG Xiaofeng 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. Huang 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.

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

Changes in Directors' Information

In accordance with Rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by the directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) in respect of the period between 1 January 2011 and the date of this report are set out below:

Ms. XU Wenfang is the Chief Personal and Appraisal Officer of both 廣東粵海控股有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings") and GDH Limited ("GDH"). She ceased to act as the General Manager of the Personnel Department of Guangdong Holdings and the General Manager of the Personnel and Appraisal Department of GDH in June 2011. She also ceased to act as the director and Chairman of Supertime Development Limited, which is a wholly-owned subsidiary of GDH Limited, in May 2011.

Mr. Alan Howard SMITH resigned as a director of Castle Asia Alternative PCC Limited (a listed company in London) and a director of United International Securities Limited (a listed company in Singapore) with effect from 20 April 2011 and 18 April 2011, respectively.

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

Remuneration Committee

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

Audit Committee

The Audit Committee of the Company was established in September 1998 and its terms of reference 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.

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

Review of Interim Results

The Audit Committee has reviewed the unaudited interim financial information of the Group and the Company's the interim report for the six months ended 30 June 2011. In addition, the Company's external auditors, Ernst & Young, have also reviewed the aforesaid unaudited interim financial information.

Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's securities listed on the Hong Kong Stock Exchange.

Disclosure Pursuant to Rule 13.21 of the Listing Rules

The Company has entered into a facility letter ("Facility Letter") with a bank for an uncommitted general banking facility ("Facility") for up to HK\$100,000,000. The Facility itself does not have a fixed term and the principal and interest of each drawing under the Facility are to be repaid at the end of its interest period which may be either one, two, three or six months.

The Facility Letters imposed a specific performance obligation on GDH, in which GDH shall at all times to own directly or indirectly at least 51% of the issued share capital of the Company and to have the overall control and management of the Company. While the Facility does not have any express event of default provision, the Facility is subject to the bank's overriding right to, inter alia, demand immediate repayment of all outstanding balances under the Facility without prior notice. It follows that any breach of the above undertaking may result in the bank exercising its aforesaid right to demand immediate repayment.

As at 30 June 2011, GDH held 73.82% of the issued share capital of the Company and the outstanding bank loan repayable to the bank was HK\$100,000,000.

By Order of the Board
HUANG Xiaofeng
Chairman

Hong Kong, 25 August 2011

