



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

2012

Interim Report 中期報告



麗于泰山



中国驰名商标





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Corporate Information

(As at 27 August 2012)

Board of Directors

Non-Executive Directors

HUANG Xiaofeng (*Chairman*)
HUANG Zhenhai
XU Wenfang
LUO Fanyu
LIANG Jianqin

Executive Directors

YE Xuquan (*Chief Executive Officer*)
LIANG Jiang
LI Wai Keung

Independent Non-Executive Directors

Alan Howard SMITH
Felix FONG Wo
Vincent Marshall LEE Kwan Ho

Audit Committee

Vincent Marshall LEE Kwan Ho
(*Committee Chairman*)
Alan Howard SMITH
Felix FONG Wo

Remuneration Committee

Felix FONG Wo (*Committee Chairman*)
Alan Howard SMITH
Vincent Marshall LEE Kwan Ho

Nomination Committee

HUANG Xiaofeng (*Committee 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
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

Highlights

	For the six months ended 30 June		
	2012 (Unaudited)	2011 (Unaudited)	Change
Beer sales volume, in tonne	398,000	475,000	-16.2%
Profit/(loss) for the period, in thousand HK\$	(101,589)	1,456	N/A
Basic earnings/(loss) per share, in HK cent	(5.9)	0.1	N/A
Earnings/(loss) before interest, tax, depreciation and amortisation, in thousand HK\$	(13,842)	89,646	N/A

	As at 30 June 2012 (Unaudited)	As at 31 December 2011 (Audited)	Change
	Current ratio	1.02 times	
Gearing ratio ¹	net cash	net cash	—
Total assets, in million HK\$	4,283	3,709	+15.5%
Net asset value per share, in HK\$	1.75	1.83	-4.4%
Period-end number of employees	2,922	2,864	+2.0%

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 2012 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
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong
27 August 2012

Unaudited Interim Financial Information

Condensed Consolidated Income Statement

For the six months ended 30 June 2012

	Notes	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
REVENUE	4	768,673	892,254
Cost of sales		(704,155)	(729,559)
Gross profit		64,518	162,695
Other income and gains	4	31,290	33,477
Selling and distribution expenses		(103,098)	(123,957)
Administrative expenses		(93,331)	(68,456)
Finance costs	5	(260)	(357)
PROFIT/(LOSS) BEFORE TAX	6	(100,881)	3,402
Income tax expense	7	(708)	(1,946)
PROFIT/(LOSS) FOR THE PERIOD		(101,589)	1,456
EARNINGS/(LOSS) PER SHARE	8		
Basic		(5.9) HK cent	0.1 HK cent
Diluted		N/A	N/A

Unaudited Interim Financial Information *(Cont'd)*

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	(101,589)	1,456
OTHER COMPREHENSIVE INCOME/(LOSS)		
Gains on property revaluation	3,913	–
Income tax effect	(978)	–
	2,935	–
Exchange differences on translation of foreign operations	(19,175)	65,893
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(16,240)	65,893
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(117,829)	67,349

Unaudited Interim Financial Information *(Cont'd)*

Condensed Consolidated Balance Sheet

30 June 2012

	Notes	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,668,301	2,751,334
Investment properties		47,841	39,965
Prepaid land lease payments		249,884	254,899
Goodwill		9,384	9,384
Reusable packaging materials		8,497	7,630
Deferred tax assets		5,116	5,209
Total non-current assets		2,989,023	3,068,421
CURRENT ASSETS			
Inventories		282,925	297,282
Trade receivables	9	26,459	16,279
Prepayments, deposits and other receivables		24,221	28,143
Pledged bank balances		491	7,401
Restricted bank balances		6,869	–
Cash and cash equivalents		952,951	291,889
Total current assets		1,293,916	640,994
CURRENT LIABILITIES			
Trade payables	10	(196,395)	(117,725)
Deferred revenue		(72,854)	(75,930)
Tax payable		(1,799)	(2,653)
Other payables and accruals		(908,706)	(329,076)
VAT payable		(12,172)	(4,766)
Dividend payable		(17,115)	–
Due to the immediate holding company	17(b)	(70)	(239)
Due to fellow subsidiaries	17(b)	(37,223)	(32,851)
Interest-bearing bank borrowing	11	(24,534)	–
Total current liabilities		(1,270,868)	(563,240)
NET CURRENT ASSETS		23,048	77,754
TOTAL ASSETS LESS CURRENT LIABILITIES		3,012,071	3,146,175

Unaudited Interim Financial Information *(Cont'd)*

Condensed Consolidated Balance Sheet *(Cont'd)*

30 June 2012

	<i>Notes</i>	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		3,012,071	3,146,175
NON-CURRENT LIABILITIES			
Deferred tax liabilities		(8,565)	(7,725)
Net assets		3,003,506	3,138,450
EQUITY			
Issued capital	12	171,154	171,154
Reserves	14	2,832,352	2,950,181
Proposed final dividend		–	17,115
Total equity		3,003,506	3,138,450

Unaudited Interim Financial Information *(Cont'd)*

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Note	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Total equity at 1 January		3,138,450	3,003,738
Profit/(loss) for the period		(101,589)	1,456
Other comprehensive income/(loss) for the period	14	(16,240)	65,893
Total comprehensive income/(loss)		(117,829)	67,349
Final dividend declared		(17,115)	(17,115)
Total equity at 30 June		3,003,506	3,053,972

Unaudited Interim Financial Information *(Cont'd)*

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	44,873	147,927
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	595,116	(31,965)
NET CASH FLOWS FROM FINANCING ACTIVITIES	24,534	100,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	664,523	215,962
Cash and cash equivalents at beginning of period	291,889	190,784
Effect of foreign exchange rate changes, net	(3,461)	6,358
CASH AND CASH EQUIVALENTS AT END OF PERIOD	952,951	413,104
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	927,944	295,043
Non-pledged time deposits maturing within 3 months	25,007	118,061
Cash and cash equivalents as stated in the condensed consolidated balance sheet and condensed consolidated statement of cash flows	952,951	413,104

Unaudited Interim Financial Information *(Cont'd)*

Notes to Condensed Consolidated Interim Financial Information

30 June 2012

1. Accounting Policies

The unaudited condensed consolidated interim financial information of Kingway Brewery Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group") for the six months ended 30 June 2012 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 2011, 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 condensed consolidated interim financial information.

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 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>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

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

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2012

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 the condensed consolidated interim financial information.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standard – Government Loan</i> ²
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> ²
HKFRS 9	<i>Financial Instruments</i> ⁴
HKFRS 10	<i>Consolidated Financial Statements</i> ²
HKFRS 11	<i>Joint Arrangements</i> ²
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> ²
HKFRS 13	<i>Fair Value Measurement</i> ²
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i> ¹
HKAS 19 (2011)	<i>Employee Benefits</i> ²
HKAS 27 (2011)	<i>Separate Financial Statements</i> ²
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> ²
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ³
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> ²
Annual Improvements Project	Annual Improvements to HKFRSs 2009-2011 Cycle ²

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

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

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 Information *(Cont'd)*

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

30 June 2012

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

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 sales of beer by the Mainland China segment to the Overseas and Hong Kong segment which were made on the bases determined within the Group.

Unaudited Interim Financial Information (Cont'd)

Notes to Condensed Consolidated Interim Financial Information (Cont'd)

30 June 2012

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 2012 and 2011.

	Mainland China		Overseas and Hong Kong		Corporate		Eliminations		Consolidated	
	For the six months ended 30 June 2012		For the six months ended 30 June 2012		For the six months ended 30 June 2012		For the six months ended 30 June 2012		For the six months ended 30 June 2012	
	(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	731,016	854,269	37,657	37,985	-	-	-	-	768,673	892,254
Intersegment sales	22,753	23,217	-	-	-	-	(22,753)	(23,217)	-	-
Other income and gains	23,360	28,472	178	336	2,783	3,234	-	-	26,321	32,042
Total	777,129	905,958	37,835	38,321	2,783	3,234	(22,753)	(23,217)	794,994	924,296
Segment results	(101,870)	(3,369)	7,881	8,520	(11,601)	(2,827)	-	-	(105,590)	2,324
Interest income									4,969	1,435
Finance costs									(260)	(357)
Profit/(loss) before tax									(100,881)	3,402
Income tax expense									(708)	(1,946)
Profit/(loss) for the period									(101,589)	1,456

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2012

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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Invoiced value of goods sold (net of trade discounts, allowances for returns and value-added tax)	890,311	1,030,682
Beer consumption tax and other taxes	(121,638)	(138,428)
	768,673	892,254
Other income		
Income on sale of scrap materials	18,964	22,075
Government grant	83	2,378
Bank interest income	4,969	1,435
Gross rental income	3,215	2,530
Others	495	1,170
	27,726	29,588
Gains		
Fair value gains on investment properties	781	655
Foreign exchange gains, net	2,783	3,234
	3,564	3,889
	31,290	33,477

Unaudited Interim Financial Information (Cont'd)

Notes to Condensed Consolidated Interim Financial Information (Cont'd)

30 June 2012

5. Finance Costs

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

6. Profit/(Loss) Before Tax

This is arrived at after charging:

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Cost of inventories sold	699,183	729,559
Provision for inventories*	5,809	–
Depreciation	80,840	79,276
Recognition of prepaid land lease payments	3,254	3,149
Amortisation of reusable packaging materials	2,685	3,462

* Provision for inventories is included in "Cost of sales" and "Selling and distribution expenses" in the condensed consolidated income statement.

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2012

7. Income Tax

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Current – Hong Kong	494	720
Current – Mainland China:		
Charge for the period	198	1,203
Underprovision in prior periods	68	48
Deferred	(52)	(25)
Total tax charge for the period	708	1,946

Hong Kong profits tax has been provided at a rate of 16.5% (Six months ended 30 June 2011: 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 (Foshan) Co., Ltd. was entitled to a 50% tax relief for the six months ended 30 June 2012 and 2011.

Kingway Brewery (Shan Tou) Co., Ltd. ("Kingway Shantou") and Kingway Brewery Group (Chengdu) Co., Ltd. ("Kingway Chengdu") did not generate any assessable profits for the six months ended 30 June 2012 and were not subject to PRC corporate income tax ("CIT"). For the six months ended 30 June 2011, Kingway Shantou and Kingway Chengdu were entitled to a 50% tax relief.

Kingway Brewery (Tianjin) Co., Ltd. and Kingway Brewery (Xian) Co., Ltd. have not generated any accumulated assessable profits since their establishment. Pursuant to the PRC Corporate Income Tax Law approved by the National People's Congress on 16 March 2007, these companies were 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.

Unaudited Interim Financial Information (Cont'd)

Notes to Condensed Consolidated Interim Financial Information (Cont'd)

30 June 2012

8. Earnings/(Loss) Per Share

The calculation of the basic earnings/(loss) per share for the six months ended 30 June 2012 and 2011 are based on:

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Profit/(loss) for the period	(101,589)	1,456

	For the six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
Number of shares:		
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings/(loss) per share calculation	1,711,536,850	1,711,536,850

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2012 and 2011.

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2012

9. Trade 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 120 days of issuance. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within 3 months	26,071	15,901
3 to 6 months	373	366
6 months to 1 year	12	8
Over 1 year	589	592
	27,045	16,867
Less: Impairment	(586)	(588)
	26,459	16,279

Unaudited Interim Financial Information (Cont'd)

Notes to Condensed Consolidated Interim Financial Information (Cont'd)

30 June 2012

10. Trade Payables

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

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within 3 months	170,866	114,960
3 to 6 months	18,125	2,265
6 months to 1 year	6,439	244
Over 1 year	965	256
	196,395	117,725

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 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Bank loan – unsecured	5.85% per annum	2012	24,534	–

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2012

12. Share Capital

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Authorised:		
2,000,000,000 (31 December 2011: 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 2011: 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 2012 and 31 December 2011, there were no outstanding options under the Share Option Scheme. During the six months ended 30 June 2012, no options were granted, exercised, cancelled nor lapsed pursuant to the Share Option Scheme.

Unaudited Interim Financial Information (Cont'd)

Notes to Condensed Consolidated Interim Financial Information (Cont'd)

30 June 2012

14. Reserves

	Share premium account HK\$'000	Capital reserve HK\$'000	Property revaluation reserve HK\$'000	Enterprise development funds [#] HK\$'000	Reserve funds [#] HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
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
At 1 January 2012	1,688,606	13,824	10,377	216	78,866	649,764	508,528	2,950,181
Loss for the period	-	-	-	-	-	-	(101,589)	(101,589)
Other comprehensive income/(loss)	-	-	2,935	-	-	(19,175)	-	(16,240)
Total comprehensive income/(loss)	-	-	2,935	-	-	(19,175)	(101,589)	(117,829)
At 30 June 2012 (Unaudited)	1,688,606	13,824	13,312	216	78,866	630,589	406,939	2,832,352

Pursuant to the relevant laws and regulations a portion of the profits of the Group's subsidiaries which is 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 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 Information *(Cont'd)*

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

30 June 2012

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 five years (31 December 2011: three to five 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 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within one year	4,190	3,506
In the second to fifth years, inclusive	7,252	5,770
	11,442	9,276

(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 2011: one to three years).

At 30 June 2012, 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 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within one year	1,104	699
In the second to fifth years, inclusive	122	487
	1,226	1,186

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2012

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 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Capital commitments for the Group's property, plant and equipment:		
Contracted, but not provided for	14,340	27,804
Authorised, but not contracted for	8,754	11,028
	23,094	38,832

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2012

17. Significant Related Party Transactions

(a) Transactions with related parties

		For the six months ended 30 June	
	<i>Notes</i>	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Fellow subsidiaries:			
Purchase of malt from Guangzhou Malting Co., Ltd	<i>(i)</i>	38,574	38,405
Purchase of malt from Ningbo Malting Co., Ltd.	<i>(i)</i>	10,548	10,104
Purchase of malt from Supertime (Qinhuangdao) Malting Co., Ltd.	<i>(i)</i>	4,834	–
Purchase of malt from Supertime (Baoying) Malting Co., Ltd.	<i>(i)</i>	2,438	6,608
Purchase of malt from Supertime (Qitai) Malting Co., Ltd.	<i>(i)</i>	4,209	–
Rental of office premises paid to Global Head Developments Limited	<i>(ii)</i>	350	350

Notes:

- (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) The Group entered into a tenancy agreement dated 25 September 2008 with Global Head Developments Limited ("GHD"), which is a 60.45% (2011: 60.45%) owned subsidiary of GDH Limited, the immediate holding company of the Company, and a fellow subsidiary of the Company, whereby the Group agreed to lease a leasehold property owned by GHD as office premises for a term of two years commencing on 1 September 2008. The rental agreement was renewed on 25 November 2010 for a term of three years commencing on 1 September 2010. The rental agreement was negotiated based on normal commercial terms agreed between the two parties.

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2012

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

(b) *Outstanding balances with related parties*

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Balances due to:		
The immediate holding company	70	239
Fellow subsidiaries	37,223	32,851

Balance with the immediate holding company is unsecured, interest-free and has no fixed terms of repayment. Balances with fellow subsidiaries are unsecured, interest-free and are repayable within 30 days from date of invoice.

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

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Short term employee benefits	3,465	3,128
Post-employment benefits	310	299
Total compensation paid to key management personnel	3,775	3,427

18. Approval of Condensed Consolidated Interim Financial Information

These condensed consolidated interim financial information were approved and authorised for issue by the board of directors on 27 August 2012.

Management Discussion and Analysis

Results and Key Operating Data

The total sales volume of the Group for the first half of 2012 was 398,000 tonnes (2011: 475,000 tonnes), representing a decrease of 16.2% over the same period last year. The consolidated revenue was HK\$769 million (2011: HK\$892 million), representing a decrease of 13.8% over the same period last year. The Group's sales in Mainland China accounted for 95.1% of the consolidated revenue, whereas the sales in overseas and Hong Kong accounted for 4.9% of the consolidated revenue. The unaudited consolidated loss of the Group for the period under review was HK\$101.6 million (2011: consolidated profit of HK\$1.46 million). The drop in profit was mainly attributable to the decline in revenue as a result of the decrease in sales volume of the Group and increase in production costs as a result of rising raw material prices.

The board of directors of the Company resolved not to declare the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

Business and Financial Review

The Group's average costs of sales per tonne of beer for the first half of the year increased 15.2% over the same period last year, which was mainly attributable to the increase in raw material prices and average fixed costs. The selling and distribution expenses for the first half of the year was HK\$103 million (2011: HK\$124 million), representing a decrease of 16.9% over the same period last year. The average selling and distribution expenses per tonne of beer was HK\$259 (2011: HK\$261), representing a decrease of 0.8% over the same period last year, with increased utilization efficiency of the selling and distribution expenses in the period under review. The Group's administrative expenses for the first half of the year was HK\$93.33 million (2011: HK\$68.46 million), representing an increase of 36.3% over the same period last year. The increase in administrative expenses was mainly attributable to the increases in wages, professional fees incurred in the course of strategic review and other general administrative expenses. The Group's finance costs for the first half of the year was HK\$0.26 million (2011: HK\$0.36 million), representing a decrease of 27.8%.

Capital Expenditure

The Group's capital expenditure, on a cash basis, for the period under review was approximately HK\$20.39 million (2011: HK\$25.49 million), which was mainly the expenditure incurred in the improvement of production equipment for our brewery plants and construction of staff quarters.

Management Discussion and Analysis *(Cont'd)*

Financial Resources, Liquidity and Debt Position

The Group had cash and bank balances of HK\$960 million as at 30 June 2012 (including restricted bank balances and pledged bank deposits of HK\$7.36 million in aggregate), of which 90.9% was in RMB, 8.0% was in USD and 1.1% was in HKD.

Net cash inflow from operating activities for the period under review was HK\$44.87 million. As at 30 June 2012, the outstanding balance of interest-bearing bank loan of the Group was HK\$24.53 million (31 December 2011: Nil), and the loan was mainly used for working capital purpose. The Group has a strong financial position with sufficient liquidity to finance its daily operations. As at 30 June 2012, the Group did not have any material contingent liabilities.

Human Resources

As at 30 June 2012, the Group had a total of 2,922 (31 December 2011: 2,864) employees. Reasonable remuneration packages based on 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

In the second half of the year, the Group will mainly focus on reinforcing its existing sales channels in respect of brewery business and work hard to reverse the decline in beer sales volume. The Group will also continue to take measures to enhance production efficiency and maintain stringent cost control.

On 20 January 2012, the Company published an announcement in relation to the strategic review of the Group. The Company also provided updates on the strategic review through voluntary announcements dated 14 February 2012, 27 April 2012 and 14 June 2012 respectively as well as in the Chairman Statement in its 2011 Annual Report.

As at the date of this report, the strategic review is still ongoing, and no decision has been taken in respect of any actions or transactions referred to in the aforesaid announcements. It is only in the event that (i) the Company is presented with an offer of a value commensurate with the relevant business and assets of the Group; (ii) the result of the strategic review is that the operation and development of the remaining assets and business of the Group will present attractive prospects and opportunities to the Company; and (iii) it is in the interest of the Company and its shareholders as a whole, will the Company take any actions or enter into transactions referred to in the aforesaid announcements.

Further announcement(s) on the strategic review will be made as and when necessary and appropriate.

Directors' Interests and Short Positions in Securities

As at 30 June 2012, 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 (the "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
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 2012.

(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%
LI Wai Keung	Personal	1,340,000	Long position	0.0215%
LIANG Jianqin	Personal	100,000	Long position	0.0016%

Note: The approximate percentage of interests held was calculated on the basis of 6,233,205,071 ordinary shares of Guangdong Investment Limited in issue as at 30 June 2012.

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 2012.

(iv) Guangnan (Holdings) Limited

Name of director	Capacity/ nature of interest	Number of shares held	Long/Short position	Approximate percentage of interests held
LIANG Jiang	Personal	1,210,000	Long position	0.1334%

Note: The approximate percentage of interests held was calculated on the basis of 907,293,285 ordinary shares of Guangnan (Holdings) Limited in issue as at 30 June 2012.

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

II. Options

(i) Guangdong Investment Limited

Name of director	Date of grant of share options (dd.mm.yyyy)	Number of share options					At 30 June 2012	Total consideration paid for share options granted HK\$	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 date of grant	At 1 January 2012	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
LI Wai Keung	24.10.2008	3,350,000	2,010,000	—	—	—	2,010,000	—	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.
- 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%

- 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.
- 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.

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

II. Options (Cont'd)

(ii) Guangnan (Holdings) Limited

Share option scheme adopted on 29 December 2008

Name of director	Date of grant of share options (dd.mm.yyyy)	Number of share options					Total consideration paid for share options granted HK\$	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 date of grant	At 1 January 2012	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period				
LIANG Jiang [△]	30.12.2008	2,150,000	645,000	—	—	—	—	0.75	0.74	Long position
	05.07.2010	3,100,000	3,100,000	—	—	—	3,100,000	1.45	1.44	Long position

[△] Mr. LIANG Jiang was appointed an Executive Director of the Company on 8 March 2012.

Notes to the above share options granted pursuant to the share option scheme adopted by Guangnan (Holdings) Limited on 29 December 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.
- 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%

- The vesting of the share options is further subject to the achievement of such performance targets as determined by the board of directors of Guangnan (Holdings) Limited upon grant and stated in the offer of grant.
- 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 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.

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

II. Options (Cont'd)

(ii) Guangan (Holdings) Limited (Cont'd)

Share option scheme adopted on 11 June 2004

Name of director	Date of grant of share options [†] (dd.mm.yyyy)	Number of share options				At 30 June 2012	Total consideration paid for share options granted 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 2012	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period						
LIANG Jiang [△]	09.03.2006	2,000,000	—	—	—	2,000,000	1	09.06.2006 to 08.03.2016	1.66	1.61	Long position
LUO Fanyu	09.03.2006	200,000	—	—	—	200,000	1	09.06.2006 to 08.03.2016	1.66	1.61	Long position

[△] Mr. LIANG Jiang was appointed an Executive Director of the Company on 8 March 2012.

Notes to the above share options granted pursuant to the share option scheme adopted by Guangan (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 Guangan (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 Guangan (Holdings) Limited.
- ** The price of the ordinary shares of Guangan (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 2012, 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 2012, 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 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 2012, 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

Corporate Governance Code

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 (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (collectively the “CG Code”) contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2012, save for the new code provision A.6.7 of the CG Code as an independent non-executive director and a non-executive director were unable to attend the annual general meeting of the Company held on 15 May 2012 as they had other engagements.

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 2012.

Board of Directors

At as the date of the report, the board of directors (the “Board”) of the Company comprises three executive directors, being Mr. YE Xuquan, Mr. LIANG Jiang and Mr. LI Wai Keung; five non-executive directors, being Mr. HUANG Xiaofeng, Mr. HUANG Zhenhai, Ms. XU Wenfang, 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 in directors' information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules in respect of the period between last published 2011 annual report and the date of this report are set out below:

Non-executive Director

Mr. HUANG Xiaofeng resigned as a non-executive director of Guangnan (Holdings) Limited ("Guangnan") (a company listed on the Hong Kong Stock Exchange) with effect from 24 July 2012. Mr. Huang, being the chairman of both 廣東粵海控股有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings") and GDH, ceased to act as the General Manager of both Guangdong Holdings and GDH in May 2012. Guangdong Holdings and GDH are the ultimate holding company and the immediate holding company of the Company, respectively.

Mr. HUANG Zhenhai has been appointed as a non-executive director of Guangdong Investment Limited ("GDI") (a company listed on the Hong Kong Stock Exchange) with effect from 20 July 2012. Mr. Huang has also been appointed as a director and the General Manager of Guangdong Holdings and the General Manager of GDH in May 2012.

Ms. XU Wenfang ceased to act as the chairman of 廣東粵港供水有限公司 (Guangdong Yue Gang Water Supply Company Limited) ("Guangdong Yue Gang Water Supply") and GH Water Supply (Holdings) Limited ("GH Water Supply") with effect from 13 June 2012 and 3 August 2012, respectively. However, she remains as a director of these two companies. Both Guangdong Yue Gang Water Supply and GH Water Supply are subsidiaries of GDI which is a fellow subsidiary of the Company.

Executive Director

Mr. LIANG Jiang ceased to act as the chairman and was re-designated as a non-executive director of Guangnan (a company listed on the Hong Kong Stock Exchange) with effect from 24 July 2012.

Mr. JIANG Guoqiang retired as a director and the Senior Vice President of the Company in May 2012 and July 2012, respectively. The total fees, salaries, allowances and benefits in kind and pension scheme contributions (excluding performance related bonus) for the period from 1 January to 31 July 2012 for Mr. JIANG Guoqiang for acting as a director and the Senior Vice President of the Company was approximately HK\$873,000.

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

Independent Non-executive Director

Mr. Alan Howard SMITH has been appointed as an independent non-executive director of Wheelock and Company Limited (a company listed on the Hong Kong Stock Exchange) with effect from 1 July 2012.

Mr. Felix FONG Wo has been appointed as an independent non-executive director of Sheen Tai Holdings Group Company Limited (a company listed on the Hong Kong Stock Exchange) with effect from 22 June 2012.

Mr. Vincent Marshall LEE Kwan Ho ceased to act as a member of Brewin Trust Fund Committee with effect from 31 March 2012.

Commencing 1 May 2012, the annual remuneration for Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho, independent non-executive directors of the Company, will amount to HK\$470,000 per annum, HK\$510,000 per annum and HK\$510,000 per annum, respectively.

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 or termination of offices.

Nomination Committee

The Nomination Committee of the Company was established in March 2012 and its terms of reference are in line with the CG Code. The Nomination Committee comprises Mr. HUANG Xiaofeng 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 Nomination Committee include, inter alia, identifying individuals suitably qualified to become board members, considering the re-appointment of the directors and succession planning for directors and making recommendations to the Board in respect of the aforesaid matters.

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 interim report for the six months ended 30 June 2012. 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

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 2012.

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 Letter 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 2012, GDH held 73.82% of the issued share capital of the Company and there was no outstanding bank loan repayable to the bank.

By Order of the Board
HUANG Xiaofeng
Chairman

Hong Kong, 27 August 2012

