GDH

金威啤酒集團有限公司
KINGWAY BREWERY HOLDINGS LIMITED

（於百慕達註冊成立之有限公司）
(Incorporated in Bermuda with limited liability)

股份代號 Stock Code : 0124

2012
ANNUAL REPORT 年報

Contents

Corporate Information

as at 19 March 2013

Board of Directors

Non-Executive Directors
HUANG Xiaofeng *(Chairman)*
HUANG Zhenhai
LUO Fanyu

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

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

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
26 Burnaby Street
Hamilton HM11
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

Simplified Corporate Structure Chart

Kingway Brewery Holdings Limited

Shenzhen Kingway Brewery Co., Ltd. (Kingway Plant No.1)

Kingway Brewery (Shan Tou) Co., Ltd.

Kingway Brewery (Tianjin) Co., Ltd.

Kingway Brewery Group (Chengdu) Co., Ltd.

Guangdong Kingway Sales Limited

Shenzhen Kingway Brewing Co., Ltd. (Kingway Plant No.2)

Kingway Brewery (Dongguan) Co., Ltd.

Kingway Brewery (Xian) Co., Ltd.

Kingway Brewery (Foshan) Co., Ltd.

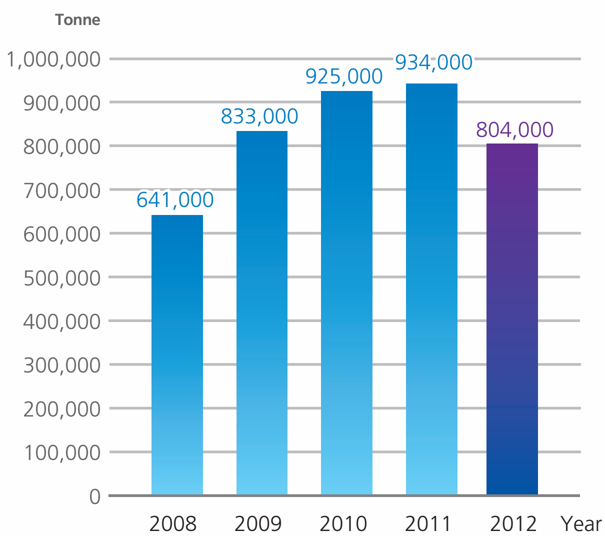
Note: The above subsidiaries are wholly-owned by Kingway Brewery Holdings Limited.

Highlights

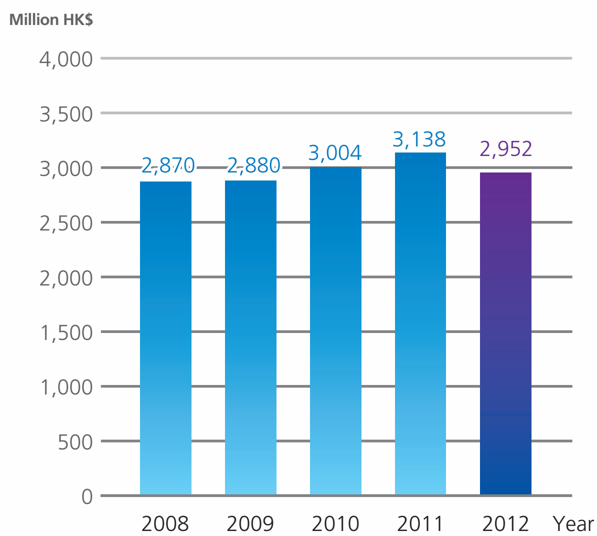
	For the year ended 31 December		
	2012	2011	Change
Beer sales volume, in tonne	**804,000**	934,000	-13.9%
Gross profit, in thousand HK$	**162,111**	314,894	-48.5%
Profit/(loss) for the year, in thousand HK$	**(168,474)**	34,765	N/A
Basic earnings/(loss) per share, in HK cent	**(9.8)**	2.0	N/A
EBITDA, in thousand HK$	**11,212**	215,013	-94.8%

	As at 31 December		
	2012	2011	Change
Current ratio	**1.03 times**	1.14 times	-9.6%
Total assets, in million HK$	**3,449**	3,709	-7.0%
Net asset value per share, in HK$	**1.72**	1.83	-6.0%
Year-end number of employees	**2,835**	2,864	-1.0%

Sales Volume - Beer



Net Assets



Results

In 2012, the Group sold 804,000 tonnes of beer, representing a decrease of 13.9% over 2011. The consolidated revenue of the Group for the year amounted to HK$1,549 million (2011: HK$1,758 million), representing a decrease of 11.9% over 2011. The Group recorded a net loss of HK$168 million for the year ended 31 December 2012, whereas a net profit of HK$34.77 million was recorded for 2011. The decrease in results was mainly attributable to the decrease in sales volume and an increase in the average costs of beer sold.

The Board of Directors did not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: HK$0.01 per share).

Business Review

The results of the Group for 2012 were affected by sustained intense competition in the domestic beer market, as well as other unfavourable factors such as increases in the production costs of beer during the year.

To mitigate the said market impact, the management of the Group has implemented several measures to stabilise sales and the results of the Group including regular reviews and consolidation of our sales channels, formulation of suitable marketing policies in joint efforts with distributors, launch of specific promotion programmes in response to market situations, and stringent control of production costs and selling and distribution expenses.

Result of Strategic Review

In view of the uncertainty in the global and regional economies in recent years, coupled with various challenges in the beer business such as rising raw material and operating costs, additional new taxes and government charges, and intense market competition, the Company has been active in seeking solutions, which had been partially successful in helping to improve the Company's overall financial performance. To this end, on 20 January 2012, the Company published its first announcement regarding the commencement of its strategic review, which encompassed, among other things, assessing the Company's operating environment, looking at ways to improve profitability and create new revenue sources, and evaluating the utilization and potential of the Group's assets, with the aim of formulating the Group's long-term business objectives and achieving better returns for the Company's shareholders.

Benefiting from the brand equity and extensive sales network which Kingway Beer has established over the past 20 years, the Company has successfully invited a number of third-party potential buyers, who submitted offers, during the year under review, through a competitive process to acquire the Company's beer business and related assets. After several rounds of negotiations, the Company concluded a conditional master agreement ("Master Agreement") with China Resources Snow Breweries Limited（華潤雪花啤酒有限公司）on 5 February 2013, pursuant to which, among others, the Company has, subject to the satisfaction of the relevant conditions precedent, agreed to sell the equity interests in 9 wholly-owned subsidiaries and certain of their loans and debts owing to the remaining Group at a total consideration of RMB5,384.2 million (equivalent to approximately HK$6,643.0 million). The said 9 subsidiaries are mainly engaged in the production, distribution and sale of beer. Completion of the transactions contemplated in the Master Agreement ("Completion") is conditional upon the satisfaction of certain conditions.

The Company retained the Kingway Shenzhen Plant 1 Land which is the site where Kingway Shenzhen Plant 1 situates and is located in the Buxin Area of Luohu District at the centre of Shenzhen. It comprises a total area of approximately 87,000 square metres, and is within walking distance to the Buxin and Shuibei Metro stations of the Shenzhen Metro. In December 2012, the Kingway Shenzhen Plant 1 Land was included in the "Shenzhen Urban Renewal Unit Programme", which aims to re-designate and integrate selected areas in Shenzhen into defined industrial zones, commercial centres and residential communities. The Company intends to develop the Kingway Shenzhen Plant 1 Land under the "Buxin Project", which will be built in three phases, to cater to the demand for office space and ancillary apartments generated by the booming jewellery design, exhibition and sales industry in the nearby area.

Leveraging on the proceeds from the sale of its brewery business, the Company will further strengthen its financial position and liquidity, which in turn build a solid foundation for its strategic transformation into a property development and investment company. Furthermore, the outstanding potential value of the Kingway Shenzhen Plant 1 Land will be optimized, thereby creating favourable fundamentals for the Company and accommodating overall interests of the Company and its shareholders.

Subject to Completion, (i) the Group will cease to engage in the production, distribution and sale of beer and will engage in property development and investment; and (ii) in order to reflect the change in the Company's corporate strategy and business objectives to focus on the business of property development and investment, the board recommends changing the name of the Company from "Kingway Brewery Holdings Limited" to "Guangdong Land Holdings Limited", and that "粵海置地控股有限公司" will be adopted as the secondary name of the Company in place of "金威啤酒集團有限公司", which has been used for identification purposes only.

Please refer to note 38 to the financial statements and the very substantial disposal announcement of the Company published on 5 February 2013 for details.

Outlook

Although China's economy has become the second largest economy in the world after 30 years of economic development, the country's gross domestic product is still relatively low compared to other countries of comparable economic scale. The Company believes that urbanization will lead to higher demand for properties, not only due to demand from the newly urbanized population, but also driven by those already residing in urban areas who seek to improve their living standards. The Company believes that these trends will propel continuous development and growth in the property sector, including commercial properties.

Following the Company's achievement in reaching a conclusion for its strategic review, as well as the Company's entering into the Master Agreement in February 2013 regarding the sale of its beer business and relevant assets, the Company will focus its efforts on the following three major tasks in 2013:

1. Implementing the terms of the Master Agreement, including the fulfilment of the conditions for the Completion, as well as completing the post signing matters as set out in the Master Agreement;

2. Ensuring the normal operation and stability of the existing brewery business before the transfer of the 9 wholly-owned subsidiaries to be sold under the Master Agreement; and

3. The deployment of appropriate resources for the Company's property development and investment business in the future, and actively preparing for the development of the Buxin Project, which is the Kingway Shenzhen Plant 1 Land.

With the unique economic and geographical advantages of the Buxin Project, strong support from the government policies, as well as its professional team boasting extensive experience in the property sector, the Company is confident about its strategic transformation into a property development and investment company in China.

Last but not least, on behalf of the Board, I would like to acknowledge the efforts made by the management and our staff during the past year. Under the leadership of the Board, the Company has achieved the successful conclusion of its strategic review. This has in turn provided a solid foundation for the Company's strategic transformation. In 2013, the Company will actively push forward its property development business and will continue as always to strive to create better returns to its shareholders.

HUANG Xiaofeng
Chairman

Hong Kong, 19 March 2013

Operating Results

In 2012, the core business operations of the Group was the production, distribution and sale of Kingway beer.

The consolidated revenue of the Group for the year amounted to HK$1,549 million (2011: HK$1,758 million), representing a decrease of 11.9% over that of 2011. The Group's average selling price per tonne of beer increased by 2.4% over that of 2011. The Group's sales in Mainland China accounted for 94.9% of its consolidated revenue, representing a decrease of 12.2% over that of 2011 in terms of revenue, whereas the Group's sales in overseas and Hong Kong markets accounted for 5.1% of its consolidated revenue, representing a decrease of 6.0% over that of 2011 in terms of revenue. The Group's consolidated loss after tax for the year was HK$168 million (2011: profit HK$34.77 million), of which HK$31.63 million were expenses incurred in relation to the strategic review conducted during the year.

The Group's average costs per tonne of beer for the year increased by 11.7% over that of 2011, which was primarily attributable to the increase in procurement costs of various raw materials and packaging materials and the decrease in sales volume which led to an increase in the fixed costs per tonne of beer. Since the increase in the average selling price per tonne of beer could not offset the increase in the average costs per tonne of beer, the Group's gross profit margin decreased from 17.9% in 2011 to 10.5% in 2012.

Operating Expenses and Finance Costs

The Group's selling and distribution expenses for the year amounted to HK$187 million (2011: HK$230 million), representing a decrease of 18.7% over that of 2011. The Group's average selling and distribution expenses per tonne of beer for the year was HK$232 (2011: HK$246), representing a decrease of 5.7% over that of 2011, which was primarily attributable to the Group's efforts in controlling its selling and distribution expenses.

The Group's administrative expenses for the year was HK$169 million (2011: HK$151 million), representing an increase of 11.9% over that of 2011, which was primarily attributable to the increase in salaries and various administration expenses.

The Group's finance costs for the year was HK$0.40 million (2011: HK$1.01 million), representing a decrease of 60.4% over 2011. The decrease in finance costs was primarily attributable to a decrease in the amount of bank loans in 2012.

Taxation

During the year, some of the Group's subsidiaries in Mainland China were still entitled to preferential tax treatment with full corporate income tax exemption for the first two profit-making years and a 50% relief in the following three years, but 2012 was the last year in which these subsidiaries were entitled to such preferential tax treatment.

Capital Expenditure

The Group's capital expenditure, on a cash basis, for the year was approximately HK$58 million (2011: HK$67 million), representing a decrease of 13.4% over 2011. The capital expenditure during the year was mainly used to build staff quarters, payment of prepaid land lease and generally improve the Group's production facilities.

Financial Resources and Liquidity

As at 31 December 2012, the Group's net asset value was HK$2.95 billion (2011: HK$3.14 billion), representing a decrease of 6.1% over that of 2011. Based on the number of ordinary shares in issue as at 31 December 2012, the net asset value per share of the Group was HK$1.72 (2011: HK$1.83), a decrease of 6.0% from that of 2011.

As at 31 December 2012, the Group had cash and bank balances of HK$194 million (2011: HK$299 million), representing a decrease of 35.1% over that of last year. The Group's cash and bank balances comprise HK$0.49 million (2011: HK$7.40 million) of pledged bank balances with restricted purposes and HK$6.91 million (2011: nil) of restricted bank balances. Of the Group's cash and bank balances as at 31 December 2012, 88.2% was in RMB, 6.3% in HKD and 5.5% in USD. Net cash flows used in operating activities for the year were HK$23 million (2011: Net cash flows from operating activities HK$181 million). Most of the transactions from the Group's daily operations were denominated in Renminbi and the Group did not perform currency hedge of the transactions actively.

As at the end of 2012, the Group did not have any outstanding bank loans. Given the Group's existing cash balances and available standby credit facilities, the Group will have sufficient financial resources to finance its brewery operations.

Apart from the aforementioned pledged bank balances of HK$0.49 million, none of the assets of the Group was pledged to any creditors and there was no material contingent liability recorded as at the end of 2012.

Financial Impact from the Result of Strategic Review

In respect of the result of the strategic review as mentioned in the Chairman's Statement, on 5 February 2013, the Company and China Resources Snow Breweries Limited（華潤雪花啤酒有限公司）entered into the Master Agreement, pursuant to which the Company has, subject to the satisfaction of the relevant conditions precedent, agreed to sell the equity interests in 9 wholly-owned subsidiaries and certain of their loans and debts owing to the remaining Group at a total consideration of RMB5,384.2 million (equivalent to approximately HK$6,643.0 million), subject to adjustments, if any. Subject to the completion of the Master Agreement and the related transactions, the Group's core business will be changed from the production, distribution and sale of beer to property development and investment. Please refer to note 38 to the financial statements and the very substantial disposal announcement of the Company published on 5 February 2013 for details.

In 2012, total expenses incurred in relation to the strategic review of the Company amounted to approximately HK$31.63 million. These expenses were recognised in other expenses under the Consolidated Income Statement. As the Master Agreement was signed in 2013, the Master Agreement did not have any financial impact on the Company's financial position in 2012, apart from the aforementioned expenses.

Human Resources

The Group had 2,835 (2011: 2,864) employees as at the end of 2012, with total remuneration and provident fund contributions for the year of HK$248 million (2011: HK$226 million). Various basic benefits were provided to the Group's staff with an incentive policy which was designed to remunerate staff by reference to the Group's sales volume and results as well as their individual performance.

The directors (the "Directors") of Kingway Brewery Holdings Limited (the "Company") herein present their report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2012.

Principal Activities

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

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

Financial Summary

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

Results

	Year Ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**1,549,129**	1,758,087	1,631,886	1,539,248	1,334,911
Cost of sales	**(1,387,018)**	(1,443,193)	(1,276,418)	(1,178,353)	(1,054,712)
Gross profit	**162,111**	314,894	355,468	360,895	280,199
Other income and gains	**63,799**	108,489	75,656	87,468	70,611
Selling and distribution expenses	**(186,630)**	(229,599)	(253,351)	(270,188)	(234,989)
Administrative expenses	**(168,899)**	(150,501)	(134,777)	(129,468)	(134,965)
Other expenses	**(31,631)**	—	—	—	—
Finance costs	**(395)**	(1,006)	(607)	(27,760)	(30,271)
Profit/(loss) before tax	**(161,645)**	42,277	42,389	20,947	(49,415)
Income tax expense	**(6,829)**	(7,512)	(6,117)	(6,432)	(2,642)
Profit/(loss) for the year	**(168,474)**	34,765	36,272	14,515	(52,057)

Assets and Liabilities

	As at 31 December				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**3,449,045**	3,709,415	3,574,013	3,572,232	3,813,426
Total liabilities	**(497,269)**	(570,965)	(570,275)	(691,785)	(943,243)
Net assets	**2,951,776**	3,138,450	3,003,738	2,880,447	2,870,183

Results and Dividends

The Group's profit for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 36 to 94.

No interim dividend was paid during the year under review and the Board of Directors did not recommend the payment of a final dividend for the year ended 31 December 2012.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the year under review are set out in note 14 to the financial statements.

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year under review are set out in notes 29 and 30 to the financial statements, respectively.

Reserves

Details of movements in the reserves of the Company and the Group during the year under review are set out in note 31 to the financial statements and in the consolidated statement of changes in equity on page 40, respectively.

Distributable Reserves

As at 31 December 2012, the Company's reserves available for distribution to shareholders as calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK$134,235,000.

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

Charitable Contributions

There were no charitable contributions made by the Group during the year under review.

Retirement Benefit Schemes

Particulars of the Group's retirement benefit schemes are set out in note 2.4 to the financial statements.

Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2012 are set out in note 18 to the financial statements.

Directors

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

Non-Executive Directors	
HUANG Xiaofeng *(Chairman)*	
HUANG Zhenhai	
LUO Fanyu	
XU Wenfang	(resigned on 13 December 2012)
LIANG Jianqin	(resigned on 13 December 2012)
Executive Directors	
LIANG Jiang	(appointed on 8 March 2012)
LI Wai Keung	(re-designated from a non-executive director to an executive director on 8 March 2012)
YE Xuquan *(Chief Executive Officer)*	
JIANG Guoqiang *(Senior Vice President)*	(retired on 15 May 2012)
Independent Non-Executive Directors	
Alan Howard SMITH	
Felix FONG Wo	
Vincent Marshall LEE Kwan Ho	

In accordance with bye-law 87 of the Company's Bye-laws (the "Bye-Laws"), Mr. HUANG Zhenhai, Mr. LUO Fanyu and Mr. YE Xuquan will retire by rotation and, being eligible, they all offer themselves for re-election at the forthcoming annual general meeting.

Mr. HUANG Zhenhai and Mr. LUO Fanyu, Non-Executive Directors, and Mr. YE Xuquan, Executive Director, agree to stand for re-election and if re-elected to hold office from the date of re-election, to the earlier of (i) the conclusion of the annual general meeting of the Company to be held in 2016 and (ii) 30 June 2016 subject to earlier determination in accordance with the Bye-Laws and/or applicable laws and regulations.

Directors' and Senior Management's Profile
as at 19 March 2013

Non-Executive Directors

Mr. HUANG Xiaofeng, aged 54, was appointed a Non-Executive Director of the Company in October 2008 and acted as the Chairman of the Company since November 2010. He is also the Chairman of the Nomination Committee of the Company. Mr. Huang graduated from South China Normal University, the PRC and holds a Bachelor's degree in History. He also holds a Master's degree in Public Administration from the Sun Yat-Sen University, the PRC. From 1987 to 1999, he worked for the General Office of the Communist Party of China Guangdong Committee in a number of positions. Between 1999 and 2003, Mr. Huang was the Deputy Director General of the General Office of the Communist Party of China Guangzhou Committee and thereafter the Deputy Secretary General of the Communist Party of China Guangzhou Committee. Between 2003 and 2008, Mr. Huang was the Deputy Director General of the General Office of the Guangdong Provincial Government and then the Deputy Secretary General of the Guangdong Provincial Government. Mr. Huang was appointed as a Director and a Deputy General Manager of 廣東粵海控股有限公司 (Guangdong Holdings Limited) ("Guangdong Holdings") in April 2008 and was subsequently appointed as an Executive Director and a Deputy General Manager of GDH Limited ("GDH"). He was appointed as the Chairman of Guangdong Holdings and GDH in September 2010 and October 2010, respectively. Mr. Huang had acted as the General Manager of both Guangdong Holdings and GDH from February 2009 to May 2012. Mr. Huang was appointed as a Non-Executive Director of Guangdong Investment Limited ("GDI") in June 2008 and subsequently appointed as the Chairman and re-designated as an Executive Director of GDI in November 2010. Mr. Huang was a Non-Executive Director of Guangnan (Holdings) Limited ("Guangnan") from October 2008 to July 2012. Guangdong Holdings and GDH are the ultimate holding company and the immediate holding company of the Company, respectively. Both GDI and Guangnan are fellow subsidiaries of the Company and are listed in Hong Kong.

Mr. HUANG Zhenhai, aged 50, was appointed a Non-Executive Director of the Company in March 2011. Mr. Huang holds a Bachelor of Science degree from Sun Yat-Sen University, the PRC, and a Ph.D from University of Technology, Sydney, Australia. He was the General Manager of Guangdong International Certification Technology Co., Ltd. from 1995 to 2003 and was the Director and General Manager of China Certification & Inspection Group from 2003 to 2007. From 2007 to 2010, he acted as the Vice President of the China Certification & Inspection Group which had merged with China Quality Certification Center. He was the Vice Director of the Quality Certification Sub-committee of the Science and Technology Committee of the State Administration for Entry-Exit Inspection and Quarantine of the PRC from 2001 to 2010 and a committee member of the China National Accreditation Service for Conformity Assessment from 2006 to 2010. Mr. Huang was appointed as a Deputy General Manager of Guangdong Holdings in October 2010, and the General Manager and a Director of Guangdong Holdings in April 2012 and May 2012, respectively. Mr. Huang was appointed an Executive Director of GDH in December 2010 and the General Manager of GDH in May 2012. Guangdong Holdings and GDH are the ultimate holding company and the immediate holding company of the Company, respectively. Mr. Huang was appointed a Non-Executive Director of GDI in July 2012. GDI is a fellow subsidiary of the Company and is listed in Hong Kong.

Mr. LUO Fanyu, aged 57, was appointed a Non-Executive Director of the Company in October 2003. Mr. Luo graduated from the economics department of Sun Yat-Sen University, the PRC. He joined Guangdong Enterprises (Holdings) Limited ("GDE") in 1987 and was responsible for its legal affairs. He is currently a Director of GDH, the controlling shareholder of the Company. Mr. Luo was a Non-Executive Director of Guangnan from May 2000 to December 2012. Guangnan is a fellow subsidiary of the Company and is a listed company in Hong Kong. Prior to joining GDE, he was a judge and a deputy chief judge of the Economic Court of the People's High Court of Guangdong Province.

Directors' and Senior Management's Profile (continued)

as at 19 March 2013

Executive Directors

Mr. LIANG Jiang, aged 60, was appointed an Executive Director of the Company in March 2012. Mr. Liang graduated from South China Normal University, the PRC. He holds a Master's degree in Business Administration. He worked in the municipal governments of Zhanjiang and Foshan in Guangdong Province, the PRC and acted as the Administrative Head of Gaoming County, Secretary of Gaoming County Party Committee and Secretary of Gaoming Municipal Party Committee in Guangdong Province. Mr. Liang was appointed as an Executive Director and the Chairman of Guangnan from January 2002 to July 2012, and was re-designated as a Non-Executive Director since July 2012. Guangnan is a fellow subsidiary of the Company and a listed company in Hong Kong. He is also an Executive Director of GDH. In February 2009, Mr. Liang was appointed as the Deputy General Manager of Guangdong Holdings. GDH and Guangdong Holdings are the immediate holding company and the ultimate holding company, respectively, of the Company. During the period from October 1997 to March 2000, Mr. Liang acted as the Chairman of Guangdong Real Estate (Holdings) Limited. He was the Chairman of Guangdong Assets Management Limited ("GAM") and the Chairman of Guangdong Alliance Limited ("GAL"). GAM and GAL are subsidiaries of GDH.

Mr. LI Wai Keung, aged 56, was appointed a Non-Executive Director of the Company in October 2011 and was then re-designated as an Executive Director of the Company in March 2012. Mr. Li graduated from the Hong Kong Polytechnic and holds a Master's degree in Business Administration from the University of East Asia. He is a Fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Li had worked for Henderson Land Development Company Limited (a listed company in Hong Kong) for approximately 20 years. Mr. Li is an Executive Director and the Chief Financial Officer of GDH and also the Chief Financial Officer of Guangdong Holdings. GDH and Guangdong Holdings are the immediate holding company and the ultimate holding company, respectively, of the Company. Mr. Li was appointed a Non-Executive Director of GDI in May 2000. He acted as an Executive Director and the Chief Financial Officer of GDI from July 2006 to April 2008 and was thereafter re-designated as a Non-Executive Director of GDI. GDI is a fellow subsidiary of the Company and a listed company in Hong Kong. He is also an Independent Non-Executive Director of Shenzhen Investment Limited, Hans Energy Company Limited and China South City Holdings Limited (the above three companies are listed companies in Hong Kong) and a Director of Shenzhen City Airport (Group) Company Limited. He is a member on the Council of the Hong Kong Chinese Orchestra Limited and the Vice Chairman of the Financial and Accounting Affairs Steering Committee of the Hong Kong Chinese Enterprises Association. He was an Independent Non-Executive Director of Sun Century Group Limited (formerly known as Hong Long Holdings Limited) (a listed company in Hong Kong) for the period from March 2010 to May 2011.

Mr. YE Xuquan, aged 57, was appointed an Executive Director of the Company in January 2002. Mr. Ye acted as the Chairman of the Board of the Company from January 2002 to July 2008 and has been appointed as the Chief Executive Officer since July 2008. Mr. Ye graduated from the Department of Chinese Language and Literature and the Institute of Economy Research, South China Normal University and obtained a Master's degree of Economics from South China Normal University. Mr. Ye joined Guangdong Province Dongshen Water Supply Management Bureau (the "Dongshen Water Supply Bureau") in 1978 and has 23 years' experience in the management and operation of water supply business. Mr. Ye was a section chief of the Dongshen Water Supply Bureau in 1984, promoted as Vice Director in 1987, acted as Deputy Director in 1995 and acted as Director from 1997 to 2000. He was the Chairman of Guangnan from November 2000 to January 2002 and a Director of GDI from May 2000 to February 2004, both companies are fellow subsidiaries of the Company and are listed in Hong Kong. He was also the Chairman of 廣東粵港供水有限公司 (Guangdong Yue Gang Water Supply Company Limited) from August 2000 to July 2003, a Director and the Deputy General Manager of both Guangdong Holdings and GDH, the respective ultimate holding company and immediate holding company of the Company. He is also the Vice President of both the Beer Association of China and the Music and Literature Association of China.

Directors' and Senior Management's Profile (continued)
as at 19 March 2013

Independent Non-Executive Directors
Mr. Alan Howard SMITH JP, aged 69, has been an Independent Non-Executive Director of the Company since January 1999. He is the member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Smith was the Vice Chairman, Pacific Region, of Credit Suisse First Boston ("CSFB"), a leading global investment bank from 1997 until he retired in December 2001. Prior to joining CSFB, he was chief executive of the Jardine Fleming group from 1983 to 1994 and was Chairman of the Jardine Fleming group from 1994 to 1996. Mr. Smith has over 27 years of investment banking experience in Asia. He was elected a council member of The Stock Exchange of Hong Kong Limited on two occasions. He was a member of the Economic Advisory Committee of the Government of HKSAR, and had for 10 years been a member of the Hong Kong Government's Standing Committee on Company Law Reform. Mr. Smith graduated with an LLB (Honours) degree from Bristol University, England in 1964, and was admitted as a solicitor in England in 1967 and in Hong Kong in 1970. Mr. Smith is a Director of Genting Hong Kong Limited, VXL Capital Limited and Wheelock and Company Limited, which are listed on The Stock Exchange of Hong Kong Limited; and is also a Director of Noble Group Limited, which is listed on the Singapore Exchange Securities Trading Limited. Mr. Smith also acts as a Director of Asian Credit Hedge Fund Ltd., which had been listed on the Irish Stock Exchange but was voluntarily delisted in July 2012. During the last three years, Mr. Smith was a Director of Frasers Property (China) Limited (which is listed on The Stock Exchange of Hong Kong Limited) until he resigned from the office in January 2011; United International Securities Limited (which is listed on the Singapore Exchange Securities Trading Limited) during the period from April 1983 to April 2011; Global Investment House (K.S.C.C.) (which is listed on the Kuwait, Bahrain and London Stock Exchanges as well as the Dubai Financial Market) during the period from September 2007 to September 2012; and Castle Asia Alternative PCC Limited (which was listed on the London Stock Exchange) during the period from October 2005 to April 2011.

Mr. Felix FONG Wo BBS, JP, aged 62, was appointed an Independent Non-Executive Director of the Company in January 2007. He is the Chairman of the Remuneration Committee, member of the Audit Committee and the Nomination Committee of the Company. Mr. Fong was the founding partner of King & Wood Mallesons (formerly known as Arculli Fong & Ng) and is a consultant of King & Wood Mallesons. Mr. Fong received his engineering degree in Canada in 1974 and his juris doctor from Osgoode Hall Law School in Toronto in 1978. He has practised law for over thirty-three years, eight of which in Toronto. Mr. Fong is a member of the law societies of Hong Kong, Upper Canada and England, and one of the China-appointed Attesting Officers in Hong Kong appointed by the Ministry of Justice of China. Mr. Fong is a member of Guangdong Provincial Committee of Chinese People's Political Consultative Conference (9th and 10th Sessions) and a Director of China Overseas Friendship Association. Mr. Fong undertook a number of community and social roles, such as the former Chairman of the Chinese Canadian Association of Hong Kong, the former Chairman of the Liquor Licensing Board and a member of the Hong Kong Town Planning Board. He is the Chairman of the Advisory Council on Food and Environmental Hygiene and a member of the Hong Kong Film Development Council. He is also a Director of Hong Kong Basic Law Institute Limited. In the area of education, Mr. Fong is a founding member and the first director of the Canadian International School of Hong Kong, and an advisor to the Faculty of Business of University of Victoria in Canada. Mr. Fong is the honorary legal counsels of a number of nonprofit organizations in Hong Kong such as Hong Kong Institute of Professional Photographers Ltd. and The Chinese Manufacturers' Association of Hong Kong. Mr. Fong is an Independent Non-Executive Director of a number of listed companies, namely SPG Land (Holdings) Limited, Evergreen International Holdings Limited, China Investment Development Limited (formerly known as Temujin International Investments Limited) and Sheen Tai Holdings Group Company Limited, whose shares are listed on the Hong Kong Stock Exchange. Mr. Fong is also an Independent Non-Executive Director of China Oilfield Services Limited, whose shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Mr. Fong is a Justice of Peace and was awarded a Bronze Bauhinia Star by the Government of Hong Kong in recognition of his public service.

Directors' and Senior Management's Profile (continued)

as at 19 March 2013

Independent Non-Executive Directors (continued)

Mr. Vincent Marshall LEE Kwan Ho Officer of the Order of the Crown (Belgium), aged 57, was appointed an Independent Non-Executive Director of the Company in March 2009. He is the Chairman of the Audit Committee and member of the Remuneration Committee and the Nomination Committee of the Company. He has been serving as Independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited (a listed company in Hong Kong) since 2000 and is the Chairman of Tung Tai Group of Companies. In January 2013, he was appointed as a Non-official Member of Financial Services Development Council. Mr. Lee has over 30 years of experience in the securities and futures industry and has extensive experience in banking, corporate finance and investment. He worked for Coopers and Lybrand, Los Angeles & Boston from 1978 to 1981; HSBC group, Hong Kong & Vancouver from 1981 to 1990. He undertook a number of public service and community activities. He is at present the Chairman of the Sir Murray MacLehose Trust Fund Investment Advisory Committee and Vice-Chairman of Standing Committee of the Hong Kong Association For The Promotion of Peaceful Reunification of China. He has been a member of Investment Advisory Board of Correctional Services Children's Education Trust since 2006. He was also a part-time member of Central Policy Unit of the Government of the HKSAR from 2007 to 2008, a member of Academic and Accreditation Advisory Committee of Securities and Futures Commission from 2002 to 2006 and a member of Securities and Futures Appeals Tribunal from 2003 to 2009. He has been a founding member of Canadian International School of Hong Kong Limited since 1990 and acted as its Chairman from 2006 to 2008 and Chairman of the Institute of Securities Dealers Limited from 2005 to February 2009. He graduated Magna Cum Laude in Accounting and International Finance from the University of Southern California, USA and received a Master of Economics from the London School of Economics and Political Science at the University of London, UK. He is a Certified Public Accountant in State of California, USA and fellow member of Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Directors.

Senior Management

The senior management of the Group comprises the three Executive Directors above, namely, Mr. LIANG Jiang, Mr. LI Wai Keung and Mr. YE Xuquan, and the Chief Financial Officer of the Company, Mr. ZHOU Tao.

Mr. ZHOU Tao, aged 42, graduated from the faculty of accountancy of Zhongnan University of Economics and Law, and holds a Master's degree in Management. He is an Accountant, Auditor and Economist, and a member of The Chinese Institute of Certified Public Accountants. Mr. Zhou worked in the Personnel and Appraisal Department and Finance Department of GDH (the controlling shareholder of the Company) from 2001 to 2005. He was a director and the chief financial officer of Guangdong (Int'l) Hotel Management Holdings Limited (which is a subsidiary of GDI) from March 2005 to February 2008, a director and the chief financial officer of the production bases of Guangdong Tannery Limited ("GDT") in Xuzhou and also a deputy chief financial officer of GDT from March 2008 to March 2010. Mr. Zhou joined the Company in April 2010 and was appointed as the Chief Financial Officer of the Company in September 2010. GDI and GDT are fellow subsidiaries of the Company and are listed in Hong Kong. He possesses extensive experience in financial management, internal audit as well as management.

Directors' Remuneration

Particulars of the Directors' and senior management's remuneration for the year 2012 are set out in note 8 to the financial statements.

Directors' Service Contracts

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

Directors' Interests in Contracts of Significance

None of the Directors had a material beneficial interest, whether directly or indirectly, in any significant contract to which the Company or any of its subsidiaries, its holding companies or fellow subsidiaries was a party during the year under review or as at 31 December 2012.

Directors' Interests in Competing Business

As at 31 December 2012, none of the Directors had any interest in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, namely, the production, distribution and sale of beer.

Directors' Interests and Short Positions in Securities

As at 31 December 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 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (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%
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 31 December 2012.

Directors' Interests and Short Positions in Securities (continued)

I. Shares (continued)

(ii) Guangdong Investment Limited

Name of director	Capacity/ nature of interest	Number of shares held	Long/Short position	Approximate percentage of interests held
LI Wai Keung	Personal	1,340,000	Long position	0.0215%

Note: The approximate percentage of interests held was calculated on the basis of 6,234,205,071 ordinary shares of Guangdong Investment Limited in issue as at 31 December 2012.

(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 31 December 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$^{\triangle}$	Personal	1,210,000	Long position	0.1334%

$^{\triangle}$ Mr. LIANG Jiang was appointed an Executive Director of the Company on 8 March 2012.

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 31 December 2012.

Directors' Interests and Short Positions in Securities (continued)

II. Options

(i) Guangdong Investment Limited

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 year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2012				
HUANG Xiaofeng	24.10.2008	5,700,000	5,700,000	–	–	–	5,700,000	–	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:

(a) The option period of all the share options is 5.5 years from the date of grant.

(b) Any share option is only exercisable during the option period after it has become vested.

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

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

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

(e) The leaver vesting scale of the share options that would apply in the event of the grantee ceasing to be an eligible person under certain special circumstances (less the percentage which has already vested under the normal vesting scale or lapsed) is as follows:

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

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

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

Directors' Interests and Short Positions in Securities (continued)

II. Options (continued)

(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: At date of grant	At 1 January 2012	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 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
LIANG Jiang△	30.12.2008	2,150,000	645,000	–	–	215,000	430,000	–	0.75	0.74	Long position
	05.07.2010	3,100,000	3,100,000	–	–	1,240,000	1,860,000	–	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:

(a) The option period of all the share options is 5.5 years from the date of grant.

(b) Any share option is only exercisable during the option period after it has become vested.

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

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

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

(e) The leaver vesting scale of the share options that would apply in the event of the grantee ceasing to be an eligible person under certain special circumstances (less the percentage which has already vested under the normal vesting scale or lapsed) is as follows:

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

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

II. Options (continued)

(ii) Guangnan (Holdings) Limited (continued)

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 1 January 2012	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 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
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 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 31 December 2012, to the knowledge of the Company, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which 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 year under review was the Company or its holding companies, or any of its subsidiaries or its fellow subsidiaries, a party to any arrangements to enable the Directors of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' Interests

As at 31 December 2012, so far as is known to any Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were taken or deemed 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 31 December 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 taken or deemed 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.

Connected and Related Party Transactions

Details of the connected and related party transactions disclosed in compliance with the disclosure requirements in accordance with Chapter 14A of the Listing Rules are set out in note 35 to the financial statements.

Purchase, Sale and Redemption of Listed Securities

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

Significant Contracts with Controlling Shareholder

Save as disclosed in note 35 to the financial statements, the Company and the controlling shareholders of the Company had not entered into any contracts of significance during the year under review.

Pre-emptive Rights

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

Public Float

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

Major Customers and Suppliers

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

Purchases from the Group's five largest suppliers accounted for approximately 37.8% of the Group's total purchases for the year and purchases from the Group's largest supplier included therein accounted for approximately 11.2% of the total purchases of the Group for the year under review.

Supertime Development Limited and its subsidiaries ("SDL Group") was the Group's largest supplier in 2012. The SDL Group are subsidiaries of GDH, the holding company of the Company. Accordingly, members of SDL Group are connected person of the Company. The purchase agreement entered into between the Company and Supertime Development Limited dated 3 November 2010 in relation to the purchase of malt by the Group from SDL Group had been approved by the independent shareholders at the special general meeting held on 9 December 2010. The maximum aggregate annual cap of malt purchased by the Group for the financial year ended 31 December 2012 was RMB333,000,000 (equivalent to approximately HK$409,000,000). Please refer to note 35 to the financial statements for details of the continuing connected transactions.

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

Events After the Reporting Period

Details of the significant events after the reporting period are set out in note 38 to the financial statements.

Auditors

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

On behalf of the Board
HUANG Xiaofeng
Chairman

Hong Kong, 19 March 2013

The Group recognises the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders and is fully committed to doing so. It is also with these objectives in mind that the Group 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2012, save and except for the following deviation.

Under Code Provision A.6.7, Independent non-executive directors and other non-executive directors, as equal Board members, should attend general meetings of the Company. During the year, one Independent Non-Executive Director and one Non-Executive Director were unable to attend the annual general meeting of the Company held on 15 May 2012 as they had other engagements.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors of the Company, all Directors confirmed that they had complied with the required standards of dealings as set out in the Model Code during the year.

Board of Directors

The board of Directors (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. It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

As of the date of this report, the Board comprises three Non-Executive Directors, being, Mr. HUANG Xiaofeng, Mr. HUANG Zhenhai and Mr. LUO Fanyu, three Executive Directors, being Mr. LIANG Jiang, Mr. LI Wai Keung and Mr. YE Xuquan, and three Independent Non-Executive Directors, being Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho.

During the year under review, changes to the composition of the Board are as follows:

- On 8 March 2012, Mr. LIANG Jiang was appointed as an Executive Director of the Company and Mr. LI Wai Keung was re-designated as an Executive Director of the Company.
- On 15 May 2012, Mr. JIANG Guoqiang retired as an Executive Director and Senior Vice President of the Company after the conclusion of the annual general meeting of the Company.
- On 13 December 2012, Ms. XU Wenfang and Ms. LIANG Jianqin resigned as Non-Executive Directors of the Company.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Company, and to review and approve the Company's annual and interim results. During the year under review, four Board meetings were held and attendance of each Director at the Board meetings is set out in the section headed "Board and Committees Meetings" of this report.

Corporate Governance Functions

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board performing corporate governance functions under CG Code include:

1. to develop and review the Company's policies and practices on corporate governance;

2. to review and monitor the training and continuous professional development of Directors and senior management of the Company;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors of the Company; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year under review, the Board considered the following corporate governance issues:

(i) adopted the Terms of Reference and Proceedings of the Board;

(ii) adopted the revised Terms of References of the Audit Committee and Remuneration Committee;

(iii) established the Nomination Committee and adopted its terms of reference;

(iv) adopted the Shareholders' Communication Policy and Procedures for Shareholders to propose a person for election as a Director;

(v) adopted the Policy for the employees to raise concerns about possible improprieties; and

(vi) reviewed the effectiveness of the internal controls and risk management systems of the Company through the Audit Committee.

Chairman and Chief Executive officer

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.

Non-Executive Directors

All Directors, including Non-Executive Directors, appointed to fill a causal vacancy or as an addition to the existing Board, shall hold office only until the first general meeting after their appointment and shall then be eligible for re-election.

Moreover, each Non-Executive Director (including Independent Non-Executive Directors) of the Company are appointed for a term of not more than approximately three years expiring on the earlier of either (i) the conclusion of the annual general meeting of the Company in the year of the third anniversary of the appointment or re-election of that Director, or (ii) the expiration of the period within which the annual general meeting of the Company is required to be held in the year of the third anniversary of the appointment or re-election of that Director and in any event, subject to earlier determination in accordance with the Bye-laws of the Company ("Bye-laws") and/or applicable laws and regulations.

During the year under review, the Non-Executive Directors (including the Independent Non-Executive Directors) provided the Company with a wide range of expertise and a balance of skills and brought independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board meetings and committee meetings.

Independence of Independent Non-Executive Directors

During the year under review and up to the date of this Report, the Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has received confirmation of independence from the three Independent Non-Executive Directors, namely Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho in accordance with Rule 3.13 of the Listing Rules. The Company has reviewed their independence and has concluded that all the Independent Non-Executive Directors are independent within the definition of the Listing Rules. Further, up to the date of this Report, the Company has not been aware of the occurrence of any events, which would cause it to believe that their independence has been impaired.

Relationship amongst Directors

The Board members do not have any financial, business, family or other material/relevant relationships with each other. Such balanced board composition also ensures that strong independence exists across the Board. The biographies of the Directors as at the date of this report as set out in pages 13 to 16 to the annual report, demonstrate a diversity of skills, expertise, experience and qualifications.

Directors' Continuous Professional Development

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company encourages the Directors to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, Hong Kong ordinances and corporate governance practices so that they can continuously update and further improve their relevant knowledge and skills. Some Directors attended seminars and conferences organized by government authorities, professional bodies and industrial organizations in relation to corporate governance, updates on laws, rules and regulations, accounting, financial, management or other professional skill. The Company has organized a training course on directors' duties and general securities laws and regulations in August 2012 and provided training materials to the Directors to develop and refresh their professional skill.

Directors' Continuous Professional Development (continued)

According to the records kept by the Company, Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the CG Code on continuous professional development during the year ended 31 December 2012.

Name of Director	Seminars and conferences	Reading Materials
Non-Executive Directors		
HUANG Xiaofeng	✓	✓
HUANG Zhenhai	✓	✓
LUO Fanyu	✓	✓
XU Wenfang *(resigned on 13 December 2012)*	✓	✓
LIANG Jianqin *(resigned on 13 December 2012)*	✓	✓
Executive Directors		
LIANG Jiang *(appointed on 8 March 2012)*	✓	✓
LI Wai Keung *(re-designated as an Executive Director on 8 March 2012)*	✓	✓
YE Xuquan	✓	✓
JIANG Guoqiang *(retired on 15 May 2012)*		✓
Independent Non-Executive Director		
Alan Howard SMITH	✓	✓
Felix FONG Wo	✓	✓
Vincent Marshall LEE Kwan Ho	✓	✓

Board Committees

The Board has established various committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee. Terms of Reference of those committees detailing their respective authorities and responsibilities are available on the Company's website.

Remuneration Committee

The Company established the Remuneration Committee in June 2005. The Remuneration Committee has been delegated responsibility from the Board to determine the remuneration packages of individual executive directors and senior management. Details of the authority and duties of the Remuneration Committee are available on the Company's website.

The Remuneration Committee comprises three Independent Non-Executive Directors, being Mr. Felix FONG Wo, Mr. Alan Howard SMITH and Mr. Vincent Marshall LEE Kwan Ho. Mr. Felix FONG Wo is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. One Remuneration Committee meeting was held in 2012 and the attendance of each member is set out in the section headed "Board and Committees Meetings" of this report.

Remuneration Committee (continued)

In addition to the Committee meeting, the Remuneration Committee also dealt with matters by way of circulation during 2012. In 2012, the Remuneration Committee performed the works as summarized below:

(i) Reviewed and recommended the revised terms of reference of the Remuneration Committee for the Board's approval; and

(ii) Reviewed and approved the remuneration packages of the executive directors and senior management.

Details of the amount of Directors' emoluments for the year 2012 are set out in note 8 to the financial statements.

Nomination Committee

The Company established the Nomination Committee in March 2012. The Nomination Committee is responsible for, amongst other things, reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, assessing the independence of its Independent Non-executive Directors in accordance with the criteria prescribed under the Listing Rules and the CG Code, considering the re-appointment of the Directors and succession planning for Directors and making recommendations to the Board in respect of the aforesaid matters. Details of the authority and duties of the Nomination Committee are available on the Company's website.

The Nomination Committee comprises Chairman of the Board and Non-Executive Director, Mr. HUANG Xiaofeng, and three Independent Non-Executive Directors, being Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho. Mr. Huang Xiaofeng is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once a year in accordance with its terms of reference. One Nomination Committee meeting was held in 2012 and the attendance of each member is set out in the section headed "Board and Committees Meetings" of this report.

In 2012, the Nomination Committee reviewed the structure, size and composition of the Board.

Audit Committee

The Audit Committee of the Company was established in September 1998. The Audit Committee oversees matters concerning the external auditors including making recommendations to the Board regarding the appointment of the external auditors, reviewing the scope of their audit and work and approving their fees. The Audit Committee further ensures that the management has put in place an effective system of internal control and maintains an overview of the Group's risk management system and financial controls. It reviews the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes and budget. In addition, it reviews the internal audit schedules of the Group, considers the Group's internal audit reports and monitors the effectiveness of the internal audit function. Details of the authority and duties of the Audit Committee are available on the Company's website.

The Audit Committee comprises three Independent Non-Executive Directors, being Mr. Vincent Marshall LEE Kwan Ho, Mr. Alan Howard SMITH and Mr. Felix FONG Wo. Mr. Vincent Marshall LEE Kwan Ho is the chairman of the Audit Committee.

Audit Committee (continued)

The Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee (which must comprise a minimum of three members with non-executive directors only and must be chaired by an Independent Non-Executive Director) is an Independent Non-Executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise.

The Audit Committee shall meet at least twice a year in accordance with its terms of reference. Two Committee meetings were held in 2012 and the attendance of each member is set out in the section headed "Board and Committees Meetings" of this report.

In addition to its two meetings as aforesaid, the Audit Committee also had two private meetings with the external auditors without the presence of the management to discuss any area of concern. In 2012, the Audit Committee performed the works as summarized below:

(i) Reviewed and recommended 2011 final results, audit findings and draft final results announcement for the Board's approval;

(ii) Reviewed and considered various accounting issues and new accounting standards and their financial impacts;

(iii) Considered the audit fee for the year 2012;

(iv) Reviewed and recommended 2012 interim results, audit findings, draft interim results announcement for the Board's approval;

(v) Reviewed and recommended the revised terms of reference of the Audit Committee for the Board's approval; and

(vi) Reviewed and recommended the internal audit summary report for the Board's approval.

Auditors' Remuneration

During the year under review, the remuneration paid/payable to the Company's auditors, Ernst & Young (excluding the audit fee relating to the audit of a jointly-controlled entity), is set out as follows:

Services rendered	**Fee paid/payable** *HK$'000*
Audit of financial statements	2,400
Review of Interim Results	599
Reporting accountant for strategic review	4,780
Taxation compliance and consultancy services	617
Review of continuing connected transactions	79
	8,475

Board and Committees Meetings

The individual attendance records of each Director at the meetings of the Board, Remuneration Committee, Nomination Committee, Audit Committee and general meeting of the Company during the year ended 31 December 2012 are set out below:

Name of Director	Board Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Audit Committee Meeting	Annual General Meeting
Non-Executive Directors					
HUANG Xiaofeng	4/4	—	1/1	—	1/1
HUANG Zhenhai	4/4	—	—	—	1/1
LUO Fanyu	4/4	—	—	—	1/1
XU Wenfang *(resigned on 13 December 2012)*	2/3	—	—	—	0/1
LIANG Jianqin *(resigned on 13 December 2012)*	2/3	—	—	—	1/1
Executive Directors					
LIANG Jiang *(appointed on 8 March 2012)*	4/4	—	—	—	1/1
LI Wai Keung *(re-designated as an Executive Director on 8 March 2012)*	4/4	—	—	—	1/1
YE Xuquan	4/4	—	—	—	1/1
JIANG Guoqiang *(retired on 15 May 2012)*	1/1	—	—	—	1/1
Independent Non-Executive Director					
Alan Howard SMITH	4/4	1/1	1/1	2/2	1/1
Felix FONG Wo	4/4	1/1	1/1	2/2	1/1
Vincent Marshall LEE Kwan Ho	4/4	1/1	1/1	2/2	0/1

Accountability and Audit

The Board is responsible for overseeing the preparation of financial statements for the year ended 31 December 2012, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that financial year. In preparing the financial statements for the year ended 31 December 2012, the Board has selected appropriate accounting policies, applied them consistently in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and ensured the preparation of the financial statements on the going concern basis.

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

Internal Control

The Board is responsible for the Group's system of internal controls and its effectiveness. Such a system is designed to prudently manage the Group's risks within an acceptable risk profile. The Board has delegated to management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures.

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

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

A defined management structure is maintained with specified limits of authority and control responsibilities, which is designed to (a) safeguard assets from inappropriate use; (b) maintain proper accounts; (c) ensure compliance with regulations; and (d) identify, manage and mitigate key risks to the Group.

In addition to the duties of the Audit Committee as mentioned above, the Audit Committee, inter alia, reviews the financial controls, internal control and risk management systems of the Group and any significant internal control issues identified by the internal audit department, external auditors and management. It also conducts review of the internal audit functions with particular emphasis on the scope and quality of the internal audits and independence of the internal audit department. During its annual review, the Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budgets.

The internal audit department monitors compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance. It plays an important role in the Group's internal control framework, and provides objective assurance to the Board that a sound internal control system is maintained and operated in compliance with the established processes and standards by performing periodic checking. The internal audit department issues reports to the Board and relevant management covering various operational and financial processes of the Group and provides summary reports to the Audit Committee together with the status of implementation of their recommendation in each Audit Committee meeting.

The Board is satisfied that the internal control system in place covering all material controls including financial, operational and compliance controls and risk management functions for the year under review and up to the date of issuance of the annual report and accounts is reasonably effective and adequate.

Company Secretary

Ms. Vanessa WONG Kin Yan has been the Company Secretary of the Company since September 2006. She is a full time employee of the Company and has day-to-day knowledge of the Company. Ms. Wong reports to the Chairman and the Chief Executive Officer of the Company and is responsible for advising the Board on corporate governance matters. For the year under review, Ms. Wong has confirmed that she has taken no less than 15 hours of relevant professional training.

Shareholders' Rights

The following procedures are subject to the bye-laws of the Company, the Companies Act 1981 of Bermuda and applicable legislation and regulation.

Procedures for shareholders to convene a special general meeting

Registered shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the registered office of the Company at Clarendon House, Church Street, Hamilton HM 11, Bermuda for the attention of the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such special general meeting shall be held within two months after the deposit of such requisition. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition should also be deposited at the head office of the Company in Hong Kong at Office AI, 19th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong marked for the attention of the Board or the Company Secretary.

The written requisition must state the purpose of the general meeting, signed by the registered shareholders concerned and may consist of several documents in like form, each signed by one or more of those shareholders. The written requisition will be verified with the Company's share registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a special general meeting by serving sufficient notice in accordance with the statutory and regulatory requirements to all the registered shareholders. On the contrary, if the written requisition is invalid, the shareholders concerned will be advised of this outcome and accordingly, a special general meeting will not be convened as requested.

If within twenty one days from the date of deposit of the requisition the Board fails to proceed to convene a special general meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a special general meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Procedures for shareholders to put forward proposals at general meetings

The Company holds an annual general meeting every year, and may hold a general meeting known as a special general meeting whenever necessary.

Registered shareholder(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all shareholders having the right to vote at the general meeting; or (ii) not less than 100 shareholders, can submit a written request stating the resolution intended to be moved at the next annual general meeting; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

The written request/statements must be signed by the shareholder(s) concern and deposited at the Company's registered office at Clarendon House, Church Street, Hamilton, Bermuda HM11 for the attention of the Company Secretary, not less than six weeks before the annual general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition should also be deposited at the head office of the Company in Hong Kong at Office AI, 19th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong marked for the attention of the Company Secretary.

If the written request is in order, the Company Secretary will ask the Board (i) to include the resolution in the agenda for the annual general meeting; or (ii) to circulate the statement for the general meeting, provided that the shareholder(s) concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the shareholder(s) concerned in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the requisition is invalid or the shareholder(s) concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the shareholder(s) concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the annual general meeting; or the statement will not be circulated for the general meeting.

Shareholders' Enquires

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar, Tricor Tengis Limited, via its online holding enquiry service at www.tricoris.com, or send email to is-enquiries@hk.tricorglobal.com or call its hotline at (852) 2980 1333, or go in person to its public counter at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

Shareholders may also send written enquiries to the Company, for the attention of the Chief Financial Officer/Company Secretary by mail to Office A1, 19/F., Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong or by fax to (852) 2815 2020.

In addition, the Company is committed to maximizing the use of its website as a channel to provide updated information in a timely manner and to strengthen the communications with both the public and the shareholders. The Company has formulated the "Shareholders Communication Policy" which enables shareholders to exercise their rights in an informed manner.

Investor Relations

During the year under review, there are no changes in the Company's Memorandum and Bye-laws. An up-to-date consolidated version of the Company's Memorandum and Bye-laws is available on the Company's website.

On behalf of the Board
HUANG Xiaofeng
Chairman

Hong Kong, 19 March 2013

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Kingway Brewery Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 36 to 94, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

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

19 March 2013

Consolidated Income Statement

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
REVENUE	5	**1,549,129**	1,758,087
Cost of sales		**(1,387,018)**	(1,443,193)
Gross profit		**162,111**	314,894
Other income and gains	5	**63,799**	108,489
Selling and distribution expenses		**(186,630)**	(229,599)
Administrative expenses		**(168,899)**	(150,501)
Other expenses		**(31,631)**	—
Finance costs	6	**(395)**	(1,006)
PROFIT/(LOSS) BEFORE TAX	7	**(161,645)**	42,277
Income tax expense	10	**(6,829)**	(7,512)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	11	**(168,474)**	34,765
EARNINGS/(LOSS) PER SHARE	13		
Basic		**(9.8) HK cents**	2.0 HK cents
Diluted		**N/A**	N/A

Details of the dividends proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	2012 *HK$'000*	2011 *HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**(168,474)**	34,765
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations	**(4,020)**	117,062
Gains on property revaluation	**3,913**	—
Income tax effect	**(978)**	—
Other comprehensive income/(loss) for the year, net of tax	**(1,085)**	117,062
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(169,559)**	151,827

Consolidated Balance Sheet

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**2,610,278**	2,751,334
Investment properties	15	**56,263**	39,965
Prepaid land lease payments	16	**248,002**	254,899
Goodwill	17	**9,384**	9,384
Reusable packaging materials		**8,979**	7,630
Deferred tax assets	28	**5,185**	5,209
Prepayments	21	**7,396**	—
Total non-current assets		**2,945,487**	3,068,421
CURRENT ASSETS			
Inventories	19	**270,665**	297,282
Trade and bills receivables	20	**12,901**	16,279
Prepayments, deposits and other receivables	21	**24,097**	28,143
VAT receivable		**1,453**	—
Pledged bank balances	22	**493**	7,401
Restricted bank balances	22	**6,907**	—
Cash and cash equivalents	22	**187,042**	291,889
Total current assets		**503,558**	640,994
CURRENT LIABILITIES			
Trade payables	23	**(78,998)**	(117,725)
Deferred revenue	24	**(81,362)**	(75,930)
Tax payable		**(319)**	(2,653)
Other payables and accruals	25	**(273,886)**	(329,076)
VAT payable		**(3,972)**	(4,766)
Due to the immediate holding company	26	**(116)**	(239)
Due to fellow subsidiaries	27	**(48,286)**	(32,851)
Total current liabilities		**(486,939)**	(563,240)
NET CURRENT ASSETS		**16,619**	77,754
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,962,106**	3,146,175

Consolidated Balance Sheet (continued)

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,962,106**	3,146,175
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*28*	**(10,330)**	(7,725)
Net assets		**2,951,776**	3,138,450
EQUITY			
Issued capital	*29*	**171,154**	171,154
Reserves	*31(a)*	**2,780,622**	2,950,181
Proposed final dividend	*12*	**—**	17,115
Total equity		**2,951,776**	3,138,450

YE Xuquan
Director

LI Wai Keung
Director

Consolidated Statement of Changes In Equity

Year ended 31 December 2012

	Issued capital HK$'000 (note 29)	Share premium account* HK$'000 (note 31(a))	Capital reserve* HK$'000 (note 31(a))	Property revaluation reserve* HK$'000	Enterprise development funds* HK$'000 (note 31(a))	Reserve funds* HK$'000 (note 31(a))	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Proposed final dividend HK$'000	Total equity HK$'000
At 1 January 2011	171,154	1,688,606	13,824	10,377	216	78,866	532,702	490,878	17,115	3,003,738
Profit for the year	—	—	—	—	—	—	—	34,765	—	34,765
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	—	—	—	—	—	—	117,062	—	—	117,062
Total comprehensive income for the year	—	—	—	—	—	—	117,062	34,765	—	151,827
Final 2010 dividend declared	—	—	—	—	—	—	—	—	(17,115)	(17,115)
Proposed final 2011 dividend *(note 12)*	—	—	—	—	—	—	—	(17,115)	17,115	—
At 31 December 2011	171,154	1,688,606*	13,824*	10,377*	216*	78,866*	649,764*	508,528*	17,115	3,138,450

	Issued capital ***HK$'000*** ***(note 29)***	**Share premium account*** ***HK$'000*** ***(note 31(a))***	**Capital reserve*** ***HK$'000*** ***(note 31(a))***	**Property revaluation reserve*** ***HK$'000***	**Enterprise development funds*** ***HK$'000*** ***(note 31(a))***	**Reserve funds*** ***HK$'000*** ***(note 31(a))***	**Exchange fluctuation reserve*** ***HK$'000***	**Retained profits*** ***HK$'000***	**Proposed final dividend** ***HK$'000***	**Total equity** ***HK$'000***
At 1 January 2012	**171,154**	**1,688,606**	**13,824**	**10,377**	**216**	**78,866**	**649,764**	**508,528**	**17,115**	**3,138,450**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(168,474)**	**—**	**(168,474)**
Other comprehensive income/(loss) for the year:										
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**—**	**—**	**—**	**(4,020)**	**—**	**—**	**(4,020)**
Gains on property revaluation, net of tax	**—**	**—**	**—**	**2,935**	**—**	**—**	**—**	**—**	**—**	**2,935**
Total comprehensive loss for the year	**—**	**—**	**—**	**2,935**	**—**	**—**	**(4,020)**	**(168,474)**	**—**	**(169,559)**
Final 2011 dividend paid	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(17,115)**	**(17,115)**
At 31 December 2012	**171,154**	**1,688,606***	**13,824***	**13,312***	**216***	**78,866***	**645,744***	**340,054***	**—**	**2,951,776**

* These reserve accounts comprise the consolidated reserves of HK$2,780,622,000 (2011: HK$2,950,181,000) in the consolidated balance sheet.

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(161,645)**	42,277
Adjustments for:			
Finance costs	6	**395**	1,006
Interest income	5	**(6,999)**	(6,979)
Fair value gains on investment properties	5	**(9,047)**	(1,369)
Depreciation	7	**161,153**	159,882
Recognition of prepaid land lease payments	7	**6,498**	6,378
Amortisation of reusable packaging materials	7	**4,811**	5,470
Loss/(gain) on disposal of items of property, plant and equipment	7	**(45)**	171
Provision for inventories	7	**6,121**	—
Impairment of prepayments	7	**1,867**	—
		3,109	206,836
Decrease in inventories		**20,370**	23,082
Decrease/(increase) in trade and bills receivables		**3,365**	(1,124)
Decrease in prepayments, deposits and other receivables		**2,303**	7,286
Increase/(decrease) in trade payables		**(38,586)**	13,749
Decrease in other payables and accruals		**(31,060)**	(45,594)
Increase/(decrease) in deferred revenue		**5,427**	(12,914)
Movement in VAT receivable/payable		**(2,239)**	3,734
Increase/(decrease) in an amount due to the immediate holding company		**(123)**	30
Increase/(decrease) in amounts due to fellow subsidiaries		**15,435**	(13,808)
Cash generated from/(used in) operations		**(21,999)**	181,277
Interest received		**6,999**	6,979
Interest paid		**(395)**	(1,006)
Hong Kong profits tax paid		**(1,705)**	—
PRC corporate income tax paid		**(5,798)**	(6,308)
Net cash flows from/(used in) operating activities		**(22,898)**	180,942

	Notes	**2012 HK$'000**	2011 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	32	**(32,125)**	(63,749)
Purchases of reusable packaging materials		**(6,157)**	(3,632)
Payment of prepaid land lease	32	**(20,123)**	—
Receipt of deposits		**1,844,100**	—
Refund of deposits		**(1,844,100)**	—
Proceeds from disposal of items of property, plant and equipment		**1,087**	2,923
Decrease/(increase) in time deposits with original maturity of more than three months when acquired		**6,908**	(7,401)
Increase in restricted bank balances		**(6,907)**	—
Increase in prepayments		**(7,396)**	—
Net cash flows used in investing activities		**(64,713)**	(71,859)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**49,176**	100,000
Repayments of bank loans		**(49,176)**	(100,000)
Dividend paid		**(17,115)**	(17,115)
Net cash flows used in financing activities		**(17,115)**	(17,115)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(104,726)**	91,968
Cash and cash equivalents at beginning of year		**291,889**	190,784
Effect of foreign exchange rate changes, net		**(121)**	9,137
CASH AND CASH EQUIVALENTS AT END OF YEAR		**187,042**	291,889
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**169,941**	273,052
Non-pledged time deposits with original maturity of less than three months when acquired	22	**17,101**	18,837
Cash and cash equivalents as stated in the consolidated balance sheet and statement of cash flows		**187,042**	291,889

Balance Sheet

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	**2,171,162**	2,131,596
CURRENT ASSETS			
Due from subsidiaries	18	**2,084**	—
Prepayments, deposits and other receivables	21	**150**	151
Cash and cash equivalents	22	**3,441**	85,634
Total current assets		**5,675**	85,785
CURRENT LIABILITIES			
Due to subsidiaries	18	**(30,279)**	(26,878)
Other payables and accruals	25	**(12,213)**	(6,916)
Due to the immediate holding company	26	**(116)**	(239)
Total current liabilities		**(42,608)**	(34,033)
NET CURRENT ASSETS/(LIABILITIES)		**(36,933)**	51,752
Net assets		**2,134,229**	2,183,348
EQUITY			
Issued capital	29	**171,154**	171,154
Reserves	31(b)	**1,963,075**	1,995,079
Proposed final dividend	12	**—**	17,115
Total equity		**2,134,229**	2,183,348

YE Xuquan
Director

LI Wai Keung
Director

1. Corporate Information

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

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

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

2.1 Basis of Preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 Changes in Accounting Policy and Disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of amendments to HKAS 12, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis.

The presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale has been rebutted by the Group as the Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly deferred tax has been determined on the basis of recovery through use. The adoption of the amendments did not have any impact on the financial position or performance of the Group.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (continued)

HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[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

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (continued)

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (continued)

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The *Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 Income Taxes. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.4 Summary of Significant Accounting Policies

Subsidiaries

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

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

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

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Impairment of non-financial assets

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

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

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 Summary of Significant Accounting Policies (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

If a property occupied by the Group as an owner-occupied property becomes an investment property, at the date of change in use, a valuation is performed. Any difference at that date between the carrying amount and the fair value of the property is dealt with as a movement in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. Any subsequent revaluation surplus is credited to profit or loss to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

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

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

Investment properties

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

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

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

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

Reusable packaging materials

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

Operating leases

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

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

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

Derecognition of financial assets

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

2.4 Summary of Significant Accounting Policies (continued)

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

Where the Group receives a non-monetary grant, the asset and the grant are recorded at the fair value of the non-monetary asset and released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

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

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

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

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

Employee benefits

Retirement benefit schemes

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

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

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Share-based payments

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

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

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

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

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

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

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

Borrowing costs

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

2.4 Summary of Significant Accounting Policies (continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

3. Significant Accounting Judgements and Estimates

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

Judgements

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

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

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

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

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

Estimation uncertainty

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

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

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Useful lives of reusable packaging materials

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

Impairment of non-financial assets (other than goodwill)

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred tax assets have been recognised for recognised tax losses as at 31 December 2011 and 2012. The amount of unrecognised tax losses at 31 December 2012 was HK$563,357,000 (2011: HK$391,908,000). Further details are contained in note 28 to the financial statements.

Impairment allowances on loans and receivables

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

4. Operating Segment Information

For management purposes, 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 overseas and in Hong Kong; 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 this measurement.

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

Segment liabilities exclude tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment transactions mainly represent the 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.

Group

			2012		
	Mainland China *HK$'000*	Overseas and Hong Kong *HK$'000*	Corporate *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue:					
Sales to external customers	1,469,606	79,523	—	—	1,549,129
Intersegment sales	51,598	—	—	(51,598)	—
Other income and gains	54,572	146	2,082	—	56,800
Total	1,575,776	79,669	2,082	(51,598)	1,605,929
Segment results	(138,463)	13,257	(43,043)	—	(168,249)
Interest income					6,999
Finance costs					(395)
Loss before tax					(161,645)
Income tax expense					(6,829)
Loss for the year					(168,474)

4. Operating Segment Information (continued)

Group (continued)

	2011				
	Mainland China HK$'000	Overseas and Hong Kong HK$'000	Corporate HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment revenue:					
Sales to external customers	1,673,475	84,612	—	—	1,758,087
Intersegment sales	53,873	—	—	(53,873)	—
Other income and gains	71,292	337	29,881	—	101,510
Total	1,798,640	84,949	29,881	(53,873)	1,859,597
Segment results	2,864	17,382	16,058	—	36,304
Interest income					6,979
Finance costs					(1,006)
Profit before tax					42,277
Income tax expense					(7,512)
Profit for the year					34,765

The revenue information above is based on the location of the customers.

	Mainland China		Overseas and Hong Kong		Corporate		Eliminations		Consolidated	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Assets and liabilities:										
Segment assets	**3,241,268**	3,396,730	**6,547**	8,035	**150**	151	**—**	—	**3,247,965**	3,404,916
Unallocated assets									**199,627**	304,499
Total assets									**3,447,592**	3,709,415
Segment liabilities	**469,542**	548,148	**3,112**	5,171	**7,731**	7,268	**—**	—	**480,385**	560,587
Unallocated liabilities									**10,649**	10,378
Total liabilities									**491,034**	570,965
Other segment information:										
Depreciation and amortisation	**172,442**	171,707	**20**	23	**—**	—	**—**	—	**172,462**	171,730
Fiar value gains on investment properties	**(9,047)**	(1,369)	**—**	—	**—**	—	**—**	—	**(9,047)**	(1,369)
Capital expenditure*	**31,289**	67,371	**5**	10	**—**	—	**—**	—	**31,294**	67,381
Non-current assets**	**2,930,894**	3,053,789	**24**	39	**9,384**	9,384	**—**	—	**2,940,302**	3,063,212

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

** The non-current asset information above is based on the location of assets and excluded deferred tax assets.

5. Revenue, Other Income and Gains

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

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

	2012	2011
	HK$'000	*HK$'000*
Revenue		
Invoiced value of goods sold (net of trade discounts, allowances for returns and value-added tax)	**1,795,745**	2,039,015
Beer consumption tax and other surcharges	**(246,616)**	(280,928)
Sale of goods	**1,549,129**	1,758,087
Other income		
Gains on sale of scrap materials	**34,825**	49,203
Government grant	**3,273**	7,924
Bank interest income	**6,999**	6,979
Gross rental income	**6,324**	5,136
Others	**1,249**	7,997
	52,670	77,239
Gains		
Fair value gains on investment properties	**9,047**	1,369
Foreign exchange gains, net	**2,082**	29,881
	11,129	31,250
	63,799	108,489

6. Finance Costs

	Group	
	2012	2011
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**395**	1,006

7. Profit/(loss) Before Tax

This is arrived at after charging/(crediting):

	Notes	**2012** **HK$'000**	2011 *HK$'000*
Cost of inventories sold		**1,381,700**	1,443,193
Depreciation#	*14*	**161,153**	159,882
Recognition of prepaid land lease payments	*16*	**6,498**	6,378
Amortisation of reusable packaging materials#		**4,811**	5,470
Loss/(gain) on disposal of items of property, plant and equipment		**(45)**	171
Minimum lease payments under operating leases in respect of land and buildings		**1,615**	1,168
Auditors' remuneration		**2,999**	3,210
Employee benefit expense (excluding directors' remuneration — note 8)#:			
Wages and salaries		**211,268**	193,772
Pension scheme contributions		**36,930**	32,347
Less: Forfeited contributions		**(3)**	(1)
Gross and net pension scheme contributions*		**36,927**	32,346
		248,195	226,118
Impairment of prepayments		**1,867**	—
Net rental income**		**(6,324)**	(5,136)
Provision for inventories^		**6,121**	—
Reversal of impairment of trade receivables, net	*20*	**(159)**	(4)

\# The depreciation, amortisation of reusable packaging materials and employee benefit expense for the year of HK$143,854,000 (2011: HK$141,669,000), HK$4,811,000 (2011: HK$5,470,000) and HK$103,687,000 (2011: HK$110,868,000), respectively, are included in the cost of inventories sold as disclosed above.

* At 31 December 2012, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2011: Nil).

** Gross and net rental income includes net rental income on investment properties of HK$5,911,000 (2011: HK$4,841,000).

^ Provision for inventories is included in "Cost of Sales" and "Selling and distribution expenses" in the consolidated income statement.

8. Directors' Remuneration

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Fees:		
Independent non-executive directors	**1,343**	967
Non-executive directors	**—**	—
Executive directors	**16**	39
	1,359	1,006
Other emoluments:		
Salaries, allowances and benefits in kind	**2,305**	2,830
Performance-related bonuses	**3,053**	2,979
Pension scheme contributions	**492**	707
	5,850	6,516
	7,209	7,522

(a) Independent non-executive directors

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

	2012	2011
	HK$'000	*HK$'000*
Alan Howard Smith	**421**	300
Fong Wo, Felix	**461**	327
Vincent Marshall Lee Kwan Ho	**461**	340
	1,343	967

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

8. Directors' Remuneration (continued)

(b) Executive directors and non-executive directors

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Performance-related bonuses *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
2012					
Executive directors:					
Ye Xuquan					
(Chief executive officer)	—	2,000	1,780	400	4,180
Liang Jiang *(note a)*	—	—	—	—	—
Li Wai Keung *(note b)*	—	—	—	—	—
Jiang Guoqiang *(note c)*	16	305	1,273	92	1,686
	16	2,305	3,053	492	5,866
Non-executive directors:					
Huang Xiaofeng *(Chairman)*	—	—	—	—	—
Huang Zhenhai	—	—	—	—	—
Li Wai Keung *(note b)*	—	—	—	—	—
Luo Fanyu	—	—	—	—	—
Xu Wenfang *(note d)*	—	—	—	—	—
Liang Jianqin *(note d)*	—	—	—	—	—
	—	—	—	—	—
	16	2,305	3,053	492	5,866

Notes:

(a) Liang Jiang was appointed as an executive director of the Company effective from 8 March 2012.

(b) Li Wai Keung was re-designated as an executive director of the Company effective from 8 March 2012.

(c) Jiang Guoqiang retired as an executive director of the Company effective from 15 May 2012. Among his total remuneration of HK$2,576,000, HK$1,686,000 represented remuneration for his service before retirement as an executive director.

(d) Xu Wenfang and Liang Jianqin resigned as non-executive directors of the Company effective from 13 December 2012.

8. Directors' Remuneration (continued)

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance-related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2011					
Executive directors:					
Ye Xuquan					
(Chief executive officer)	—	2,000	1,780	400	4,180
Jiang Guoqiang	39	830	743	307	1,919
	39	2,830	2,523	707	6,099
Non-executive directors:					
Huang Xiaofeng *(Chairman)*	—	—	—	—	—
Xu Wenfang	—	—	—	—	—
Huang Zhenhai *(note a)*	—	—	—	—	—
Li Wai Keung *(note b)*	—	—	—	—	—
Luo Fanyu	—	—	—	—	—
Liang Jianqin	—	—	456	—	456
Michael Wu *(note c)*	—	—	—	—	—
Roland Pirmez *(note d)*	—	—	—	—	—
Koh Poh Tiong *(note d)*	—	—	—	—	—
Sijbe Hiemstra *(note d)*	—	—	—	—	—
	—	—	456	—	456
	39	2,830	2,979	707	6,555

Notes:

(a) Huang Zhenhai was appointed as a non-executive director of the Company effective from 15 March 2011.

(b) Li Wai Keung was appointed as a non-executive director of the Company effective from 3 October 2011.

(c) Michael Wu resigned as a non-executive director of the Company effective from 15 March 2011.

(d) Roland Pirmez, Koh Poh Tiong and Sijbe Hiemstra resigned as non-executive directors of the Company effective from 5 May 2011.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2011: Nil).

9. Five Highest Paid Employees

The five highest paid employees during the year included two (2011: two) directors, details of whose remuneration are set out in note 8 above. The details of the remuneration for the year of the remaining three (2011: three) non-director, highest paid employees are as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,878**	1,902
Performance-related bonuses	**2,184**	2,025
Pension scheme contributions	**95**	30
	4,157	3,957

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

	Number of employees	
	2012	2011
HK$1,000,001 to HK$1,500,000	**3**	2
HK$1,500,001 to HK$2,000,000	**—**	1
	3	3

10. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. 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. ("Kingway Foshan") was entitled to a 50% tax relief for the years ended 31 December 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 year ended 31 December 2012 and were not subject to PRC corporate income tax ("CIT"). For the year ended 31 December 2011, Kingway Shantou and Kingway Chengdu were entitled to a 50% tax relief.

Kingway Brewery (Dongguan) Co., Ltd. ("Kingway Dongguan") did not generate any assessable profits for the years ended 31 December 2012 and 2011, and was not subject to CIT.

10. Income Tax (continued)

Kingway Brewery (Tianjin) Co., Ltd. ("Kingway Tianjin") and Kingway Brewery (Xian) Co., Ltd. ("Kingway Xian") 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.

	2012	2011
	HK$'000	*HK$'000*
Group:		
Current:		
Hong Kong:		
Charge for the year	**1,521**	1,562
Underprovision/(overprovision) in prior years	**(178)**	266
Mainland China:		
Charge for the year	**4,611**	5,735
Underprovision/(overprovision) in prior years	**(778)**	80
Deferred *(note 28)*	**1,653**	(131)
Total tax charge for the year	**6,829**	7,512

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

Group – 2012

	Hong Kong	**Mainland China**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Loss before tax	**(30,583)**	**(131,062)**	**(161,645)**
Tax at the statutory tax rates	**(5,047)**	**(32,766)**	**(37,813)**
Lower tax rates for specific provinces or enacted by local authorities	**—**	**2,300**	**2,300**
Income not subject to tax	**(1,618)**	**(9)**	**(1,627)**
Expenses not deductible for tax	**6,089**	**2,844**	**8,933**
Tax losses not recognised	**1,918**	**33,118**	**35,036**
Tax charge at the Group's effective rate	**1,342**	**5,487**	**6,829**

10. Income Tax (continued)

Group – 2011

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Profit before tax	24,730	17,547	42,277
Tax at the statutory tax rates	4,080	4,387	8,467
Lower tax rates for specific provinces or enacted by local authorities	—	(6,677)	(6,677)
Adjustments in respect of current tax of previous periods	266	80	346
Income not subject to tax	(5,307)	(3,643)	(8,950)
Expenses not deductible for tax	635	1,376	2,011
Tax losses utilised	—	(2,007)	(2,007)
Tax losses not recognised	2,154	12,168	14,322
Tax charge at the Group's effective rate	1,828	5,684	7,512

11. Profit/(Loss) Attributable to Owners of the Company

The consolidated loss attributable to owners of the Company for the year ended 31 December 2012 includes a loss of HK$32,004,000 (2011: profit of HK$45,671,000) which has been dealt with in the financial statements of the Company (note 31(b)).

12. Dividend

	2012 **HK$'000**	2011 HK$'000
Proposed final – Nil (2011: HK1 cent) per ordinary share	—	17,115

13. Earnings/(Loss) Per Share

The calculation of basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK$168,474,000 (2011: profit of HK$34,765,000), and the weighted average number of ordinary shares in issue of 1,711,536,850 (2011: 1,711,536,850) during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2012 and 2011.

14. Property, Plant and Equipment

Group – 2012

	Notes	Buildings HK$'000	Plant, machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 December 2011 and at 1 January 2012:							
Cost		1,484,958	3,216,457	902	33,664	73,847	4,809,828
Accumulated depreciation		(423,116)	(1,607,183)	(899)	(27,296)	—	(2,058,494)
Net carrying amount		1,061,842	1,609,274	3	6,368	73,847	2,751,334
At 1 January 2012, net of accumulated depreciation		1,061,842	1,609,274	3	6,368	73,847	2,751,334
Additions		1,378	4,363	—	315	19,081	25,137
Disposals/write-off		—	(1,005)	—	(48)	—	(1,053)
Surplus on revaluation		3,913	—	—	—	—	3,913
Depreciation	7	(40,384)	(119,854)	(3)	(912)	—	(161,153)
Transfer to investment properties	15	(7,020)	—	—	—	—	(7,020)
Transfers		222	4,886	—	—	(5,108)	—
Exchange realignment		(300)	(610)	—	(2)	32	(880)
At 31 December 2012, net of accumulated depreciation		1,019,651	1,497,054	—	5,721	87,852	2,610,278
At 31 December 2012:							
Cost		1,481,346	3,222,953	902	33,491	87,852	4,826,544
Accumulated depreciation		(461,695)	(1,725,899)	(902)	(27,770)	—	(2,216,266)
Net carrying amount		1,019,651	1,497,054	—	5,721	87,852	2,610,278

During the year ended 31 December 2012, certain buildings of the Group were transferred to investment properties since the date of change in use. These buildings were revalued at the date of change in use by RHL Appraisal Ltd., independent professionally qualified valuers, at an aggregate open market value of RMB5,723,000 (equivalent to HK$7,020,000) based on their existing use. A revaluation surplus of RMB2,392,500 (equivalent to HK$2,935,000) resulting from the above valuation, net of tax, has been credited to equity.

14. Property, Plant and Equipment (continued)

Group – 2011

	Note	Buildings *HK$'000*	Plant, machinery and equipment *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
At 1 January 2011:							
Cost		1,438,339	3,029,077	896	32,286	26,794	4,527,392
Accumulated depreciation		(383,272)	(1,399,528)	(896)	(25,051)	—	(1,808,747)
Net carrying amount		1,055,067	1,629,549	—	7,235	26,794	2,718,645
At 1 January 2011, net of accumulated depreciation		1,055,067	1,629,549	—	7,235	26,794	2,718,645
Additions		2,658	9,704	6	487	50,894	63,749
Disposals/write-off		—	(3,023)	—	(71)	—	(3,094)
Depreciation	7	(39,373)	(118,892)	(3)	(1,614)	—	(159,882)
Transfers		(7,923)	14,127	—	—	(6,204)	—
Exchange realignment		51,413	77,809	—	331	2,363	131,916
At 31 December 2011, net of accumulated depreciation		1,061,842	1,609,274	3	6,368	73,847	2,751,334
At 31 December 2011:							
Cost		1,484,958	3,216,457	902	33,664	73,847	4,809,828
Accumulated depreciation		(423,116)	(1,607,183)	(899)	(27,296)	—	(2,058,494)
Net carrying amount		1,061,842	1,609,274	3	6,368	73,847	2,751,334

15. Investment Properties

	Group	
	2012	2011
	HK$'000	*HK$'000*
Carrying amount at 1 January	**39,965**	37,371
Fair value gains on investment properties *(note 5)*	**9,047**	1,369
Transfer from property, plant and equipment *(note 14)*	**7,020**	—
Transfer from prepaid land lease payments *(note 16)*	**217**	—
Exchange realignment	**14**	1,225
Carrying amount at 31 December	**56,263**	39,965

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

The Group's investment properties were revalued at 31 December 2012 by Vigers Appraisal & Consulting Ltd., independent professionally qualified valuers, at HK$56,263,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 33(a) to the financial statements.

16. Prepaid Land Lease Payments

	Group	
	2012	2011
	HK$'000	*HK$'000*
Carrying amount at 1 January	**261,277**	255,274
Transfer to investment properties *(note 15)*	**(217)**	—
Recognised during the year *(note 7)*	**(6,498)**	(6,378)
Exchange realignment	**(62)**	12,381
Carrying amount at 31 December	**254,500**	261,277
Current portion included in prepayments, deposits and other receivables	**(6,498)**	(6,378)
Non-current portion	**248,002**	254,899

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

17. Goodwill

Group

	HK$'000
Cost and net carrying amount at 1 January 2011, 31 December 2011, 1 January 2012 and 31 December 2012	9,384

Impairment testing of goodwill

The goodwill arising on acquisition of non-controlling interests is related to the operations of a subsidiary, namely Shenzhen Kingway Brewery Co., Ltd. ("Plant 1").

As at 31 December 2012, the recoverable amount of the goodwill was based on fair value less costs to sell which was determined by reference to the offers on certain plants of the Group received by the Group.

As at 31 December 2011, the recoverable amount of the goodwill had been determined based on a value-in-use calculation using cash flow projections over a period of seven years, which was based on financial budgets approved by management of the Group. The discount rate applied to the cash flow projections was 11.32%. The following describes each key assumption on which management had based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

Growth rate – The growth rate used was comparable to the long term average growth rate of the industry.

The values assigned to the key assumptions on market development, discount rate and raw materials price fluctuation were consistent with external information sources.

18. Investments in Subsidiaries

	Company	
	2012	2011
	HK$'000	*HK$'000*
Unlisted shares/investments, at cost	**312,383**	312,383
Due from subsidiaries	**1,858,779**	1,819,213
	2,171,162	2,131,596

18. Investments in Subsidiaries (continued)

At 31 December 2012, the amounts due from and to subsidiaries included in the Company's current assets and current liabilities of HK$2,084,000 (2011: Nil) and HK$30,279,000 (2011: HK$26,878,000), respectively, are unsecured, interest-free and repayable on demand or within one year.

At 31 December 2012, the amounts due from subsidiaries of HK$1,858,779,000 (2011: HK$1,819,213,000) are unsecured, interest-free and are not repayable within one year from 31 December 2012. In the opinion of the directors, these amounts due from subsidiaries are considered as quasi-equity loans to the subsidiaries.

Particulars of the principal subsidiaries are as follows:

Company	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangdong Kingway Sales Limited ("Kingway Sales")	Hong Kong	Ordinary HK$2	100	—	Sale and marketing of beer
Plant 1#*	PRC/Mainland China	US$50,000,000	—	100	Production, distribution and sale of beer
Shenzhen Kingway Brewing Co., Ltd.#* ("Plant 2")	PRC/Mainland China	US$36,000,000	—	100	Production, distribution and sale of beer
Kingway Shantou#*	PRC/Mainland China	RMB186,000,000	—	100	Production, distribution and sale of beer
Kingway Dongguan#*	PRC/Mainland China	US$11,880,000	—	100	Production, distribution and sale of beer
Kingway Tianjin#*	PRC/Mainland China	US$30,000,000	—	100	Production, distribution and sale of beer
Kingway Xian#*	PRC/Mainland China	US$17,000,000	—	100	Production, distribution and sale of beer
Kingway Chengdu#*	PRC/Mainland China	US$33,500,000	—	100	Production, distribution and sale of beer
Kingway Foshan#*	PRC/Mainland China	US$20,000,000	—	100	Production, distribution and sale of beer
Kingway Brewery (China) Co., Ltd.#* ("Kingway China")	PRC/Mainland China	RMB50,000,000	100	—	Beer information management

These subsidiaries are registered as wholly-foreign-owned enterprises under PRC law.

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

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

19. Inventories

	Group 2012 HK$'000	2011 HK$'000
Raw materials	**50,729**	61,377
Spare parts and consumables	**48,544**	49,430
Packaging materials	**111,651**	118,525
Work in progress	**40,966**	45,296
Finished goods	**18,775**	22,654
	270,665	297,282

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

	Group 2012 HK$'000	2011 HK$'000
Within 3 months	**11,999**	15,901
3 to 6 months	**399**	366
6 months to 1 year	**3**	8
Over 1 year	**454**	592
	12,855	16,867
Less: Impairment	**(429)**	(588)
Trade receivables	**12,426**	16,279
Bills receivable	**475**	—
	12,901	16,279

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

20. Trade and Bills Receivables (continued)

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**5,965**	8,439
Less than 3 months past due	**6,510**	7,462
3 to 6 months past due	**423**	366
Over 6 months past due	**3**	12
	12,901	16,279

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

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

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
At beginning of the year	**588**	592
Reversal of impairment, net *(note 7)*	**(159)**	(4)
At end of the year	**429**	588

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$429,000 (2011: HK$588,000) with a carrying amount before provision of HK$429,000 (2011: HK$588,000). The individually impaired trade receivables relate to customers that were in default or delinquency payments and no portion of the receivables is expected to be recovered.

21. Prepayments, Deposits and Other Receivables

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

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

		Group		Company	
		2012	2011	**2012**	2011
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances		**169,941**	273,052	**3,441**	85,634
Time deposits		**24,501**	26,238	**—**	—
	(i)	**194,442**	299,290	**3,441**	85,634
Less: Pledged time deposits for banking facilities	*(ii)*	**(493)**	(7,401)	**—**	—
Restricted time deposits	*(iii)*	**(6,907)**	—	**—**	—
Cash and cash equivalents		**187,042**	291,889	**3,441**	85,634

Notes:

(i) At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$164,074,000 (2011: HK$191,978,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(ii) At the end of the reporting period, certain bank deposits totaling HK$493,000 (2011: HK$7,401,000) were pledged for banking facilities granted to subsidiaries of the Group.

(iii) Pursuant to relevant regulations in the PRC, the restricted cash was placed at a designated bank account as a guarantee deposit for the construction of the Group's properties in the PRC.

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

23. Trade Payables

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Within 3 months	**78,358**	114,960
3 to 6 months	**225**	2,265
6 months to 1 year	**16**	244
Over 1 year	**399**	256
	78,998	117,725

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

24. Deferred Revenue

The deferred revenue represents accrual and release of customer loyalty credit transactions. As at 31 December 2012, the estimated liability for unredeemed credits was approximately HK$81,362,000 (2011: HK$75,930,000).

25. Other Payables and Accruals

The Group's other payables are non-interest-bearing and have no fixed terms of repayment, except for HK$133,736,000 (2011: HK$138,724,000) which have an average term of three to twelve months.

As at 31 December 2012, the Company's other payables are non-interest-bearing and have no fixed terms of repayment. As at 31 December 2011, the Company's other payables are non-interest-bearing and have no fixed terms of repayment, except for HK$6,864,000 which have an average term of three to twelve months.

26. Due to the Immediate Holding Company

The amount is unsecured, non-interest-bearing and has no fixed terms of repayment.

27. Due to Fellow Subsidiaries

The Group's amounts due to fellow subsidiaries are unsecured, non-interest-bearing and repayable within 30 days from the invoice date (note 35(a)(i)).

28. Deferred Tax

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

Group – 2012
Deferred tax assets

	Decelerated tax depreciation *HK$'000*	**Fair value adjustments arising from acquisition of subsidiaries** *HK$'000*	**Total** *HK$'000*
At 1 January 2012	**2,994**	**2,215**	**5,209**
Deferred tax credited/(charged) to the income statement during the year *(note 10)*	**56**	**(79)**	**(23)**
Exchange differences	**—**	**(1)**	**(1)**
Gross deferred tax assets at 31 December 2012	**3,050**	**2,135**	**5,185**

28. Deferred Tax (continued)

Group – 2012 (continued)

Deferred tax liabilities

	Accelerated tax depreciation *HK$'000*	Revaluation of properties *HK$'000*	Total *HK$'000*
At 1 January 2012	**(3,174)**	**(4,551)**	**(7,725)**
Deferred tax credited/(charged) to the income statement during the year *(note 10)*	**632**	**(2,262)**	**(1,630)**
Deferred tax charged to equity	**—**	**(978)**	**(978)**
Exchange differences	**3**	**—**	**3**
Gross deferred tax liabilities at 31 December 2012	**(2,539)**	**(7,791)**	**(10,330)**

Group – 2011

Deferred tax assets

	Decelerated tax depreciation *HK$'000*	Fair value adjustments arising from acquisition of subsidiaries *HK$'000*	Total *HK$'000*
At 1 January 2011	2,840	2,290	5,130
Deferred tax charged to the income statement during the year *(note 10)*	(47)	(75)	(122)
Exchange differences	201	—	201
Gross deferred tax assets at 31 December 2011	2,994	2,215	5,209

Deferred tax liabilities

	Accelerated tax depreciation *HK$'000*	Revaluation of properties *HK$'000*	Total *HK$'000*
At 1 January 2011	(3,604)	(4,209)	(7,813)
Deferred tax credited/(charged) to the income statement during the year *(note 10)*	595	(342)	253
Exchange differences	(165)	—	(165)
Gross deferred tax liabilities at 31 December 2011	(3,174)	(4,551)	(7,725)

The Company and the Group have tax losses arising in Hong Kong of HK$123,345,000 (2011: HK$110,956,000) that are available indefinitely for offsetting against their future taxable profits. Deferred tax assets have not been recognised in respect of these losses as the directors considered it not probable that sufficient taxable profits will be available against which the unused tax losses can be utilised.

28. Deferred Tax (continued)

The Group has tax losses arising in Mainland China of HK$440,012,000 (2011: HK$280,952,000) that are available for a maximum of five years from the year in which the tax loss arises for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 December 2012, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of deferred tax liabilities associated with investments in subsidiaries in Mainland China that have not been recognised totalled approximately HK$11,527,000 at 31 December 2012 (2011: HK$9,589,000).

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

29. Share Capital

Shares

	2012	2011
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
1,711,536,850 (2011: 1,711,536,850) ordinary shares of HK$0.10 each	**171,154**	171,154

Share options

Details of the Company's share option scheme are included in note 30 to the financial statements.

30. 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.

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

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

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

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

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

As at 31 December 2012 and 2011, there were no outstanding share options under the Share Option Scheme. During the years ended 31 December 2012 and 2011, no share options were granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

31. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 40 of the financial statements.

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

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

(b) Company

	Note	Share premium account HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2011		1,688,606	140,234	137,683	1,966,523
Total comprehensive income		—	—	45,671	45,671
Proposed final 2011 dividend	12	—	—	(17,115)	(17,115)
At 31 December 2011 and 1 January 2012		1,688,606	140,234	166,239	1,995,079
Total comprehensive loss		—	—	(32,004)	(32,004)
At 31 December 2012		1,688,606	140,234	134,235	1,963,075

32. Notes to the Consolidated Cash Flow Statement

Other payables of HK$6,988,000 and HK$20,123,000 in connection with the construction costs of certain factory premises accrued and land lease payments, respectively, were settled by cash during the year ended 31 December 2012.

33. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with terms ranging from three to five years (2011: three to five years). The terms of the leases generally also require the tenants to pay security deposits and provide periodic rent adjustments according to the then prevailing market conditions.

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Within one year	**4,707**	3,506
In the second to fifth years, inclusive	**3,168**	5,770
	7,875	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 (2011: one to three years).

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Within one year	**889**	699
In the second to fifth years, inclusive	**—**	487
	889	1,186

At the end of the reporting period, the Company did not have any operating lease arrangements (2011: Nil).

34. Commitments

In addition to the operating lease commitments detailed in note 33(b) to the financial statements, the Group had the following commitments at the end of the reporting period:

	2012 **HK$'000**	2011 HK$'000
Capital commitments on the acquisition of items of property, plant and equipment:		
Contracted, but not provided for	**28,400**	27,804
Authorised, but not contracted for	**5,575**	11,028
	33,975	38,832

At the end of the reporting period, the Company had no significant capital commitments (2011: Nil).

35. Related Party Transactions and Continuing Connected Transactions

Related party transactions

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

(i) During the current and prior years, the Group purchased malt from certain fellow subsidiaries of the Company, including Guangzhou Malting Co., Ltd., which is an 87.4% (2011: 87.4%) owned subsidiary of GDH, and from Ningbo Malting Co., Ltd., Supertime (Nanjing) Malting Co., Ltd., Supertime (Qinhuangdao) Malting Co., Ltd., Supertime (Qitai) Malting Co. Ltd. and Supertime (Baoying) Malting Co., Ltd., which are wholly-owned subsidiaries of GDH. The transactions were entered into based on normal commercial terms agreed between the relevant parties.

The aggregate amounts of malt purchased by the Group from the fellow subsidiaries are as follows:

	2012 **HK$'000**	2011 HK$'000
Guangzhou Malting Co., Ltd.	**114,678**	90,255
Ningbo Malting Co., Ltd.	**47,552**	24,574
Supertime (Qinhuangdao) Malting Co., Ltd.	**11,704**	—
Supertime (Qitai) Malting Co., Ltd.	**10,880**	—
Supertime (Baoying) Malting Co., Ltd.	**2,998**	12,345
	187,812	127,174

35. Related Party Transactions and Continuing Connected Transactions
(continued)

Related party transactions (continued)

(a) (i) (continued)

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

	2012	2011
	HK$'000	*HK$'000*
Guangzhou Malting Co., Ltd.	**28,232**	25,674
Ningbo Malting Co., Ltd.	**14,155**	3,343
Supertime (Qitai) Malting Co., Ltd.	**4,024**	—
Supertime (Qinhuangdao) Malting Co., Ltd.	**1,873**	—
Supertime (Baoying) Malting Co., Ltd.	**2**	3,760
Supertime (Nanjing) Malting Co., Ltd.	**—**	74
	48,286	32,851

(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 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.

During the year, the Group paid operating lease rentals to GHD amounting to HK$699,000 (2011: HK$699,000). The rental agreement was negotiated based on normal commercial terms agreed between the two parties.

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

	2012	2011
	HK$'000	*HK$'000*
Short term employee benefits	**6,575**	6,815
Post-employment benefits	**492**	707
Total compensation paid to key management personnel	**7,067**	7,522

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

The related party transactions in respect of items disclosed in note 35(a) also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

35. Related Party Transactions and Continuing Connected Transactions
(continued)

Continuing connected transactions

During the year, the Group had the following continuing connected transactions, details of which are disclosed below in compliance with the requirements of Chapter 14A of the Listing Rules.

Purchase of malt

On 3 November 2010, the Group renewed a purchase agreement with Supertime Development Limited ("SDL"), a wholly-owned subsidiary of GDH (the "Purchase Agreement") which became effective for the period from 1 January 2011 to 31 December 2013 (the "Contract Period") for purchases of malt by the Group from SDL and its subsidiaries (the "SDL Group"). The directors of the Company estimated that the total considerations of the purchases of malt for the years ended 31 December 2011 and 2012, and for the year ending 31 December 2013 would not exceed RMB246,000,000, RMB333,000,000 and RMB451,000,000, respectively. The Purchase Agreement provides that, during the Contract Period, the SDL Group shall supply the Group with malt, on a priority basis, at a price being the lower of (i) the cost to the SDL Group (excluding value-added tax) plus a maximum premium of 20%; and (ii) the then prevailing market price, to be settled by the Group within 30 days after receipt of the relevant invoice from the SDL Group (unless otherwise provided in the specific purchase agreements or orders). For the year ended 31 December 2012, the purchases of malt by the Group from the SDL Group amounted to RMB152,767,000.

The board of directors of the Company, including the independent non-executive directors, have reviewed the continuing connected transactions in relation to the purchases of malt set out above, and have confirmed that these continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available from independent suppliers; and (iii) in accordance with the Purchase Agreement and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditors, Ernst & Young were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the HKICPA. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

36. Financial Instruments by Category

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

Group

Financial assets

	2012 Loans and receivables *HK$'000*	2011 Loans and receivables *HK$'000*
Trade and bills receivables	**12,901**	16,279
Financial assets included in prepayments, deposits and other receivables	**13,672**	15,565
Pledged bank balances	**493**	7,401
Restricted bank balances	**6,907**	—
Cash and cash equivalents	**187,042**	291,889

Financial liabilities

	2012 Financial liabilities at amortised cost *HK$'000*	2011 Financial liabilities at amortised cost *HK$'000*
Trade payables	**78,998**	117,725
Financial liabilities included in other payables and accruals	**174,649**	216,009
Due to the immediate holding company	**116**	239
Due to fellow subsidiaries	**48,286**	32,851

36. Financial Instruments by Category (continued)

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

Company

Financial assets

	2012 Loans and receivables *HK$'000*	2011 Loans and receivables *HK$'000*
Due from subsidiaries	**1,860,863**	1,819,213
Cash and cash equivalents	**3,441**	85,634

Financial liabilities

	2012 Financial liabilities at amortised cost *HK$'000*	2011 Financial liabilities at amortised cost *HK$'000*
Due to subsidiaries	**30,279**	26,878
Financial liabilities included in other payables and accruals	**3,518**	3,435
Due to the immediate holding company	**116**	239

37. Financial Risk Management Objectives and Policies

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

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

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(i) Foreign currency risk

The Group has transactional currency exposures. These exposures arise from revenue or expenses by operating units in currencies other than the units' functional currencies. The Group's monetary assets, financing and transactions are principally denominated in RMB and HK$. The Group is exposed to the foreign exchange risk arising from changes in the exchange rate of HK$ against RMB. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in future as may be necessary.

37. Financial Risk Management Objectives and Policies (continued)

(i) Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit/(loss) before tax and equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in results before tax HK$'000	Increase/ (decrease) in equity HK$'000
2012			
If HK$ weakens against RMB	**3**	**18,259**	**18,259**
If HK$ strengthens against RMB	**(1)**	**(6,086)**	**(6,086)**
2011			
If HK$ weakens against RMB	3	18,764	18,764
If HK$ strengthens against RMB	(1)	(6,254)	(6,254)

(ii) Credit risk

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

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 20 to the financial statements.

(iii) Liquidity risk

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

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

37. Financial Risk Management Objectives and Policies (continued)

(iii) Liquidity risk (continued)

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

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

Group

	2012			
	On demand *HK$'000*	**Less than 3 months** *HK$'000*	**3 to less than 12 months** *HK$'000*	**Total** *HK$'000*
Trade payables	**640**	**78,358**	**—**	**78,998**
Other payables and accruals	**40,913**	**25,712**	**108,024**	**174,649**
Due to the immediate holding company	**116**	**—**	**—**	**116**
Due to fellow subsidiaries	**—**	**48,286**	**—**	**48,286**
	41,669	**152,356**	**108,024**	**302,049**

	2011			
	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	Total *HK$'000*
Trade payables	2,765	114,960	—	117,725
Other payables and accruals	39,234	20,709	156,066	216,009
Due to the immediate holding company	239	—	—	239
Due to fellow subsidiaries	—	32,851	—	32,851
	42,238	168,520	156,066	366,824

37. Financial Risk Management Objectives and Policies (continued)

(iii) Liquidity risk (continued)

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

Company

			2012		
	On demand *HK$'000*	**Less than 3 months** *HK$'000*	**3 to less than 12 months** *HK$'000*	**More than 1 year** *HK$'000*	**Total** *HK$'000*
Due to subsidiaries	**30,279**	**—**	**—**	**—**	**30,279**
Other payables and accruals	**3,518**	**—**	**—**	**—**	**3,518**
Due to the immediate holding company	**116**	**—**	**—**	**—**	**116**
	33,913	**—**	**—**	**—**	**33,913**

			2011		
	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	More than 1 year *HK$'000*	Total *HK$'000*
Due to subsidiaries	26,878	—	—	—	26,878
Other payables and accruals	3,435	—	—	—	3,435
Due to the immediate holding company	239	—	—	—	239
	30,552	—	—	—	30,552

(iv) Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 2011.

37. Financial Risk Management Objectives and Policies (continued)

(iv) Capital management (continued)

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

	2012	2011
	HK$'000	*HK$'000*
Total debt	**—**	—
Equity attributable to equity holders	**2,951,776**	3,138,450
Equity and total debt	**2,951,776**	3,138,450
Gearing ratio	**0%**	0%

38. Events After the Reporting Period

On 5 February 2013, the Company entered into a master agreement with China Resources Snow Breweries Limited to dispose of (i) the entire equity capital of each of Kingway China, Kingway Chengdu, Kingway Dongguan, Kingway Foshan, Kingway Shantou, Kingway Tianjin, Kingway Xian, Plant 2 and Kingway Sales (collectively the "Sale Companies") (without taking into account the cash and bank balance of the Sale Companies as at 30 September 2012), at an aggregate sale consideration of approximately RMB4,800.5 million (equivalent to approximately HK$5,922.8 million); (ii) the shareholder's loans due from Kingway Chengdu, Kingway Foshan, Kingway Shantou, Kingway Tianjin and Kingway Xian, at an aggregate sale consideration of approximately US$33 million (equivalent to approximately RMB210.5 million or approximately HK$259.7 million); and (iii) the payables of each of Kingway China, Kingway Chengdu, Kingway Dongguan, Kingway Foshan, Kingway Shantou, Kingway Tianjin, Kingway Xian, Plant 2 and Kingway Sales, due to Plant 1, at an aggregate sale consideration of approximately RMB373.2 million (equivalent to approximately HK$460.5 million).

Furthermore, the Company will receive from China Resources Snow Breweries Limited an amount of approximately RMB218.5 million (equivalent to approximately HK$269.6 million), representing the aggregate of the cash and bank balances of the Sale Companies as at 30 September 2012, subject to adjustment as set out in the master agreement.

For illustrative purpose, the gain on the abovementioned disposal is expected to be approximately HK$3,493 million, based on the difference between the sale consideration, net of direct expenses and related taxes, attributable to the equity of the Sale Companies and the unaudited combined net asset value of the Sale Companies as at 30 June 2012, and is subject to change upon completion of the disposal. The above transactions constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules and are subject to the approval of the Company's shareholders at the special general meeting. Further details of the above transactions were disclosed in the Company's announcement dated 5 February 2013.

39. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 19 March 2013.