



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

2013

Interim Report 中期報告



中国驰名商标



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Corporate Information

(As at 27 August 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

Highlights

	For the six months ended 30 June		Change
	2013 (Unaudited)	2012 (Unaudited)	
Beer sales volume, in tonne	394,000	398,000	-1.0%
Loss for the period, in thousand HK\$	(93,973)	(101,589)	-7.5%
Basic loss per share, in HK cent	(5.5)	(5.9)	-6.8%
Loss before interest, tax, depreciation and amortisation, in thousand HK\$	(936)	(13,842)	-93.2%

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)	Change
	Current ratio	0.97 times	
Gearing ratio ¹	net cash	net cash	—
Total assets, in million HK\$	4,337	3,449	+25.7%
Net asset value per share, in HK\$	1.70	1.72	-1.2%
Period-end number of employees	2,881	2,835	+1.6%

Note:

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

Report on Review of Interim Financial Information



**Building a better
working world**

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

Introduction

We have reviewed the interim financial information set out on pages 5 to 27 which comprises the condensed consolidated balance sheet of Kingway Brewery Holdings Limited as at 30 June 2013 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants.

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

Scope of Review

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

Conclusion

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

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong
27 August 2013

Unaudited Interim Financial Information

Condensed Consolidated Income Statement

For the six months ended 30 June 2013

	Notes	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
REVENUE	4	803,591	768,673
Cost of sales		(697,909)	(704,155)
Gross profit		105,682	64,518
Other income and gains/(losses), net	4	24,752	31,290
Selling and distribution expenses		(121,021)	(103,098)
Administrative expenses		(82,710)	(85,270)
Other expenses		(13,923)	(8,061)
Finance costs	5	(1,657)	(260)
LOSS BEFORE TAX	6	(88,877)	(100,881)
Income tax expense	7	(5,096)	(708)
LOSS FOR THE PERIOD		(93,973)	(101,589)
LOSS PER SHARE	8		
Basic		(5.5) HK cents	(5.9) HK cents
Diluted		N/A	N/A

Unaudited Interim Financial Information *(Cont'd)*

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(93,973)	(101,589)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	50,637	(19,175)
Items not to be reclassified to profit or loss in subsequent periods:		
Gains on property revaluation	–	3,913
Income tax effect	–	(978)
	–	2,935
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	50,637	(16,240)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(43,336)	(117,829)

Unaudited Interim Financial Information *(Cont'd)*

Condensed Consolidated Balance Sheet

30 June 2013

	<i>Notes</i>	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,608,704	2,610,278
Investment properties		57,267	56,263
Prepaid land lease payments		248,301	248,002
Goodwill		9,384	9,384
Reusable packaging materials		13,827	8,979
Deferred tax assets		5,225	5,185
Prepayments		17,565	7,396
Total non-current assets		2,960,273	2,945,487
CURRENT ASSETS			
Inventories		241,360	270,665
Trade and bills receivables	9	27,622	12,901
Prepayments, deposits and other receivables		23,397	24,097
VAT receivable		–	1,453
Pledged bank balances		502	493
Restricted bank balances	10	678,106	6,907
Cash and cash equivalents		405,936	187,042
Total current assets		1,376,923	503,558
CURRENT LIABILITIES			
Trade payables	11	(222,798)	(78,998)
Deferred revenue		(70,759)	(81,362)
Tax payable		(4,233)	(319)
Other payables and accruals		(981,326)	(273,886)
VAT payable		(17,078)	(3,972)
Due to the immediate holding company	18(b)	(110)	(116)
Due to fellow subsidiaries	18(b)	(59,515)	(48,286)
Interest-bearing bank borrowings	12	(62,765)	–
Total current liabilities		(1,418,584)	(486,939)
NET CURRENT ASSETS/(LIABILITIES)		(41,661)	16,619
TOTAL ASSETS LESS CURRENT LIABILITIES		2,918,612	2,962,106

Unaudited Interim Financial Information *(Cont'd)*

Condensed Consolidated Balance Sheet *(Cont'd)*

30 June 2013

	<i>Notes</i>	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		2,918,612	2,962,106
NON-CURRENT LIABILITIES			
Deferred tax liabilities		(10,172)	(10,330)
Net assets		2,908,440	2,951,776
EQUITY			
Issued capital	13	171,154	171,154
Reserves	15	2,737,286	2,780,622
Total equity		2,908,440	2,951,776

Unaudited Interim Financial Information *(Cont'd)*

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Note	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Total equity at 1 January		2,951,776	3,138,450
Loss for the period		(93,973)	(101,589)
Other comprehensive income/(loss) for the period	15	50,637	(16,240)
Total comprehensive loss		(43,336)	(117,829)
Final dividend declared		–	(17,115)
Total equity at 30 June		2,908,440	3,003,506

Unaudited Interim Financial Information *(Cont'd)*

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	197,019	44,873
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	(45,865)	595,116
NET CASH FLOWS FROM FINANCING ACTIVITIES	62,765	24,534
NET INCREASE IN CASH AND CASH EQUIVALENTS	213,919	664,523
Cash and cash equivalents at beginning of period	187,042	291,889
Effect of foreign exchange rate changes, net	4,975	(3,461)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	405,936	952,951
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	376,924	927,944
Non-pledged time deposits maturing within 3 months	29,012	25,007
Cash and cash equivalents as stated in the condensed consolidated balance sheet and condensed consolidated statement of cash flows	405,936	952,951

Unaudited Interim Financial Information *(Cont'd)*

Notes to Condensed Consolidated Interim Financial Information

30 June 2013

1. Business Updates and Basis of Presentation

On 5 February 2013, the Company entered into a master agreement with China Resources Snow Breweries Limited for the disposal of the entire equity capital of each of Kingway Brewery (China) Co., Ltd., Kingway Brewery Group (Chengdu) Co., Ltd., Kingway Brewery (Dongguan) Co., Ltd., Kingway Brewery (Foshan) Co., Ltd., Kingway Brewery (Shan Tou) Co., Ltd., Kingway Brewery (Tianjin) Co., Ltd., Kingway Brewery (Xian) Co., Ltd., Shenzhen Kingway Brewing Co., Ltd. and Guangdong Kingway Sales Limited (all being wholly-owned subsidiaries of the Company and collectively referred to as the "Sale Companies"), at an aggregate sale consideration of RMB4,800.5 million (equivalent to HK\$5,922.8 million), without taking into account the cash and bank balances as at 30 September 2012 of the Sale Companies; the related shareholders' loans at an aggregate sale consideration of US\$33 million (equivalent to approximately RMB210.5 million); and certain payable balances of the Sale Companies due to Plant 1 at an aggregate sale consideration of RMB373.2 million (equivalent to approximately HK\$460.5 million). The above amounts are subject to adjustments.

The above transaction (the "Disposal Transaction") constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. Approval of shareholders at the special general meeting held on 9 May 2013 was obtained.

On 8 August 2013, the Company received the review decision notice from the Anti-monopoly Bureau of the Ministry of Commerce of the PRC that it will not prohibit the concentration of undertakings in respect of the Disposal Transaction. Further details of the Disposal Transaction were disclosed in the Company's announcements dated 5 February 2013 and 11 August 2013 and the Company's circular dated 8 April 2013.

Basis of presentation

Despite the fact that the Company and its subsidiaries (collectively known as the "Group") had net current liabilities of HK\$41,661,000 at 30 June 2013, the directors of the Company consider that the Group will have sufficient working capital to finance its operations, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going basis because of the following:

- (a) The Group had, at 30 June 2013, unutilised unsecured standby banking facilities totalling RMB90 million.
- (b) In July 2013, the Group obtained additional banking facilities totalling RMB120 million to support its operations.

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2013

2.1 Accounting Policies

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2013 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial information are the same as those used in the annual financial statements for the year ended 31 December 2012, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) as disclosed in note 2.2 to the condensed consolidated interim financial information.

2.2 Changes in Accounting Policy and Disclosures

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

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities Consolidated Financial Statements</i>
HKFRS 10	<i>Joint Arrangements</i>
HKFRS 11	<i>Disclosure of Interest in Other Entities</i>
HKFRS 12	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	<i>Fair Value Measurement</i>
HKFRS 13	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 1 Amendments	<i>Employee Benefits</i>
HKAS 19 (2011)	<i>Separate Financial Statements</i>
HKAS 27 (2011)	<i>Investments in Associates and Joint Ventures</i>
HKAS 28 (2011)	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
HK(IFRC)-Int 20	Amendments to a number of HKFRSs issued in June 2012
<i>Annual Improvements 2009-2011 Cycle</i>	

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

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2013

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 the condensed consolidated interim financial information.

HKFRS 9	<i>Financial Instruments</i> ²
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i> ¹
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ¹
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i> ¹
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
HK(IFRIC)-Int 21	<i>Levies</i> ¹

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

² Effective for annual periods beginning on or after 1 January 2015

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

3. Operating Segment Information

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

- (a) the Mainland China segment engages in the production, distribution and sale of beer in Mainland China;
- (b) the Overseas and Hong Kong segment engages in the distribution and sale of beer in Hong Kong and overseas; and
- (c) the Corporate segment engages in providing corporate services to the Mainland China segment and the Overseas and Hong Kong segment.

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

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

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2013

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

The following table presents revenue and results of the Group's operating segments for the six months ended 30 June 2013 and 2012.

	Mainland China		Overseas and Hong Kong		Corporate		Eliminations		Consolidated	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	763,372	731,016	40,219	37,657	-	-	-	-	803,591	768,673
Intersegment sales	29,140	22,753	-	-	-	-	(29,140)	(22,753)	-	-
Other income and gains/ (losses), net	23,518	23,360	455	178	(370)	2,783	-	-	23,603	26,321
Total	816,030	777,129	40,674	37,835	(370)	2,783	(29,140)	(22,753)	827,194	794,994
Segment results	(75,644)	(101,870)	7,142	7,881	(19,867)	(11,601)	-	-	(88,369)	(105,590)
Interest income									1,149	4,969
Finance costs									(1,657)	(260)
Loss before tax									(88,877)	(100,881)
Income tax expense									(5,096)	(708)
Loss for the period									(93,973)	(101,589)

No segment assets and liabilities information is presented as, in the opinion of the directors, such information is not key indicator provided to the Group's chief operating decision maker.

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2013

4. Revenue, other income and gains

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

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

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Invoiced value of goods sold (net of trade discounts, allowances for returns and value-added tax)	927,189	890,311
Beer consumption tax and other taxes	(123,598)	(121,638)
	803,591	768,673
Other income		
Income on sale of scrap materials	16,955	18,964
Government grant	83	83
Bank interest income	1,149	4,969
Gross rental income	3,301	3,215
Others	(271)	495
	21,217	27,726
Gains/(loss), net		
Fair value gains on investment properties	–	781
Foreign exchange gains/(loss), net	(370)	2,783
Gain on disposal of property, plant and equipment and prepaid land lease payment, net	3,905	–
	3,535	3,564
	24,752	31,290

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2013

5. Finance Costs

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

6. Loss before Tax

This is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Cost of inventories sold	699,217	699,183
Provision/(write-back of provision) for inventories*	(1,237)	5,809
Depreciation	80,398	80,840
Recognition of prepaid land lease payments	3,274	3,254
Amortisation of reusable packaging materials	2,612	2,685
Gain on disposal of property, plant and equipment and prepaid land lease payment, net	(3,905)	–

* Provision/(write-back of provision) for inventories is included in "Cost of sales" and "Selling and distribution expenses" in the condensed consolidated income statement.

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2013

7. Income Tax

	For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Group:		
Current – Hong Kong	492	494
Current – Mainland China:		
Charge for the period	4,516	198
Underprovision in prior periods	371	68
Deferred	(283)	(52)
Total tax charge for the period	5,096	708

Hong Kong profits tax has been provided at a rate of 16.5% (Six months ended 30 June 2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the local jurisdictions in which the Group operates.

Shenzhen Kingway Brewery Co., Ltd, Shenzhen Kingway Brewing Co., Ltd, Kingway Brewery (Dongguan) Co., Ltd., Kingway Brewery (Shan Tou) Co., Ltd., Kingway Brewery Group (Chengdu) Co., Ltd., Kingway Brewery (Tianjin) Co., Ltd. and Kingway Brewery (Xian) Co., Ltd. did not generate any assessable profits for the six months ended 30 June 2013 and 2012, and were not subject to PRC corporate income tax.

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2013

8. Loss per Share

The calculation of the basic loss per share for the six months ended 30 June 2013 and 2012 are based on:

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(93,973)	(101,589)

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares in issue during the period for the purpose of basic loss per share calculation	1,711,536,850	1,711,536,850

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2013 and 2012.

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2013

9. Trade and Bills Receivables

The Group's trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, invoices are normally payable within 30 to 120 days of issuance. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within 3 months	24,485	11,999
3 to 6 months	1,531	399
6 months to 1 year	1,606	3
Over 1 year	422	454
	28,044	12,855
Less: Impairment	(422)	(429)
Trade receivables	27,622	12,426
Bills receivables	–	475
	27,622	12,901

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2013

10. Restricted Bank Balances

In connection with the Disposal Transaction, a deposit was made to the restricted bank account in accordance with the Designated Account Agreement, a side agreement to the master agreement in relation to the Disposal Transaction. As at 30 June 2013, the restricted bank balances placed in the designated account were jointly operated by the Company and China Resources Snow Breweries Limited and were restricted from general use. The amount would only be released to the Group when the Disposal Transaction has been completed.

As at 31 December 2012, 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.

11. Trade Payables

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

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within 3 months	216,767	78,358
3 to 6 months	5,530	225
6 months to 1 year	138	16
Over 1 year	363	399
	222,798	78,998

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

12. Interest-Bearing Bank Borrowings

	Effective interest rate	Maturity	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Bank loans – unsecured	5.6% per annum	2013	62,765	–

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2013

13. Share Capital

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Authorised:		
2,000,000,000 (31 December 2012: 2,000,000,000) ordinary shares of HK\$0.10 each	200,000	200,000
Issued and fully paid:		
1,711,536,850 (31 December 2012: 1,711,536,850) ordinary shares of HK\$0.10 each	171,154	171,154

14. Share Option Scheme

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

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares in issue at any time. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue as at the date of adopting the Share Option Scheme, but the Company may seek approval of its shareholders in a general meeting to refresh the 10% limit under the Share Option Scheme. As at 30 June 2013 and 31 December 2012, there were no outstanding options under the Share Option Scheme. During the six months ended 30 June 2013, no options were granted, exercised, cancelled nor lapsed pursuant to the Share Option Scheme. The Share Option Scheme had been expired on 10 January 2013.

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2013

15. Reserves

	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Enterprise development funds [#] <i>HK\$'000</i>	Reserve funds [#] <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2012	1,688,606	13,824	10,377	216	78,866	649,764	508,528	2,950,181
Loss for the period	-	-	-	-	-	-	(101,589)	(101,589)
Other comprehensive income/(loss)	-	-	2,935	-	-	(19,175)	-	(16,240)
Total comprehensive income/(loss)	-	-	2,935	-	-	(19,175)	(101,589)	(117,829)
At 30 June 2012 (Unaudited)	1,688,606	13,824	13,312	216	78,866	630,589	406,939	2,832,352
At 1 January 2013	1,688,606	13,824	13,312	216	78,866	645,744	340,054	2,780,622
Loss for the period	-	-	-	-	-	-	(93,973)	(93,973)
Other comprehensive income	-	-	-	-	-	50,637	-	50,637
Total comprehensive income/(loss)	-	-	-	-	-	50,637	(93,973)	(43,336)
At 30 June 2013 (Unaudited)	1,688,606	13,824	13,312	216	78,866	696,381	246,081	2,737,286

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

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2013

16. Operating Lease Arrangements

(a) *As lessor*

The Group leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to five years (31 December 2012: three to five years). The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	4,049	4,707
In the second to fifth years, inclusive	4,033	3,168
	8,082	7,875

(b) *As lessee*

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years (31 December 2012: one to three years).

At 30 June 2013, the Group had total future minimum lease payments under non-cancellable operating leases, in respect of land and buildings, falling due as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	443	899

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2013

17. Commitments

In addition to the operating lease commitments detailed in note 16, the Group had the following commitments at the end of the reporting period:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
<hr/>		
Capital commitments for the Group's property, plant and equipment:		
Contracted, but not provided for	9,290	28,400
Authorised, but not contracted for	–	5,575
	<hr/> 9,290	<hr/> 33,975

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2013

18. Significant Related Party Transactions

(a) *Transactions with related parties*

		For the six months ended 30 June	
	<i>Notes</i>	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Fellow subsidiaries:			
Purchase of malt from Guangzhou Malting Co., Ltd	<i>(i)</i>	45,654	38,574
Purchase of malt from Ningbo Malting Co., Ltd.	<i>(i)</i>	8,063	10,548
Purchase of malt from Supertime (Qinhuangdao) Malting Co., Ltd.	<i>(i)</i>	–	4,834
Purchase of malt from Supertime (Baoying) Malting Co., Ltd.	<i>(i)</i>	14,986	2,438
Purchase of malt from Supertime (Qitai) Malting Co., Ltd.	<i>(i)</i>	–	4,209
Purchase of malt from Yongchang Supertime Beer Materials Co., Ltd.	<i>(i)</i>	5,145	–
Rental of office premises paid to Global Head Developments Limited	<i>(ii)</i>	350	350

Notes:

- (i) The directors believe that the purchases of malt were made according to terms similar to those offered to other customers unrelated to these fellow subsidiaries.
- (ii) The Group entered into a tenancy agreement dated 25 September 2008 with Global Head Developments Limited ("GHD"), which is a 60.45% (2012: 60.45%) owned subsidiary of GDH Limited, the immediate holding company of the Company, and a fellow subsidiary of the Company, whereby the Group agreed to lease a leasehold property owned by GHD as office premises for a term of two years commencing on 1 September 2008. The rental agreement was renewed on 25 November 2010 for a term of three years commencing on 1 September 2010. For the six months ended 30 June 2013, the Group paid operating lease rentals of HK\$350,000 to GHD (Six months ended 30 June 2012: HK\$350,000). The rental agreement was negotiated based on normal commercial terms agreed between the two parties. Commitment at 30 June 2013 was HK\$122,000 (31 December 2012: HK\$489,000).

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2013

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

(b) Outstanding balances with related parties

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Balances due to:		
The immediate holding company	110	116
Fellow subsidiaries	59,515	48,286

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

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June 2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Short term employee benefits	1,301	3,465
Post-employment benefits	309	310
Total compensation paid to key management personnel	1,610	3,775

Unaudited Interim Financial Information *(Cont'd)*

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

30 June 2013

19. Financial Instruments – Fair Value

The Group's financial assets include trade and bills receivables, deposits and other receivables, restricted bank balances, pledged bank balances and cash and cash equivalents and the Group's financial liabilities include trade payables, other payables and accruals, amounts due to the immediate holding company and fellow subsidiaries and interest-bearing bank borrowings. As at 30 June 2013 and 31 December 2012, the carrying amounts of the Group's financial instruments approximated to their fair values.

The fair values of the financial assets and financial liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sales.

20. Approval of Condensed Consolidated Interim Financial Information

These condensed consolidated interim financial information were approved and authorised for issue by the board of directors on 27 August 2013.

Management Discussion and Analysis

Results and Key Operating Data

The total sales volume of the Group for the first half of 2013 was 394,000 tonnes (2012: 398,000 tonnes), representing a decrease of 1.0% over the same period last year. The consolidated revenue was HK\$804 million (2012: HK\$769 million), representing an increase of 4.6% over the same period last year. The Group's sales in Mainland China accounted for 95.0% of the consolidated revenue, whereas the sales in overseas and Hong Kong accounted for 5.0% of the consolidated revenue. The unaudited consolidated loss of the Group for the period under review was HK\$93.97 million (2012: HK\$101.6 million), representing a decrease of 7.5% year-on-year. The decrease in unaudited consolidated loss was mainly attributable to the increase in average selling price of beer products during the period under review.

The board of directors of the Company resolved not to declare the payment of an interim dividend for the six months ended 30 June 2013 (2012: Nil).

Business and Financial Review

The Group's average costs of sales per tonne of beer for the first half of the year increased by 0.1% over the same period last year. The selling and distribution expenses for the first half of the year was HK\$121 million (2012: HK\$103 million), representing an increase of 17.5% over the same period last year. The average selling and distribution expenses per tonne of beer was HK\$307 (2012: HK\$259), representing an increase of 18.5% over the same period last year. The increase in the selling and distribution expenses per tonne of beer for the period under review was mainly attributable to the increase in marketing and promotion expenses of the Group in an effort to maintain the market share and competitiveness of the Kingway brand. The Group's administrative expenses for the first half of the year was HK\$82.71 million (2012: HK\$85.27 million), representing a decrease of 3.0% over the same period last year. The professional fees incurred in relation to the disposal of the Company's subsidiaries for the first half of the year was HK\$13.92 million, representing an increase of 72.7% over the same period last year. The increase in the related professional fees was mainly attributable to the high demand for such services during the period under review. The Group's finance costs for the first half of the year was HK\$1.66 million (2012: HK\$0.26 million), representing an increase of 538.5%. The increase in finance costs was mainly due to bank loans amounted to HK\$62.77 million obtained during the period under review.

Capital Expenditure

The Group's capital expenditure, on a cash basis, for the period under review was approximately HK\$41.65 million (2012: HK\$20.39 million), which mainly represented the expenditure incurred for construction of staff quarters and improvement of production equipment for our brewery plants.

Management Discussion and Analysis *(Cont'd)*

Financial Resources, Liquidity and Debt Position

The Group had cash and bank balances of HK\$1,085 million as at 30 June 2013 (including restricted bank balances and pledged bank deposits of HK\$679 million in aggregate), of which 96.9% was in RMB, 2.0% was in HKD and 1.1% was in USD.

Net cash inflow from operating activities for the period under review was HK\$197 million. As at 30 June 2013, the outstanding balance of interest-bearing bank loans of the Group was HK\$62.77 million (31 December 2012: Nil), and the loans were mainly used for working capital purpose. The Group has sufficient working capital to finance its daily operations. As at 30 June 2013, the Group did not have any material contingent liabilities.

Progress of disposal of the equity interests in 9 subsidiaries of the Company

On 5 February 2013, the Company entered into a conditional master agreement (“Master Agreement”) with China Resources Snow Breweries Limited (華潤雪花啤酒有限公司), 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. The said 9 subsidiaries are mainly engaged in the production, distribution and sale of beer. Completion (“Completion”) of the transactions contemplated in the Master Agreement (“Transactions”) is conditional upon the satisfaction of certain conditions.

During the period under review, the Company received an amount of approximately HK\$664 million from China Resources Snow Breweries Limited as security money in relation to the Transactions. The Transactions were approved by the shareholders of the Company on 9 May 2013. On 8 August 2013, the Company received the review decision notice from the Anti-monopoly Bureau of the Ministry of Commerce of the People’s Republic of China stating that it would not prohibit the transactions. As disclosed in the announcement of the Company dated 11 August 2013, the Company had been and would continue to be working closely with China Resources Snow Breweries Limited in relation to the other Completion related matters.

Buxin Project

The land parcel of Kingway Shenzhen Plant 1 Land retained by the Company which is the site where Kingway Shenzhen Plant 1 situates and is located in the Buxin Area of Luohu District at the central area of Shenzhen. It has a total area of approximately 87,000 square metres, and is within walking distance to the Buxin and Shuibe Metro stations of the Shenzhen Metro. 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 blooming jewellery design, exhibition and sales industry in the nearby areas. During the period under review, the related works of the Buxin Project has been commenced according to the expected timetable of the Group.

Management Discussion and Analysis *(Cont'd)*

Human Resources

As at 30 June 2013, the Group had a total of 2,881 (31 December 2012: 2,835) employees. Reasonable remuneration packages based on business performance, market practices and market conditions are offered to employees by the Group. In addition, discretionary bonuses are also granted based on the results of the Group and the performance of individual employees.

Outlook

In the second half of the year, the Group will mainly focus on reinforcing its existing beer markets and sales channels and ensure the normal operation for each of the sale companies.

In addition, the Group will use its best endeavors to procure the fulfillment of the conditions precedent as set out in the Master Agreement and earnestly cooperate with China Resources Snow Breweries Limited for the completion of the Transactions.

Last but not least, the Board would like to acknowledge the efforts made by the management and staff members during the period under review. Under the leadership of the Board, the Company is optimistic about its future business prospect. The Company will proactively push forward its property development business and will continue as always to strive to generate better returns to its shareholders.

Directors' Interests and Short Positions in Securities

As at 30 June 2013, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers the Model Code as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

I. Shares

(i) The Company

Name of director	Capacity/ nature of interests	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 30 June 2013.

(ii) Guangdong Investment Limited

Name of director	Capacity/ nature of interests	Number of shares held	Long/short position	Approximate percentage of interests held
LI Wai Keung	Personal	2,335,000	Long position	0.0374%

Note: The approximate percentage of interests held was calculated on the basis of 6,238,163,071 ordinary shares of Guangdong Investment Limited in issue as at 30 June 2013.

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

I. Shares *(Cont'd)*

(iii) Guangdong Tannery Limited

Name of director	Capacity/ nature of interests	Number of shares held	Long/short position	Approximate percentage of interests held
LUO Fanyu	Personal	70,000	Long position	0.0130%

Note: The approximate percentage of interests held was calculated on the basis of 538,019,000 ordinary shares of Guangdong Tannery Limited in issue as at 30 June 2013.

(iv) Guangnan (Holdings) Limited

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

Note: The approximate percentage of interests held was calculated on the basis of 907,293,285 ordinary shares of Guangnan (Holdings) Limited in issue as at 30 June 2013.

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

II. Share Options

(i) Guangdong Investment Limited

Share option scheme adopted by Guangdong Investment Limited on 24 October 2008

Name of director	Date of grant of share options (dd.mm.yyyy)	At date of grant	Number of share options during the period				At 30 June 2013	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)	Price of ordinary share at date immediately before exercise date** HK\$ (per share)	Long/short position
			At 1 January 2013	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period						
HUANG Xiaofeng	24.10.2008	5,700,000	5,700,000	-	-	-	5,700,000	-	1.88	1.73	-	Long position
	22.01.2013	2,693,000 [#]	-	2,693,000	-	-	2,693,000	-	6.20	6.30	-	Long position
HUANG Zhenhai	22.01.2013	2,315,000 [#]	-	2,315,000	-	-	2,315,000	-	6.20	6.30	-	Long position
LI Wai Keung	24.10.2008	3,350,000	2,010,000	-	(995,000)	-	1,015,000	-	1.88	1.73	6.82	Long position
	22.01.2013	2,243,000 [#]	-	2,243,000	-	-	2,243,000	-	6.20	6.30	-	Long position

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

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

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

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

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

II. Share Options *(Cont'd)*

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

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

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

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

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

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

- # These are new share options granted by Guangdong Investment Limited on 22 January 2013.

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

II. Share Options (Cont'd)

(ii) Guangan (Holdings) Limited

Share option scheme adopted by Guangan (Holdings) Limited on 29 December 2008

Name of director	Date of grant of share options (dd.mm.yyyy)	At date of grant	Number of share options				At 30 June 2013	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 1 January 2013	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period					
LIANG Jiang	30.12.2008	2,150,000	430,000	—	—	—	430,000	—	0.75	0.74	Long position
	05.07.2010	3,100,000	1,860,000	—	—	—	1,860,000	—	1.45	1.44	Long position

Notes to the above share options granted pursuant to the share option scheme adopted by Guangan (Holdings) Limited on 29 December 2008:

- The option period of all the share options is 5.5 years from the date of grant.
- Any share option is only exercisable during the option period after it has become vested.
- The normal vesting scale of the share options is as follows:—

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

- The vesting of the share options is further subject to the achievement of such performance targets as determined by the board of directors of Guangan (Holdings) Limited upon grant and stated in the offer of grant.
- The leaver vesting scale of the share options that would apply in the event of the grantee ceasing to be an eligible person under certain special circumstances (less the percentage which has already vested under the normal vesting scale or lapsed) is as follows:

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

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

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

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

II. Share Options (Cont'd)

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

Share option scheme adopted by Guangnan (Holdings) Limited on 11 June 2004

Name of director	Date of grant of share options [#] (dd.mm.yyyy)	Number of share options				At 30 June 2013	Total consideration paid for share options granted HK\$	Exercise period of share options (both days inclusive) ^{##} (dd.mm.yyyy)	Exercise price of share options* HK\$ (per share)	Price of ordinary share at date immediately before date of grant ^{**} HK\$ (per share)	Long/short position
		At 1 January 2013	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period						
LIANG Jiang	09.03.2006	2,000,000	—	—	—	2,000,000	1	09.06.2006 to 08.03.2016	1.66	1.61	Long position
LUO Fanyu	09.03.2006	200,000	—	—	(200,000)	0	1	09.06.2006 to 08.03.2016	1.66	1.61	Long position

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

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

Save as disclosed above, as at 30 June 2013, to the knowledge of the Company, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the period 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 30 June 2013, so far as is known to any director or chief executive of the Company, the following persons (other than a director or chief executive of the Company) had, or were taken or deemed to have interest or short position in the shares or underlying shares of the Company 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 Fund Managers, LLP ^(Note 2)	133,640,219	Shares	Long position	7.83%

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 Fund Managers, LLP were held in the capacity of investment manager.

Save as disclosed above, as at 30 June 2013, 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.

Corporate Governance and Other Information

Corporate Governance Code

The Company has complied with the applicable code provisions in the Corporate Governance Code (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”) for the six months ended 30 June 2013 and, where appropriate, the applicable best practices of the CG Code, save and except for the deviation in relation to Code Provision A.6.7 of the CG Code as two independent non-executive directors were unable to attend the annual general meeting of the Company held on 9 May 2013 as they had other engagements.

At the meeting of the Board of Directors of the Company held on 27 August 2013, the Company has approved and adopted a diversity policy (the “Policy”) which sets out its approach to achieve diversity on the Company’s Board of Directors. The Nomination Committee of the Company is responsible for monitoring the Company’s performance in meeting the requirements of the Policy, including the achievement of those measurable objectives as set out in the Policy.

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 throughout the six months ended 30 June 2013.

Changes in Directors’ Information

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in directors’ information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules in respect of the period between last published 2012 annual report and the date of this report are set out below:

Mr. Vincent Marshall Lee Kwan Ho has been appointed as a non-executive director of LT Holdings Limited (a company listed on the Hong Kong Stock Exchange) with effect from 27 March 2013.

Mr. Felix Fong Wo has been appointed as a member of The Hong Kong Communications Authority with effect from 5 July 2013.

Review of Interim Results

The Audit Committee has reviewed the unaudited interim financial information of the Group and the Company’s interim report for the six months ended 30 June 2013. In addition, the Company’s external auditors, Messrs. Ernst & Young, have also reviewed the aforesaid unaudited interim financial information.

Purchase, Sale and Redemption of Listed Securities

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company’s securities listed on the Hong Kong Stock Exchange.

By Order of the Board
HUANG Xiaofeng
Chairman

Hong Kong, 27 August 2013

