# KINGWAY BREWERY HOLDINGS LIMITED
# 金 威 啤 酒 集 團 有 限 公 司*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 124)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

## HIGHLIGHTS

| | For the six months ended 30 June | | |
|---|---|---|---|
| | **2007 (Unaudited)** | 2006 (Unaudited) | Change |
| Beer sales volume, in tonne | **366,000** | 295,000 | +24.1% |
| Gross profit, in thousand HK$ | **286,392** | 277,066 | +3.4% |
| Profit for the period, in thousand HK$ | **15,912** | 70,756 | -77.5% |
| Basic earnings per share, in HK cent | **1.1** | 4.8 | -77.1% |
| EBITDA, in thousand HK$ | **122,394** | 139,606 | -12.3% |
| Average unit selling price per tonne, in HK$ | **2,193** | 2,237 | -2.0% |
| Average unit costs per tonne, in HK$ | **1,411** | 1,298 | +8.7% |
| Gross profit margin | **35.7%** | 42.0% | -6.3% |

| | **As at 30 June 2007 (Unaudited)** | As at 31 December 2006 (Audited) | |
|---|---|---|---|
| Current ratio | **1.1 times** | 1.1 times | - |
| Gearing ratio[1] | **Net cash** | 19.0% | N/A |
| Total assets, in million HK$ | **4,738** | 3,099 | +52.9% |
| Net asset value per share, in HK$ | **1.62** | 1.40 | +15.7% |
| Period-end number of employees | **2,316** | 2,105 | +10.0% |

Note:

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

* *For identification purpose only*

**UNAUDITED INTERIM RESULTS**

The board of directors (the "Board of Directors") of Kingway Brewery Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 together with comparative figures are as follows. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee and the Company's auditors, Ernst & Young.

**Condensed Consolidated Income Statement**
**For the six months ended 30 June 2007**

| | | For the six months ended 30 June | |
|---|---|---|---|
| | | **2007** | 2006 |
| | | **(Unaudited)** | (Unaudited) |
| | *Notes* | **HK$'000** | HK$'000 |
| REVENUE | 2 | **802,666** | 659,963 |
| Cost of sales | | **( 516,274)** | ( 382,897) |
| Gross profit | | **286,392** | 277,066 |
| Other income and gains | | **14,079** | 8,969 |
| Selling and distribution expenses | | **( 206,810)** | ( 169,958) |
| Administrative expenses | | **( 58,367)** | ( 38,961) |
| Finance costs | 3 | **( 12,626)** | ( 1,445) |
| PROFIT BEFORE TAX | 4 | **22,668** | 75,671 |
| Tax | 5 | **( 6,756)** | ( 4,915) |
| PROFIT FOR THE PERIOD | | **15,912** | 70,756 |
| ATTRIBUTABLE TO: | | | |
| Equityholders of the parent | | **15,912** | 71,082 |
| Minority interests | | **-** | ( 326) |
| | | **15,912** | 70,756 |
| DIVIDENDS - Interim | 6 | **-** | ( 20,946) |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITYHOLDERS OF THE PARENT | 7 | | (Restated) |
| Basic | | **1.1 cents** | 4.8 cents |
| Diluted | | **1.1 cents** | 4.8 cents |

**Condensed Consolidated Balance Sheet**
**30 June 2007**

| | Notes | **30 Jun 2007** **(Unaudited)** **HK$'000** | 31 Dec 2006 (Audited) HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **2,516,046** | 2,207,217 |
| Prepaid land lease payments | | **218,655** | 202,900 |
| Goodwill | | **9,384** | 9,384 |
| Reusable packaging materials | | **85,672** | 80,084 |
| Deferred tax assets | | **8,447** | 8,099 |
| Total non-current assets | | **2,838,204** | 2,507,684 |
| CURRENT ASSETS | | | |
| Inventories | | **258,638** | 186,150 |
| Trade and bills receivables | *8* | **68,905** | 32,685 |
| Prepayments, deposits and other receivables | | **39,439** | 24,779 |
| Pledged and restricted bank balances | | **4,319** | 21,652 |
| Cash and cash equivalents | | **1,528,615** | 325,868 |
| Total current assets | | **1,899,916** | 591,134 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | *9* | **(349,448)** | (179,973) |
| Tax payable | | **(4,077)** | (147) |
| VAT payable | | **(2,010)** | (839) |
| Dividend payable | | **(20,946)** | - |
| Other payables and accruals | | **(310,281)** | (239,355) |
| Refundable deposits received from over-subscription in rights issue | | **(583,435)** | - |
| Derivative financial instrument | | **(16,403)** | (13,580) |
| Interest-bearing bank borrowings | *10* | **(451,940)** | (88,920) |
| Due to the immediate holding company | | **(557)** | (291) |
| Due to fellow subsidiaries | | **(35,914)** | (16,051) |
| Total current liabilities | | **(1,775,011)** | (539,156) |
| NET CURRENT ASSETS | | **124,905** | 51,978 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **2,963,109** | 2,559,662 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank borrowings | *10* | **(200,000)** | (607,480) |
| Deferred tax liabilities | | **(4,566)** | (2,765) |
| Total non-current liabilities | | **(204,566)** | (610,245) |
| Net assets | | **2,758,543** | 1,949,417 |
| EQUITY | | | |
| Equity attributable to equityholders of the parent | | | |
| Issued capital | | **170,667** | 139,637 |
| Reserves | | **2,587,876** | 1,788,834 |
| Proposed dividends | | **-** | 20,946 |
| Total equity | | **2,758,543** | 1,949,417 |

*Notes:*

**(1) Accounting Policies**

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2007 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2006, 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 below.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised HKFRSs which are generally effective for accounting periods beginning on or after 1 January 2007. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material impact on these interim condensed consolidated financial statements.

| | |
|---|---|
| HKAS 1 Amendment | Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HK(IFRIC)-Int 8 | Scope of HKFRS 2 |
| HK(IFRIC)-Int 9 | Reassessment of Embedded Derivatives |
| HK(IFRIC)-Int 10 | Interim Financial Reporting and Impairment |

**(2) Segment Information**

Segment information is presented by way of the Group's primary segment reporting basis, by geographical segment. No further business segment information is presented as the Group's operations relate solely to the production, distribution and sale of beer. Summary details of the geographical segments are as follows:

(a) The Mainland China segment engages in the production, distribution and sale of beer in the People's Republic of China (the "PRC" or "Mainland China") except for Hong Kong and Macau;

(b) The Overseas and Hong Kong segment engages in the distribution and sale of beer in Taiwan, Macau, Hong Kong and overseas; and

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

In determining the Group's geographical segment, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

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

## (2) Segment Information (cont'd)

*Geographical segments*

The following table presents revenue and results for the Group's geographical segments:

| | For the six months ended 30 June 2007 | | | | |
|---|---|---|---|---|---|
| | **Mainland China (Unaudited)** | **Overseas and Hong Kong (Unaudited)** | **Corporate (Unaudited)** | **Eliminations (Unaudited)** | **Consolidated (Unaudited)** |
| | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** |
| Segment revenue: | | | | | |
| Sales to external customers | **770,253** | **32,413** | **-** | **-** | **802,666** |
| Intersegment sales | **11,233** | **-** | **-** | **( 11,233)** | **-** |
| Other revenue and gains | **8,284** | **-** | **2,143** | **-** | **10,427** |
| Total | **789,770** | **32,413** | **2,143** | **( 11,233)** | **813,093** |
| Segment results | **22,594** | **11,333** | **( 2,285)** | **-** | **31,642** |
| Interest income | | | | | **3,652** |
| Finance costs | | | | | **( 12,626)** |
| Profit before tax | | | | | **22,668** |
| Tax | | | | | **( 6,756)** |
| Profit for the period | | | | | **15,912** |

| | For the six months ended 30 June 2006 | | | | |
|---|---|---|---|---|---|
| | Mainland China (Unaudited) | Overseas and Hong Kong (Unaudited) | Corporate (Unaudited) | Eliminations (Unaudited) | Consolidated (Unaudited) |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Segment revenue: | | | | | |
| Sales to external customers | 626,895 | 33,068 | - | - | 659,963 |
| Intersegment sales | 10,274 | - | - | ( 10,274) | - |
| Other revenue and gains | 5,376 | 42 | 1,483 | - | 6,901 |
| Total | 642,545 | 33,110 | 1,483 | ( 10,274) | 666,864 |
| Segment results | 64,872 | 12,192 | ( 2,016) | - | 75,048 |
| Interest income | | | | | 2,068 |
| Finance costs | | | | | ( 1,445) |
| Profit before tax | | | | | 75,671 |
| Tax | | | | | ( 4,915) |
| Profit for the period | | | | | 70,756 |

### (3) Finance Costs

| | For the six months ended 30 June 2007 (Unaudited) HK$'000 | 2006 (Unaudited) HK$'000 |
|---|---|---|
| Interest on bank loans wholly repayable within five years | **19,161** | 7,739 |
| Fair value gain on cash flow hedge (transfer from equity) | **(2,926)** | (4,868) |
| | **16,235** | 2,871 |
| Less: Interest capitalised | **(3,609)** | (1,426) |
| | **12,626** | 1,445 |

### (4) Profit Before Tax

Profit before tax is determined after charging/(crediting):

| | For the six months ended 30 June 2007 (Unaudited) HK$'000 | 2006 (Unaudited) HK$'000 |
|---|---|---|
| Depreciation | **68,843** | 50,933 |
| Recognition of prepaid land lease payments | **2,365** | 1,838 |
| Amortisation of reusable packaging materials | **15,892** | 9,719 |
| Interest income | **(3,652)** | (2,068) |

### (5) Tax

| | For the six months ended 30 June 2007 (Unaudited) HK$'000 | 2006 (Unaudited) HK$'000 |
|---|---|---|
| Group: | | |
| Current - Hong Kong | **1,808** | 2,134 |
| Current - Mainland China: | | |
| Charge for the period | **3,692** | 4,549 |
| Overprovision in prior periods | **(164)** | (435) |
| Deferred | **1,420** | (1,333) |
| Total tax charge for the period | **6,756** | 4,915 |

## (5) Tax (cont'd)

Hong Kong profits tax has been provided at a rate of 17.5% (Six months ended 30 June 2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in those places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the PRC tax laws, certain subsidiaries of the Group are entitled to preferential tax treatment with full tax exemption from PRC corporate income tax ("CIT") for two years starting from the first profitable year of operations, followed by 50% reduction in CIT rate for the next three years.

Shenzhen Kingway Brewing Co., Ltd. is entitled to a 50% tax relief for the six months ended 30 June 2007 and 2006.

Kingway Brewery (Dongguan) Co., Ltd. is exempted from CIT for the six months ended 30 June 2007 and 2006.

Kingway Brewery (Shan Tou) Co., Ltd. is exempted from CIT for the six months ended 30 June 2007 as this was its first profitable period of operations.

Kingway Brewery (Tianjin) Co., Ltd., Kingway Brewery (Xian) Co., Ltd., Kingway Brewery Group (Chengdu) Co., Ltd. and Kingway Brewery (Foshan) Co., Ltd. have not generated any accumulated assessable profit since their establishments. Thus, the tax exemption periods which are entitled to these subsidiaries have not commenced during the six months ended 30 June 2007.

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Tax Law"), which is effective from 1 January 2008. Under the New CIT Tax Law, corporate income tax rate for domestic companies and foreign-invested enterprises will decrease from 33% to 25% since 1 January 2008. In addition, for those enterprises benefiting from lower preferential tax rates, such preferential rates will be gradually phased out by increasing them over the next five years. This change in the income tax rate will directly increase the Group's effective tax rate prospectively from 2008. According to HKAS 12 "Income taxes", deferred tax assets and deferred tax 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. As a result, based on current best estimate of impact which could be reasonably estimated, the change in the PRC corporate income tax rate leads to an increase in unaudited deferred tax assets and liabilities as at 30 June 2007 of HK$1,006,000 and HK$1,769,000, respectively.

At the date of these interim financial statements, detailed implementation and administrative requirements for the New CIT Tax Law have not been announced. These detailed requirements include regulations concerning the computation of taxable income, specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact on its operating results and financial positions of future periods as more detailed requirements are issued.

## (6) Interim Dividend

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2007. The directors declared an interim dividend of 1.5 HK cents per share for the six months ended 30 June 2006 to shareholders.

## (7) Earnings Per Share

The calculation of the basic and diluted earnings per share for the six months ended 30 June 2006 and 2007 are based on:

| | For the six months ended 30 June | |
|---|---|---|
| | **2007** | 2006 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Earnings: | | |
| Profit attributable to ordinary equityholders of the parent, used in the basic and diluted earnings per share calculations | **15,912** | 71,082 |

| | For the six months ended 30 June | |
|---|---|---|
| | **2007** | 2006 |
| | **(Unaudited)** | (Unaudited) (Restated) |
| Number of shares: | | |
| Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share calculations | **1,479,305,414** | 1,475,918,944 |
| Effect of dilution - weighted average number of ordinary shares that would have been issued on deemed exercise of all share options with dilutive effects at nil consideration | **15,372,313** | 16,266,119 |
| For the purpose of diluted earnings per share | **1,494,677,727** | 1,492,185,063 |

Note

The weighted average numbers of ordinary shares used in the calculations of both basic and diluted earnings per share amounts for the six months ended 30 June 2006 had been adjusted to reflect the rights issue during the six months ended 30 June 2007.

## (8) Trade and Bills Receivables

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

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

| | **30 June 2007 (Unaudited) HK$'000** | 31 December 2006 (Audited) HK$'000 |
|---|---|---|
| Within 3 months | **28,770** | 16,931 |
| 3 to 6 months | **1,616** | 1,172 |
| 6 months to 1 year | **422** | 70 |
| Over 1 year | **389** | 398 |
| | **31,197** | 18,571 |
| Less: Impairment | **(280)** | (271) |
| Trade receivables | **30,917** | 18,300 |
| Bills receivables | **37,988** | 14,385 |
| | **68,905** | 32,685 |

**(9) Trade and Bills Payables**

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

| | **30 June 2007 (Unaudited) HK$'000** | 31 December 2006 (Audited) HK$'000 |
|---|---|---|
| Within 3 months | **171,469** | 78,933 |
| 3 to 6 months | **5,172** | 1,049 |
| 6 months to 1 year | **1,800** | 228 |
| Over 1 year | **2,461** | 2,280 |
| Trade payables | **180,902** | 82,490 |
| Bills payable | **168,546** | 97,483 |
| | **349,448** | 179,973 |

The trade payables are non-interest-bearing and are normally settled on 30-day term. The carrying amounts of the trade payables approximate to their fair values.

**(10) Interest-bearing bank borrowings**

In relation to a covenant requirement as set out in two term loan facility letters for certain long term bank loans with an aggregate outstanding principal amount of HK$451,940,000 (unaudited) as at 30 June 2007, on 18 September 2007, the Group obtained a waiver of that covenant requirement from the bank with retrospective effect from 30 June 2007 and until 30 November 2007. The non-current portion of the long term bank loans totalling HK$363,020,000 (unaudited) as at 30 June 2007 was classified as current because the Group may or may not comply with the covenant requirement as stipulated in the loan facility letters if the waiver is not granted after 30 November 2007 and the long term bank loans may be repayable within twelve months from the balance sheet date.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results and Key Operating Data

The Board of Directors of the Company reports that the sales volume of Kingway beer for the first half of the year was 366,000 tonnes (2006: 295,000 tonnes), representing an increase of 24.1% over the same period last year. The consolidated revenue was HK$803 million (2006: HK$660 million), representing an increase of 21.6% as compared to the same period last year. The gross profit for the first half of the year was HK$286 million (2006: HK$277 million), representing an increase of 3.4% as compared to the same period last year.

Kingway beer achieved a growth of over 24% in terms of sales volume in the first half of 2007. As the three brewery plants outside Guangdong Province had commenced operations for the period under review, administrative expenses saw a significant increase as compared to the same period last year. As a result of the increase in the costs of operation which is due to the low sales volume of the new plants that still in early commencement stage and the rise of raw materials price as well as the increase in the finance costs, the Group's results for the first half of the year was affected and the cost advantage in the new plants through high capacity utilization has not yet been achieved. The unaudited consolidated profit for the period was HK$15.91 million (2006: HK$70.76 million), representing a decrease of 77.5% as compared to the same period last year. Basic earnings per share was 1.1 HK cents (2006: 4.8 HK cents, as restated), representing a decrease of 77.1% as compared to the same period last year.

The Board of Directors of the Company resolved not to declare the payment of interim dividend for the six months ended 30 June 2007 (2006: 1.5 HK cents).

### Business Review

During the period under review, the principal business of the Group continued to be production, distribution and sale of Kingway beer. The sales were mainly conducted in Guangdong Province, the PRC. The new brewery plants in Xian and Chengdu commenced operations in February and April 2007 respectively and their operations were normal so far.

Our new brewery plant in Foshan with an annual production capacity of 200,000 tonnes is still under construction. The construction works have been progressing smoothly and is expected to commence operations in early 2008. By then the coverage of Kingway beer in Guangdong Province would be further enhanced.

**Financial Review**

Average costs of sales per tonne of beer for the first half of the year was HK$1,411 (2006: HK$1,298), representing an increase of 8.7% over the same period last year. This increase was attributable to the depreciation of new brewery plants, which led to an increase of fixed cost shared by each tonne of beer, and rising prices of certain raw materials and packaging materials. The Group would continue to implement various measures to control costs.

Selling and distribution expenses reached HK$207 million (2006: HK$170 million), representing an increase of 21.7% over the same period last year. The average selling and distribution expenses per tonne of beer was HK$565 (2006: HK$576), representing a decrease of 1.9% compared to the same period last year.

Administrative expenses for the first half of the year was HK$58.37 million (2006: HK$38.96 million), representing an increase of 49.8% over the same period last year. This was primarily due to the increase in expenses caused by the expanding structure and operating scale of the Group (mainly include Kingway brewery plants in Tianjin, Xian, Chengdu and Foshan).

The Group's bank loan increased by HK$400 million in total in the fourth quarter of 2006, resulting in the increase in net finance costs to HK$12.63 million for the first half of 2007 (2006: HK$1.45 million).

**Financial Resources, Liquidity and Debt**

The Group announced to issue 310,304,000 new shares by way of rights issue offering in May this year. The net proceeds of the rights issue were about HK$741 million and were mainly used to finance the construction of new brewery plants and repayment of bank loans. The rights issue was completed on 29 June 2007. Including the proceeds collected from over-subscription, the Group had cash and bank balances of HK$1.53 billion as at 30 June 2007 (including pledged and restricted bank balances of HK$4.32 million), of which 0.1% was in USD, 0.2% was in EUR, 87.3% was in HKD and 12.4% was in RMB.

Net cash inflows from operating activities during the period was HK$193 million. Capital expenditure was approximately HK$258 million, which was mainly related to the construction costs of Kingway brewery plants in Xian, Chengdu and Foshan.

As at 30 June 2007, the Group had an aggregated amount of outstanding interest-bearing bank borrowings of HK$652 million (31 December 2006: HK$696 million), of which HK$452 million has been classified as current liabilities (Please refer to note 10 of the announcement for details). Gearing ratio was in net cash position (which represented a negative figure calculated by the Group's interest-bearing debt less cash and cash equivalents and divided by net assets). The Group was in a healthy financial position. As at 30 June 2007, the Group did not have any contingent liability.

**Human Resources**

As at 30 June 2007, the Group had 2,316 employees (31 December 2006: 2,105). Reasonable remuneration packages that take into account business performance, market practices and competitive market conditions are offered to employees in compensation for their contribution. In addition, discretionary bonuses are also granted based on the Group's and individual's performances.

**Outlook**

The Group would commit to developing the three new markets of Tianjin, Xian as well as Chengdu and enhancing the sales volume in those cities. At the same time, to prepare for the commencement of the brewery plant in Foshan, the Group would work extra hard to strengthen the sales network in northern Guangdong. After the commencement of operations of the Kingway brewery plant in Foshan, the Group would have an annual production capacity of 1.7 million tonnes, of which the annual production capacity in Guangdong Province would be 1.1 million tonnes, and the capacity outside Guangdong Province would be 0.6 million tonnes.

The new plants had brought pressure on the Group's results and more difficulties would be seen in our operations due to intense competition among the peers, general rising price level in the PRC and changes in product mix. It is expected that the effect of the above factors will affect the Group's results throughout the year. The management would take this seriously and various measures have been made to continually increase market share of Kingway beer and to improve results of the Group.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### Code on Corporate Governance Practices

The Company has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 June 2007.

### Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2007.

### Audit Committee

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

### Remuneration Committee

The Company established a remuneration committee ("Remuneration Committee") in June 2005. The terms of reference of the Remuneration Committee adopted by the board of directors of the Company are in line with the CG Code. The Remuneration Committee comprises Mr. YE Xuquan as the chairman, Mr. KOH Poh Tiong, Mr. V-nee YEH, Mr. Alan Howard SMITH and Mr. FONG Wo, Felix as members. The principal duties of the Remuneration Committee include, inter alia, making recommendations to the Board relating to the Company's policy for directors' and senior management's remuneration, determining the executive directors' and senior management's remuneration packages, reviewing and approving their performance-based remuneration and compensation payable for their loss of offices.

### Purchase, Sale and Redemption of the Listed Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2007.

**Disclosure Pursuant to Paragraph 13.21 of Chapter 13 of the Listing Rules**

The Company has entered into three facility letters ("Facility Letters") signed between the Company and two different banks respectively for loan facilities with an aggregate amount of up to approximately HK$696.4 million. The facility letters imposed specific performance obligations on GDH, the controlling shareholder of the Company, and/or HAPBC, a substantial shareholder of the Company. The Facility Letters include, inter alia, a condition to the effect that GDH and/or HAPBC shall in aggregate at all times to own directly or indirectly at least 51% of the issued ordinary shares of the Company. A breach of the above condition would constitute an event of default under the Facility Letters. If such an event of default occurs, the above facilities will become immediately due and repayable.

Of the above-mentioned three Facility Letters, the facility letters dated 25 November 2005 and 27 October 2006 contain, inter alia, a covenant to the effect that the Company shall maintain a consolidated interest coverage ratio of not less than 5 times, which shall be determined by reference to the financial information contained in, inter alia, the latest published interim report of the Company. A breach of that covenant would constitute an event of default and the bank concerned may demand immediate repayment of the relevant loans. The Company has obtained a wavier in respect of the aforesaid covenant requirement from the relevant bank with effect covering the period as from the date of publication of the Company's interim report for the six months ended 30 June 2007 until 30 November 2007. The Company will endeavor to obtain a further waiver from the bank before 30 November 2007 with respect to the relevant period after that day. Please refer to note 10 to this announcement for details.

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

| **Date of Facility letters** | **Facility amount** | **Outstanding balance as at 30 June 2007** | **Last repayment date** |
|---|---|---|---|
| 25 November 2005 | US$38 million | US$32.3 million | November 2009 |
| 27 October 2006 | HK$200 million | HK$200 million | November 2010 |
| 19 December 2006 | HK$200 million | HK$200 million | December 2010 |

**Review of Interim Results**

The Audit Committee has reviewed the unaudited interim financial statements and the interim report of the Group for the six months ended 30 June 2007. In addition, the Company's external auditors, Ernst & Young, have also reviewed the aforesaid unaudited interim financial statements.

**Publication of Interim Results and Interim Report**

This interim results announcement is published on the websites of the Company (www.kingwaybeer.hk) and Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk). The 2007 Interim Report containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites in due course.

By Order of the Board
**YE Xuquan**
*Chairman*

Hong Kong, 19 September 2007

As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. YE Xuquan, Mr. JIANG Guoqiang and Ms. LIANG Jianqin; seven Non-executive Directors, namely Mr. KOH Poh Tiong (Note 1), Dr. HAN Cheng Fong (Note 2), Mr. Sijbe HIEMSTRA (Note 3), Mr. ZHAO Leili, Mr. LUO Fanyu, Mr. Michael WU and Mrs. HO LAM Lai Ping, Theresa; and three Independent Non-executive Directors, namely Mr. Alan Howard SMITH, Mr. V-nee YEH and Mr. FONG Wo, Felix.

Notes:
1. Mr. KOH Poh Tiong has appointed Mr. HUANG Hong Peng as his Alternate Director.
2. Dr. HAN Cheng Fong has appointed Mr. LEE Meng Tat as his Alternate Director.
3. Mr. Sijbe HIEMSTRA has appointed Mr. Kenneth CHOO Tay Sian as his Alternate Director.