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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 124)**

# ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

## HIGHLIGHTS

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2009** | 2008 (Restated) | Change |
| Beer sales volume, in tonne | **833,000** | 641,000 | +30.0% |
| Gross profit, in thousand HK$ | **360,895** | 280,199 | +28.8% |
| Profit/(loss) for the year, in thousand HK$ | **14,515** | ( 52,057) | N/A |
| Basic earnings/(loss) per share, in HK cent | **0.8** | ( 3.0) | N/A |
| EBITDA, in thousand HK$ | **237,609** | 179,949 | +32.0% |

| | As at 31 December | | |
|---|---|---|---|
| | **2009** | 2008 (Restated) | Change |
| Current ratio | **0.7 times** | 0.7 times | - |
| Gearing ratio[1] | **net cash** | 6.0% | N/A |
| Total assets, in million HK$ | **3,572** | 3,813 | -6.3% |
| Net asset value per share, in HK$ | **1.68** | 1.68 | - |
| Year-end number of employees | **2,733** | 2,714 | +0.7% |

Note:

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

* *For identification purpose only*

## FINANCIAL RESULTS

The Board of Directors of Kingway Brewery Holdings Limited (the ‘‘Company’’) announces the consolidated results of the Company and its subsidiaries (the ‘‘Group’’) for the year ended 31 December 2009 together with restated comparative figures for 2008 as follows:

### Consolidated Income Statement
### For the year ended 31 December 2009

| | *Notes* | **2009** **HK$'000** | 2008 HK$'000 (Restated) |
|---|---|---|---|
| REVENUE | *4* | **1,539,248** | 1,334,911 |
| Cost of sales | | **( 1,178,353)** | ( 1,054,712) |
| Gross profit | | **360,895** | 280,199 |
| Other income and gains | | **87,468** | 70,611 |
| Selling and distribution expenses | | **( 270,188)** | ( 234,989) |
| Administrative expenses | | **( 129,468)** | ( 134,965) |
| Finance costs | | **( 27,760)** | ( 30,271) |
| PROFIT/(LOSS) BEFORE TAX | *5* | **20,947** | ( 49,415) |
| Income tax expense | *6* | **( 6,432)** | ( 2,642) |
| PROFIT/(LOSS) FOR THE YEAR | | **14,515** | ( 52,057) |
| EARNINGS/(LOSS) PER SHARE | *7* | | |
| Basic | | **0.8 HK cent** | (3.0) HK cents |
| Diluted | | **N/A** | N/A |

**Consolidated Statement of Comprehensive Income**
**For the year ended 31 December 2009**

| | 2009 HK$'000 | 2008 HK$'000 (Restated) |
|---|---|---|
| PROFIT/(LOSS) FOR THE YEAR | **14,515** | (52,057) |
| Exchange differences on translation of foreign operations | **(23,045)** | 163,325 |
| Net gain/(loss) on cash flow hedges | **(3,714)** | 3,996 |
| Transfer of hedging reserve to the income statement | **22,508** | 12,928 |
| Other comprehensive income/(loss) for the year | **(4,251)** | 180,249 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | **10,264** | 128,192 |

**Consolidated Balance Sheet**
**31 December 2009**

| | Notes | 2009 HK$'000 | 2008 HK$'000 (Restated) | 2007 HK$'000 (Restated) |
|---|---|---|---|---|
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | | **2,747,923** | 2,897,285 | 2,820,882 |
| Investment properties | | **35,120** | 36,368 | 33,762 |
| Prepaid land lease payments | | **250,043** | 251,656 | 243,367 |
| Goodwill | | **9,384** | 9,384 | 9,384 |
| Reusable packaging materials | | **17,799** | 42,362 | 72,732 |
| Deferred tax assets | | **5,018** | 4,999 | 4,618 |
| Total non-current assets | | **3,065,287** | 3,242,054 | 3,184,745 |
| CURRENT ASSETS | | | | |
| Inventories | | **188,892** | 259,269 | 318,228 |
| Trade and bills receivables | *8* | **18,481** | 38,139 | 61,744 |
| Prepayments, deposits and other receivables | | **35,578** | 30,629 | 52,855 |
| Tax recoverable | | **-** | - | 948 |
| Pledged and restricted bank balances | | **-** | 646 | 3,970 |
| Cash and cash equivalents | | **263,994** | 242,689 | 347,144 |
| Total current assets | | **506,945** | 571,372 | 784,889 |
| CURRENT LIABILITIES | | | | |
| Trade payables | *9* | **( 89,610)** | ( 79,594) | ( 83,053) |
| Deferred revenue | | **( 103,561)** | ( 104,092) | ( 91,946) |
| Tax payable | | **( 1,406)** | ( 68) | ( 296) |
| Other payables and accruals | | **( 336,958)** | ( 305,991) | ( 378,725) |
| VAT payable | | **( 1,271)** | ( 4,480) | ( 2,103) |
| Derivative financial instrument | | **-** | ( 18,794) | ( 35,718) |
| Due to the immediate holding company | | **( 97)** | ( 237) | ( 218) |
| Due to fellow subsidiaries | | **( 16,019)** | ( 8,105) | ( 43,707) |
| Interest-bearing bank borrowings | | **( 135,000)** | ( 278,560) | ( 427,480) |
| Total current liabilities | | **( 683,922)** | ( 799,921) | ( 1,063,246) |
| NET CURRENT LIABILITIES | | **( 176,977)** | ( 228,549) | ( 278,357) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **2,888,310** | 3,013,505 | 2,906,388 |
| NON-CURRENT LIABILITIES | | | | |
| Interest-bearing bank borrowings | | **-** | ( 135,000) | ( 160,000) |
| Deferred tax liabilities | | **( 7,863)** | ( 8,322) | ( 8,260) |
| Total non-current liabilities | | **( 7,863)** | ( 143,322) | ( 168,260) |
| Net assets | | **2,880,447** | 2,870,183 | 2,738,128 |
| EQUITY | | | | |
| Issued capital | | **171,154** | 171,154 | 170,667 |
| Reserves | | **2,709,293** | 2,699,029 | 2,567,461 |
| Total equity | | **2,880,447** | 2,870,183 | 2,738,128 |

*Notes:*

**(1) Basis of Presentation**

Despite the fact that the Group's total assets exceeded its current liabilities by HK$2,888,310,000, reported a net cash inflow from operating activities of HK$341,496,000 and a net profit of HK$14,515,000, during the year ended 31 December 2009, the Group had net current liabilities of approximately HK$176,977,000 as at 31 December 2009.

In order to improve the Group's immediate liquidity and cash flow and otherwise to sustain the Group as a going concern, the Group has implemented the following measures:

(a) the Group has obtained unsecured unutilised bank facilities totalling RMB300 million, which shall be revolving in nature and available for general working capital purpose, with expiry date on 18 November 2010;

(b) the directors of the Company have been taking various cost control measures to tighten the costs of operations and administrative expenses;

(c) the Group has been implementing various strategies to improve the Group's sales; and

(d) the Group's property, plant and equipment are not pledged as at 31 December 2009 and can be available as pledges for obtaining additional bank facilities, if necessary.

The directors of the Company consider that the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

**(2) Basis of Preparation**

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

**(3) Changes in accounting policy and disclosures**

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised HKFRSs has had no significant effect on these financial statements.

| | |
|---|---|
| HKFRS 1 and HKAS 27 Amendments | Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* |
| HKFRS 2 Amendments | Amendments to HKFRS 2 *Share-based Payment -Vesting Conditions and Cancellations* |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosure - Improving Disclosures about Financial Instruments* |
| HKFRS 8 | *Operating Segments* |
| HKAS 1 (Revised) | *Presentation of Financial Statements* |
| HKAS 18 Amendment* | Amendment to Appendix to HKAS 18 *Revenue - Determining whether an entity is acting as a principal or as an agent* |
| HKAS 23 (Revised) | Borrowing Costs |
| HKAS 32 and HKAS 1 Amendments | Amendments to HKAS32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation* |

**(3) Changes in accounting policy and disclosures (cont'd)**

| | |
|---|---|
| HK(IFRIC)-Int 9 and HKAS 39 Amendments | Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement - Embedded Derivatives* |
| HK(IFRIC)-Int 13 | *Customer Loyalty Programmes* |
| HK(IFRIC)-Int 15 | *Agreements for the Construction of Real Estate* |
| HK(IFRIC)-Int 16 | *Hedges of a Net Investment in a Foreign Operation* |
| HK(IFRIC)-Int 18 | *Transfers of Assets from Customers* (adopted from 1 July 2009) |
| Improvements to HKFRSs (October 2008) ** | Amendments to a number of HKFRSs |

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary*, which is effective for annual periods beginning on or after 1 July 2009.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the geographical segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4.

## (3) Changes in accounting policy and disclosures (cont'd)

(b) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit and loss, together with all items of income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(c) HK(IFRIC)-Int 13 *Customer Loyalty Programmes*

HK(IFRIC)-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. HK(IFRIC)-Int 13 has been applied by the Group retrospectively from the earliest period presented and comparative amounts have been restated. The effect of the above changes is summarized as follows: -

This standard requires customers loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. The Group maintains a loyalty credits programme which allows customers to accumulate credits when they purchase products from the Group. The credits can be redeemed for discounted products, subject to compliance with certain limit prescribed by the Group. The Group has historically recorded the customer loyalty credits as trade discounts when they are redeemed.

### (3) Changes in accounting policy and disclosures (cont'd)

(c) HK(IFRIC)-Int 13 *Customer Loyalty Programmes* (cont'd)

HK(IFRIC)-Int 13 has no specific provisions on transition. Therefore, the Group has followed HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* applying the changes retrospectively. The prior period financial information has therefore been restated. Under the new accounting policy, consideration received is allocated between the products sold and the credits issued, with the consideration allocated to the credits equal to their fair value. The fair value of the credits issued is deferred and recognised as revenue when the credits are redeemed.

The effect of the above changes is summarised below:

| | HK$'000 |
|---|---:|
| As of 1 January 2008: | |
| Net increase in liabilities: | 91,946 |
| Net decrease in opening retained profits: | 91,946 |
| | |
| As of 31 December 2008: | |
| Net increase in liabilities: | 104,092 |
| Net decrease in retained profits: | 104,092 |
| | |
| For the year ended 31 December 2008: | |
| Net decrease in revenue: | 12,146 |
| Net decrease in profit for the year: | 12,146 |

The effect on the earnings per share related to the restatement for the year ended 31 December 2009 is less than 1 HK cent.

## (4) Operating Segment Information

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

(a) the Mainland China segment engages in the production, distribution and sale of beer in Mainland China;

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

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

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

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

Segment liabilities exclude derivative financial instruments, interest-bearing bank borrowings, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

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

## (4) Operating Segment Information (cont'd)

Group

| | 2009 | | | | |
|---|---|---|---|---|---|
| | **Mainland China** | **Overseas and Hong Kong** | **Corporate** | **Eliminations** | **Consolidated** |
| | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** |
| Segment revenue: | | | | | |
| Sales to external customers | **1,468,191** | **71,057** | **-** | **-** | **1,539,248** |
| Intersegment sales | **32,693** | **-** | **-** | **( 32,693)** | **-** |
| Other income and gains | **53,182** | **-** | **28,245** | **-** | **81,427** |
| Total | **1,554,066** | **71,057** | **28,245** | **( 32,693)** | **1,620,675** |
| Segment results | **( 1,736)** | **25,386** | **19,016** | **-** | **42,666** |
| Interest income | | | | | **6,041** |
| Finance costs | | | | | **( 27,760)** |
| Profit before tax | | | | | **20,947** |
| Income tax expense | | | | | **( 6,432)** |
| Profit for the year | | | | | **14,515** |

| | 2008 | | | | |
|---|---|---|---|---|---|
| | Mainland China | Overseas and Hong Kong | Corporate | Eliminations | Consolidated |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| | (Restated) | | | | (Restated) |
| Segment revenue: | | | | | |
| Sales to external customers | 1,260,724 | 74,187 | - | - | 1,334,911 |
| Intersegment sales | 33,226 | - | - | ( 33,226) | - |
| Other income and gains | 28,392 | - | 36,047 | - | 64,439 |
| Total | 1,322,342 | 74,187 | 36,047 | ( 33,226) | 1,399,350 |
| Segment results | ( 77,647) | 25,310 | 27,021 | - | ( 25,316) |
| Interest income | | | | | 6,172 |
| Finance costs | | | | | ( 30,271) |
| Loss before tax | | | | | ( 49,415) |
| Income tax expense | | | | | ( 2,642) |
| Loss for the year | | | | | ( 52,057) |

## (4) Operating Segment Information (cont'd)

Group

| | Mainland China | | Overseas and Hong Kong | | Corporate | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 (Restated) | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 (Restated) |
| **Assets and liabilities:** | | | | | | | | | | |
| Segment assets | **3,293,678** | 3,556,516 | **9,066** | 7,705 | **476** | 871 | **-** | - | **3,303,220** | 3,565,092 |
| Unallocated assets | | | | | | | | | **269,012** | 248,334 |
| Total assets | | | | | | | | | **3,572,232** | 3,813,426 |
| Segment liabilities | **537,007** | 487,323 | **3,719** | 3,383 | **6,790** | 11,793 | **-** | - | **547,516** | 502,499 |
| Unallocated liabilities | | | | | | | | | **144,269** | 440,744 |
| Total liabilities | | | | | | | | | **691,785** | 943,243 |
| **Other segment information:** | | | | | | | | | | |
| Depreciation and amortisation | **188,867** | 199,046 | **35** | 47 | **-** | - | **-** | - | **188,902** | 199,093 |
| Fair value (gains)/losses on investment properties | **1,275** | (1,227) | **-** | - | **-** | - | **-** | - | **1,275** | (1,227) |
| Impairment losses reversed in the income statement | **3,462** | - | **-** | - | **-** | - | **-** | - | **3,462** | - |
| Capital expenditure | **32,179** | 65,022 | **8** | 43 | **-** | - | **-** | - | **32,187** | 65,065 |

## (5) Profit/(Loss) Before Tax

This is arrived at after charging/(crediting):

| | **2009 HK$'000** | 2008 HK$'000 |
|---|---|---|
| Cost of inventories sold | **1,178,353** | 1,054,712 |
| Depreciation | **154,485** | 153,178 |
| Recognition of prepaid land lease payments | **6,139** | 6,371 |
| Amortisation of reusable packaging materials | **28,278** | 39,544 |
| Loss on disposal of items of property, plant and equipment | **1,302** | 1,015 |
| Write back of impairment of construction in progress and prepaid land lease payment | **(3,462)** | - |
| Fair value (gains)/losses on investment properties | **1,275** | (1,227) |
| Bank interest income | **(6,041)** | (6,172) |

## (6) Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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.

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, followed by a 50% reduction in CIT rate for the next three years.

Shenzhen Kingway Brewing Co., Ltd. was entitled to a 50% tax relief for the year ended 31 December 2008, which was the last year of tax concession.

Kingway Brewery (Dongguan) Co., Ltd. was entitled to a 50% tax relief for the years ended 31 December 2009 and 2008.

Kingway Brewery (Shan Tou) Co., Ltd. was entitled to a 50% tax relief for the year ended 31 December 2009 and was exempted from CIT for the year ended 31 December 2008.

Kingway Brewery (Foshan) Co., Ltd. was exempted from CIT for the years ended 31 December 2009 and 2008.

Kingway Brewery (Tianjin) Co., Ltd., Kingway Brewery (Xian) Co., Ltd. and Kingway Brewery Group (Chengdu) Co., Ltd. have not generated any accumulated assessable profits since their establishment. Pursuant to the New CIT Tax Law, these companies are entitled to full tax exemption from CIT for two years commencing from 1 January 2008, followed by a 50% reduction in CIT rate for the next three years.

### (6) Income Tax (cont'd)

| | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| Group: | | |
| Current: | | |
| Hong Kong: | | |
| Charge for the year | **2,686** | 3,228 |
| Under/(over)provision in prior years | **177** | (332) |
| Mainland China: | | |
| Charge for the year | **4,047** | 209 |
| Overprovision in prior years | **-** | (102) |
| Deferred | **(478)** | (361) |
| Total tax charge for the year | **6,432** | 2,642 |

### (7) Earnings/(Loss) Per Share

Diluted earnings/(loss) per share amount for the years ended 31 December 2009 and 2008 have not been disclosed, as the share options outstanding during both years have an anti-dilutive effect on the basic earnings/(loss) per share for these years.

The calculation of basic and diluted earnings/(loss) per share are based on:

| | 2009 HK$'000 | 2008 HK$'000 (Restated) |
|---|---|---|
| Earnings/(loss) | | |
| Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic and diluted earnings/(loss) per share calculations | **14,515** | (52,057) |

| | Number of shares 2009 | 2008 |
|---|---|---|
| Shares | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation | **1,711,536,850** | 1,709,103,847 |

## (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 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. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the payment due date and net of provisions, is as follows:

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Within 3 months | **16,435** | 24,614 |
| 3 to 6 months | **965** | 1,379 |
| 6 months to 1 year | **206** | 662 |
| Over 1 year | **429** | 507 |
| | **18,035** | 27,162 |
| Less: Impairment | **(489)** | (746) |
| Trade receivables | **17,546** | 26,416 |
| Bills receivables | **935** | 11,723 |
| | **18,481** | 38,139 |

## (9) Trade Payables

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Within 3 months | **77,644** | 64,854 |
| 3 to 6 months | **9,030** | 9,035 |
| 6 months to 1 year | **1,583** | 3,784 |
| Over 1 year | **1,353** | 1,921 |
| | **89,610** | 79,594 |

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

### (10) Litigation

On 18 August 2009, Chinese Super League Limited ("CSLL"), an organiser of the Chinese Super League, filed a writ of summons with the China International Economic and Trade Arbitration Commission against Shenzhen Kingway Brewery Co., Ltd., ("SKBCL"), a wholly-owned subsidiary of the Company which is also the sponsor of the China Super League, in respect of a dispute relating to the sponsorship contract ("Sponsorship Contract") entered into between the CSLL and the SKBCL on 18 July 2008. CSLL claimed for repayment in the sum of RMB11 million (approximately HK$12.5 million) together with overdue interest, and legal cost of RMB0.4 million (approximately HK$0.5 million).

On 15 September 2009, SKBCL filed a counter-claim for the economic loss incurred as CSLL breached the terms of the Sponsorship Contract. Based on the advice from the Group's legal counsel, the directors believed that the Group has a good likelihood of success in defending the claims asserted by CSLL.

As at the date of approval of these financial statements, CSLL has expressed an intention to settle the case and SKBCL is awaiting formal settlement proposal to be proposed by CSLL. The Group had made sufficient accruals for the year ended 31 December 2009 and the litigation has no material impact to the Group's financial position and its annual results in 2009.

## CHAIRMAN'S STATEMENT

### Results

In 2009, the Group sold 833,000 tonnes of beer, an increase of 30.0% over last year and recorded net profit of HK$14.52 million for the year versus a net loss of HK$52.06 million (restated) for last year. Amidst an economic environment of global financial crisis and weak consumption, the Group managed to restore profitability after two consecutive years of losses, reduced gearing level and improved overall operating performance and financial position through the integrated efforts of the management and staff.

The Board of Directors did not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: nil).

### Business Review

During the year, the Group has been proactively developing markets and expanding sales channels for beer products, which sales volumes achieved satisfactory growth. The sales volumes of all beer plants have increased year-on-year, in particular, significant increases in sales volumes were exhibited by the beer plants newly-built in recent years through local market expansion and penetration.

Backed up by expected improvements in the operating performance of the newly-built beer plants in recent years as well as significant reductions in losses suffered by the other subsdiaries of the Group during the year, the expansion strategy of the Group received initial successes of profit contributions to the Group by some of them.

In addition to develop and expand markets and sales channels proactively this year, the Group has also optimized every segment of operations, such as, strengthening and enhancing cost and expense controls, plant management and operating efficiency as well as brandname promotions. As at the end of 2009, given the prominent improvements in inventory management, the inventory balances decreased by 27.1% over last year, which reduced the use of working capital, minimized operating risks and lowered operating costs.

**Outlook**

Sustained by our efforts in 2009, the Group's business is on the right track of development. Our prime targets for 2010 are set to improving the operating results of the Group through continual expansion of its sales and distribution networks, enhance production and sales volumes and production capacity utilization of existing beer plants, and formulating of sales and distribution strategies adaptable to the unique market features of all regions, in spite of the expected ferocious competition amongst the beer industry.

Having contracted as a global cooperation partner of the Summer Universiade 2011 to be held in Shenzhen, the Group will undertake a series of brand promotions to complement the healthy and vibrant images of Kingway brand and enlighten the brand recognition and goodwill of Kingway beer by consumers.

Lastly, for and on behalf of the Board, I would like to recognise the turnaround efforts accomplished by the management and staff in restoring the Group's profitability during the past year. Under the forthright leadership of the Board, the Group will formulate suitable strategy in enhancing its sales volume of beer and operating results in order to create better return to the shareholders.

**LI Wenyue**
*Chairman*

Hong Kong, 31 March 2010

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operating Results

In 2009, the production, distribution and sales of Kingway beer remained to be the core business operations of the Group.

Consolidated turnover of the Group for the year amounted to HK$1,539 million (2008 (restated): HK$1,335 million), representing an increase of 15.3% over last year. The average selling price per tonne of beer decreased by 11.3% over last year, which was primarily attributed to the changes in pricing strategy of the selling prices and a dilution of the weighted average selling price per tonne of beer as a result of the increases in sales volume of beer in those regions outside Guangdong Province. Sales in Mainland China accounted for 95.4% of the consolidated revenue, representing an increase of 16.5% over last year in terms of revenue, whereas the sales in overseas and Hong Kong market accounted for 4.6% of the consolidated revenue which drop 4.2% over last year in terms of revenue. Consolidated profit after tax for the year was HK$14.52 million (2008 (restated): loss of HK$52.06 million).

Average costs per tonne of beer decreased by 14.0% over 2008, which was primarily attributed to decreases in procurement costs of various raw materials, consumables and packaging materials and decreases in average fixed costs per tonne of beer as a result of increases in sales volume of beer. Gross profit margin increased from 21.0% (restated) in 2008 to 23.4% in 2009 as the rate of decrease in average costs per tonne was greater than that of average selling prices.

### Operating Expenses and Finance Costs

Selling and distribution expenses for the year amounted to HK$270 million (2008: HK$235 million), representing an increase of 14.9% over last year. Average selling and distribution expenses per tonne of beer sold for the year was HK$324 (2008: HK$367), representing a decrease of 11.7% over last year, which was primarily attributed to the optimisation of sales and marketing modes by the Group in controlling selling expenses reasonably and utilising them effectively.

Administrative expenses for the year was HK$129 million (2008: HK$135 million), a decrease of 4.4% over 2008, which was primarily attributed to the results of measures taken by the Group in retrenching costs and expenses.

Net finance costs for the year was HK$27.76 million, a decrease of 8.3% over last year, which was primarily attributable to decreases in interest expenses resulting from reductions in outstanding loans in 2009. With such reduction in the Group's bank loans, significant decrease in the Group's finance costs is expected next year.

## Taxation

During the year, most of the Group's subsidiaries in the PRC were still subject to a full exemption from the corporate income tax for the first two profit-making years and a 50% relief in the following three years. Kingway plants in Shantou and Dongguan enjoyed a 50% tax relief, while Kingway plants in Tianjin, Xian, Chengdu and Foshan were in full tax exemption for the year.

## Capital Expenditure

Capital expenditure incurred by the Group, on a cash basis, for the year was approximately HK$63 million (2008: HK$153 million), a decrease of 58.8% over last year. The capital expenditure paid was primarily attributed to the settlements of outstanding construction fees in respect of the Kingway plants in Foshan, Chengdu and Xian.

By the end of 2009, the Board of the Company approved the construction of a block of staff quarters of economic applicable category, which has also been approved by the relevant authorities of Shenzhen. With an estimated total construction costs of approximately HK$102 million, the staff quarters will provide approximately 204 residential units, each with a floor area of not more than 90 square metres. Subsequent to its completion, estimated to be in 2011, the staff quarters will be sold to eligible staff of the Group at the appraised prices of economic applicable housing in accordance with the regulations of housing system reforms of the Shenzhen Municipal Government. As at 31 December 2009, outstanding commitment of the project was about HK$92 million. It is expected that the Company will have a small amount of non-operating gains from the project.

## Financial Resources and Liquidity

As at 31 December 2009, the Group's net asset value was HK$2,880 million (2008 (restated): HK$2,870 million), an increase of 0.3% over last year. Based on the number of ordinary shares in issue as at the year end, the net asset value per share was HK$1.68 (2008 (restated): HK$1.68 per share), which was the same as last year.

As at 31 December 2009, the Group had cash and bank balances totalling HK$264 million (2008: HK$243 million), an increase of 8.6% over last year, of which pledged and restricted bank deposits was nil (2008: HK$0.65 million). Of the balances at year end, 92.7% was in RMB, 4.6% in USD and 2.7% in HKD. Cash generated from operations for the year of HK$369 million (2008: HK$230 million) was satisfactory, which was primarily attributed to the improvement in the Group's results as coupled with efforts in inventory management.

During the year, HK$279 million of the principals of bank loans were repaid by the Group, and the remaining HK$135 million will be wholly repayable in 2010. Given the Group's existing cash balances and available standby credit facilities of RMB300 million (equivalent to HK$341 million), the Group will have sufficient funds to repay these bank loans.

**Indebtedness and Contingent Liabilities**

As at the end of the year, the Group had bank loans of HK$135 million (2008: HK$414 million) which bore interest at a rate based on HIBOR.

As at 31 December 2009, the Group's gearing ratio was in a net cash position (2008 (restated): 6.0%), which indicated that the Group's financial structure is healthy and improving continually. None of the assets of the Group was pledged to any creditors and no contingent liabilities existed as at the end of the year.

**Human Resources**

The Group had approximately 2,733 (2008: 2,714) employees as at 31 December 2009, with total remuneration and provident fund contributions for the year of HK$224 million (2008: HK$191 million). Various basic benefits are provided to the Group's staff with an incentive policy pegging the Group's sales volume and results with their individual performance, which has effectively motivated staff initiatives.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 9 June 2010 to Friday, 11 June 2010, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company to be held on Friday, 11 June 2010, unregistered holders of shares of the Company should ensure that all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 8 June 2010.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2009.

## REVIEW OF RESULTS

The annual results of the Group for the year ended 31 December 2009 have been reviewed by the audit committee of the Company.

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2009.

By Order of the Board
**LI Wenyue**
*Chairman*

Hong Kong, 31 March 2010

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. LI Wenyue, Mr. HUANG Xiaofeng, Mr. LUO Fanyu, Mr. Michael WU, Mr. Roland PIRMEZ *(Note 1)*, Mr. KOH Poh Tiong *(Note 2)* and Mr. Sijbe HIEMSTRA *(Note 3)*; and three independent non-executive directors, namely Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho.

*Notes:*
1. Mr. Roland PIRMEZ has appointed Mr. TAN Tiang Hing as his alternate director.
2. Mr. KOH Poh Tiong has appointed Madam LOY Juat Boey as his alternate director.
3. Mr. Sijbe HIEMSTRA has appointed Mr. Kenneth CHOO Tay Sian as his alternate director.