KINGWAY BREWERY HOLDINGS LIMITED

金 威 啤 酒 集 團 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0124)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

HIGHLIGHTS

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

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

* *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 2012 together with comparative figures for 2011 as follows:

Consolidated Income Statement

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
REVENUE	3	**1,549,129**	1,758,087
Cost of sales		**(1,387,018)**	(1,443,193)
Gross profit		**162,111**	314,894
Other income and gains		**63,799**	108,489
Selling and distribution expenses		**(186,630)**	(229,599)
Administrative expenses		**(168,899)**	(150,501)
Other expenses		**(31,631)**	-
Finance costs		**(395)**	(1,006)
PROFIT/(LOSS) BEFORE TAX	4	**(161,645)**	42,277
Income tax expense	5	**(6,829)**	(7,512)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(168,474)**	34,765
EARNINGS/(LOSS) PER SHARE	6		
Basic		**(9.8) HK cents**	2.0 HK cents
Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

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

Consolidated Balance Sheet
31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,610,278**	2,751,334
Investment properties		**56,263**	39,965
Prepaid land lease payments		**248,002**	254,899
Goodwill		**9,384**	9,384
Reusable packaging materials		**8,979**	7,630
Deferred tax assets		**5,185**	5,209
Prepayments		**7,396**	-
Total non-current assets		**2,945,487**	3,068,421
CURRENT ASSETS			
Inventories		**270,665**	297,282
Trade and bills receivables	*8*	**12,901**	16,279
Prepayments, deposits and other receivables		**24,097**	28,143
VAT receivable		**1,453**	-
Pledged bank balances		**493**	7,401
Restricted bank balances		**6,907**	-
Cash and cash equivalents		**187,042**	291,889
Total current assets		**503,558**	640,994
CURRENT LIABILITIES			
Trade payables	*9*	**(78,998)**	(117,725)
Deferred revenue		**(81,362)**	(75,930)
Tax payable		**(319)**	(2,653)
Other payables and accruals		**(273,886)**	(329,076)
VAT payable		**(3,972)**	(4,766)
Due to the immediate holding company		**(116)**	(239)
Due to fellow subsidiaries		**(48,286)**	(32,851)
Total current liabilities		**(486,939)**	(563,240)
NET CURRENT ASSETS		**16,619**	77,754
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,962,106**	3,146,175
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**(10,330)**	(7,725)
Net assets		**2,951,776**	3,138,450
EQUITY			
Issued capital		**171,154**	171,154
Reserves		**2,780,622**	2,950,181
Proposed final dividend		**-**	17,115
Total equity		**2,951,776**	3,138,450

Notes:

(1) Basis of Preparation

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

(2) Changes in Accounting Policy and Disclosures

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

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

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

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

(2) Changes in Accounting Policy and Disclosures (cont'd)

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

(3) Operating Segment Information

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

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

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

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

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

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

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

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

(3) Operating Segment Information (cont'd)

Group

	2012				
	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	**1,469,606**	**79,523**	**-**	**-**	**1,549,129**
Intersegment sales	**51,598**	**-**	**-**	**(51,598)**	**-**
Other income and gains	**54,572**	**146**	**2,082**	**-**	**56,800**
Total	**1,575,776**	**79,669**	**2,082**	**(51,598)**	**1,605,929**
Segment results	**(138,463)**	**13,257**	**(43,043)**	**-**	**(168,249)**
Interest income					**6,999**
Finance costs					**(395)**
Loss before tax					**(161,645)**
Income tax expense					**(6,829)**
Loss for the year					**(168,474)**

	2011				
	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	1,673,475	84,612	-	-	1,758,087
Intersegment sales	53,873	-	-	(53,873)	-
Other income and gains	71,292	337	29,881	-	101,510
Total	1,798,640	84,949	29,881	(53,873)	1,859,597
Segment results	2,864	17,382	16,058	-	36,304
Interest income					6,979
Finance costs					(1,006)
Profit before tax					42,277
Income tax expense					(7,512)
Profit for the year					34,765

(3) Operating Segment Information (cont'd)

Group

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

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

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

(4) Profit/(loss) Before Tax

This is arrived at after charging/(crediting):

	2012	2011
	HK$'000	HK$'000
Cost of inventories sold	**1,381,700**	1,443,193
Depreciation	**161,153**	159,882
Recognition of prepaid land lease payments	**6,498**	6,378
Amortisation of reusable packaging materials	**4,811**	5,470
Provision for inventories	**6,121**	-
Impairment of prepayments	**1,867**	-
Bank interest income	**(6,999)**	(6,979)
Foreign exchange gains, net	**(2,082)**	(29,881)
Fair value gains on investment properties	**(9,047)**	(1,369)

(5) Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the local jurisdictions in which the Group operates.

Kingway Brewery (Foshan) Co., Ltd. ("Kingway Foshan") was entitled to a 50% tax relief for the years ended 31 December 2012 and 2011.

Kingway Brewery (Shan Tou) Co., Ltd. ("Kingway Shantou") and Kingway Brewery Group (Chengdu) Co., Ltd. ("Kingway Chengdu") did not generate any assessable profits for the year ended 31 December 2012 and were not subject to PRC corporate income tax ("CIT"). For the year ended 31 December 2011, Kingway Shantou and Kingway Chengdu were entitled to a 50% tax relief.

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

Kingway Brewery (Tianjin) Co., Ltd. ("Kingway Tianjin") and Kingway Brewery (Xian) Co., Ltd. ("Kingway Xian") have not generated any accumulated assessable profits since their establishment. Pursuant to the PRC Corporate Income Tax Law approved by the National People's Congress on 16 March 2007, these companies were entitled to full tax exemption from CIT for two years commencing from 1 January 2008, followed by a 50% reduction in CIT rate for the next three years.

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

(6) Earnings/(Loss) Per Share

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

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

(7) Dividend

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

(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 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.

(8) Trade and Bills Receivables (cont'd)

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

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

(9) Trade Payables

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

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

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

(10) Events after the Reporting Period

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

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

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

CHAIRMAN'S STATEMENT

Results

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

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

Business Review

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

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

Result of Strategic Review

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

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

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

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

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

Please refer to note 10 to the financial statements in this announcement and the very substantial disposal announcement of the Company published on 5 February 2013 for details.

Outlook

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

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

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

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

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

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

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

HUANG Xiaofeng
Chairman

Hong Kong, 19 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

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

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

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

Operating Expenses and Finance Costs

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

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

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

Taxation

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

Capital Expenditure

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

Financial Resources and Liquidity

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

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

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

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

Financial Impact from the Result of Strategic Review

In respect of the result of the strategic review as mentioned in the Chairman's Statement, on 5 February 2013, the Company and China Resources Snow Breweries Limited （華潤雪花啤酒有限公司）entered into the Master Agreement, pursuant to which the Company has, subject to the satisfaction of the relevant conditions precedent, agreed to sell the equity interests in 9 wholly-owned subsidiaries and certain of their loans and debts owing to the remaining Group at a total consideration of RMB5,384.2 million (equivalent to approximately HK$6,643.0 million), subject to adjustments, if any. Subject to the completion of the Master Agreement and the related transactions, the Group's core business will be changed from the production, distribution and sale of beer to property development and investment. Please refer to note 10 to the financial statements in this announcement and the very substantial disposal announcement of the Company published on 5 February 2013 for details.

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

Human Resources

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed and no transfer of shares will be effected during the period from Tuesday, 7 May 2013 to Thursday, 9 May 2013, both days inclusive, for determining the shareholders' eligibility to attend and vote at the Annual General Meeting of the Company to be held on Thursday, 9 May 2013.

In order to qualify for attending and voting at the forthcoming Annual General Meeting of the Company to be held on Thursday, 9 May 2013, unregistered holders of shares of the Company should ensure that all transfers documents accompanied by the relevant share certificates 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 Monday, 6 May 2013.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors of the Company, the Company has complied with the code provisions and, where appropriate, the applicable recommended best practices set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (collectively the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2012, save for new code provision A.6.7 of the CG Code as one Independent Non-Executive Director and one Non-Executive Director were unable to attend the annual general meeting of the Company held on 15 May 2012 as they had other engagements.

REVIEW OF ANNUAL RESULTS

The annual results of the Group for the year ended 31 December 2012 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 2012.

By Order of the Board
HUANG Xiaofeng
Chairman

Hong Kong, 19 March 2013

As at the date of this announcement, the Board comprises three non-executive Directors, namely Mr. HUANG Xiaofeng, Mr. HUANG Zhenhai and Mr. LUO Fanyu; three executive Directors, namely Mr. LIANG Jiang, Mr. LI Wai Keung and Mr. YE Xuquan; and three independent non-executive Directors, namely Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho.