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

(Incorporated in Bermuda with limited liability)

(Stock Code: 0124)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

HIGHLIGHTS

	For the six months ended 30 June		
	2013	2012	Change
	(Unaudited)	(Unaudited)	
Beer sales volume, in tonne	**394,000**	398,000	-1.0%
Loss for the period, in thousand HK$	**(93,973)**	(101,589)	-7.5%
Basic loss per share, in HK cent	**(5.5)**	(5.9)	-6.8%
Loss before interest, tax, depreciation and amortisation, in thousand HK$	**(936)**	(13,842)	-93.2%
	As at 30 June 2013	As at 31 December 2012	
	(Unaudited)	(Audited)	
Current ratio	**0.97 times**	1.03 times	-5.8%
Gearing ratio[1]	**net cash**	net cash	-
Total assets, in million HK$	**4,337**	3,449	+25.7%
Net asset value per share, in HK$	**1.70**	1.72	-1.2%
Period-end number of employees	**2,881**	2,835	+1.6%

Note:

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

* *For identification purpose only*

UNAUDITED INTERIM RESULTS

The board of directors (the "Board of Directors") of Kingway Brewery Holdings Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 together with comparative figures are as follows. The interim financial information has not been audited, but has 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 2013

	Notes	**2013 (Unaudited) HK$'000**	2012 (Unaudited) HK$'000
REVENUE	3	**803,591**	768,673
Cost of sales		**(697,909)**	(704,155)
Gross profit		**105,682**	64,518
Other income and gains/(losses), net		**24,752**	31,290
Selling and distribution expenses		**(121,021)**	(103,098)
Administrative expenses		**(82,710)**	(85,270)
Other expenses		**(13,923)**	(8,061)
Finance costs	4	**(1,657)**	(260)
LOSS BEFORE TAX	5	**(88,877)**	(100,881)
Income tax expense	6	**(5,096)**	(708)
LOSS FOR THE PERIOD		**(93,973)**	(101,589)
LOSS PER SHARE	7		
Basic		**(5.5) HK cents**	(5.9) HK cents
Diluted		**N/A**	N/A

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2013

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

Condensed Consolidated Balance Sheet
30 June 2013

	Notes	30 Jun 2013 (Unaudited) HK$'000	31 Dec 2012 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,608,704**	2,610,278
Investment properties		**57,267**	56,263
Prepaid land lease payments		**248,301**	248,002
Goodwill		**9,384**	9,384
Reusable packaging materials		**13,827**	8,979
Deferred tax assets		**5,225**	5,185
Prepayments		**17,565**	7,396
Total non-current assets		**2,960,273**	2,945,487
CURRENT ASSETS			
Inventories		**241,360**	270,665
Trade and bills receivables	*9*	**27,622**	12,901
Prepayments, deposits and other receivables		**23,397**	24,097
VAT receivable		**-**	1,453
Pledged bank balances		**502**	493
Restricted bank balances		**678,106**	6,907
Cash and cash equivalents		**405,936**	187,042
Total current assets		**1,376,923**	503,558
CURRENT LIABILITIES			
Trade payables	*10*	**(222,798)**	(78,998)
Deferred revenue		**(70,759)**	(81,362)
Tax payable		**(4,233)**	(319)
Other payables and accruals		**(981,326)**	(273,886)
VAT payable		**(17,078)**	(3,972)
Due to the immediate holding company		**(110)**	(116)
Due to fellow subsidiaries		**(59,515)**	(48,286)
Interest-bearing bank borrowings		**(62,765)**	-
Total current liabilities		**(1,418,584)**	(486,939)
NET CURRENT ASSETS/(LIABILITIES)		**(41,661)**	16,619
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,918,612**	2,962,106
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**(10,172)**	(10,330)
Net assets		**2,908,440**	2,951,776
EQUITY			
Issued capital		**171,154**	171,154
Reserves		**2,737,286**	2,780,622
Total equity		**2,908,440**	2,951,776

Notes:

(1) Business Updates and Basis of Presentation

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

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

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

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

(a) The Group had, at 30 June 2013, unutilised unsecured standby banking facilities totalling RMB90 million.

(b) In July 2013, the Group obtained additional banking facilities totalling RMB120 million to support its operations.

(2) Accounting Policies

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

Changes in Accounting Policy and Disclosures

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

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

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

(3) Operating Segment Information

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

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

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

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

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

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

(3) Operating Segment Information (cont'd)

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

	For the six months ended 30 June 2013				
	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	**763,372**	**40,219**	**-**	**-**	**803,591**
Intersegment sales	**29,140**	**-**	**-**	**(29,140)**	**-**
Other income and gains/ (losses), net	**23,518**	**455**	**(370)**	**-**	**23,603**
Total	**816,030**	**40,674**	**(370)**	**(29,140)**	**827,194**
Segment results	**(75,644)**	**7,142**	**(19,867)**	**-**	**(88,369)**
Interest income					**1,149**
Finance costs					**(1,657)**
Loss before tax					**(88,877)**
Income tax expense					**(5,096)**
Loss for the period					**(93,973)**

	For the six months ended 30 June 2012				
	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	731,016	37,657	-	-	768,673
Intersegment sales	22,753	-	-	(22,753)	-
Other income and gains	23,360	178	2,783	-	26,321
Total	777,129	37,835	2,783	(22,753)	794,994
Segment results	(101,870)	7,881	(11,601)	-	(105,590)
Interest income					4,969
Finance costs					(260)
Loss before tax					(100,881)
Income tax expense					(708)
Loss for the period					(101,589)

(4) Finance Costs

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

(5) Loss Before Tax

This is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Depreciation	**80,398**	80,840
Recognition of prepaid land lease payments	**3,274**	3,254
Amortisation of reusable packaging materials	**2,612**	2,685
Provision/(write-back of provision) for inventories *	**(1,237)**	5,809
Bank interest income	**(1,149)**	(4,969)
Foreign exchange (gains)/loss, net	**370**	(2,783)
Fair value gains on investment properties	**-**	(781)
Gain on disposal of property, plant and equipment and prepaid land lease payment, net	**(3,905)**	-

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

(6) Income Tax

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

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

(6) Income Tax (cont'd)

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

(7) Loss Per Share

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

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

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

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

(8) Interim Dividend

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

(9) Trade and Bills Receivables

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

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

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

(10) Trade Payables

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Key Operating Data

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

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

Business and Financial Review

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

Capital Expenditure

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

Financial Resources, Liquidity and Debt Position

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

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

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

On 5 February 2013, the Company entered into a conditional master agreement ("Master Agreement") with China Resources Snow Breweries Limited（華潤雪花啤酒有限公司）, pursuant to which, the Company has, subject to the satisfaction of the relevant conditions precedent, agreed to sell the equity interests in 9 wholly-owned subsidiaries and certain of their loans and debts owing to the remaining Group at a total consideration of RMB5,384.2 million (equivalent to approximately HK$6,643.0 million), subject to adjustments. The said 9 subsidiaries are mainly engaged in the production, distribution and sale of beer. Completion ("Completion") of the transactions contemplated in the Master Agreement ("Transactions") is conditional upon the satisfaction of certain conditions.

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

Buxin Project

The land parcel of Kingway Shenzhen Plant 1 Land retained by the Company which is the site where Kingway Shenzhen Plant 1 situates and is located in the Buxin Area of Luohu District at the central area of Shenzhen. It has a total area of approximately 87,000 square metres, and is within walking distance to the Buxin and Shuibei Metro stations of the Shenzhen Metro. The Company intends to develop the Kingway Shenzhen Plant 1 Land under the "Buxin Project", which will be built in three phases, to cater to the demand for office space and ancillary apartments generated by the blooming jewellery design, exhibition and sales industry in the nearby areas. During the period under review, the related works of the Buxin Project has been commenced according to the expected timetable of the Group.

Human Resources

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

Outlook

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

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Code

The Company has complied with the applicable code provisions in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2013, save for the code provision A.6.7 as two independent non-executive directors were unable to attend the annual general meeting of the Company held on 9 May 2013 as they had other engagements.

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

Review of Interim Results

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

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 2013.

By Order of the Board
HUANG Xiaofeng
Chairman

Hong Kong, 27 August 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.