

UNAUDITED INTERIM RESULTS

The Board of Directors of Guangdong Brewery Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2000 (the "Period") together with comparative figures for the same period in 1999 are as follows:

	Notes	Unaudited Six Months ended 30 June	
		2000 HK\$'000	1999 HK\$'000
TURNOVER		286,987	324,147
Cost of sales		(192,983)	(219,809)
Gross profit		94,004	104,338
Exchange gains		1,182	15,583
Other revenue		19,067	19,054
Selling expenses		(45,335)	(48,256)
Administrative expenses		(32,672)	(39,294)
PROFIT FROM OPERATING ACTIVITIES	(2)	36,246	51,425
Finance costs	(3)	(16,267)	(23,203)
Share of results of an associate		(2,531)	(9)
PROFIT BEFORE TAX		17,448	28,213
Tax	(4)	(7,261)	(3,762)
PROFIT BEFORE MINORITY INTERESTS		10,187	24,451
Minority interests		1,843	(206)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		12,030	24,245
Transfer to reserves		—	(9,058)
PROFIT RETAINED FOR THE PERIOD		12,030	15,187
EARNINGS PER SHARE	(5)	1.0 cents	1.9 cents

Notes:

(1) Prior Year Adjustment

In prior years, deferred pre-operating expenses, which represent expenses incurred before the commencement of commercial operations of a subsidiary of the Group in Mainland China, were capitalised and amortised over 5 years from the date of commencement of operation on a straight line basis. During the Period, the Group adopted the revised SSAP I "Presentation of financial statements" and pre-operating expenses are written off when incurred.

Accordingly, the comparative amounts for 1999 have been restated, with the opening retained profits as at 1 January 1999 reduced by HK\$12,435,000 to reflect changes in the Group's results attributable to shareholders for the periods prior to 1999. The effect of the changes in respect of six months ended 30 June 1999 includes a decrease in administrative expenses by HK\$1,544,000 and an increase in minority interests by HK\$201,000, resulting in a net increase in the net profit attributable to shareholders by HK\$1,343,000.

(2) Profit From Operating Activities

The Group's operating profit is arrived at after charging/(crediting):

	Unaudited	
	Six Months ended 30 June	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	56,042	53,804
Value-added tax exemption	(18,042)	(17,472)

(3) Finance Costs

	Unaudited	
	Six Months ended 30 June	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Interest-bearing bank loans	8,683	13,383
Other loans	7,584	9,820
	<u>16,267</u>	<u>23,203</u>

(4) Tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Period (1999: Nil). Tax on assessable profits of a subsidiary of the Company operating in Mainland China has been calculated at the rate of enterprise income tax applicable to that subsidiary.

There were no material unprovided deferred tax liabilities at the Period end (1999: Nil).

	Unaudited	
	Six Months ended 30 June	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:		
Hong Kong	-	-
Mainland China	<u>7,261</u>	<u>3,762</u>

(5) Earnings Per Share

The calculation of the basic earnings per share are based on the Group's unaudited net profit attributable to shareholders for the six months ended 30 June 2000 of HK\$12,030,000 (1999: HK\$24,245,000) and a total of 1,250,000,000 shares (1999: 1,250,000,000 shares) in issue during the Period.

Diluted earnings per share for the relevant periods reflecting the exercise of all outstanding share options are not presented because the impact is anti-dilutive.

(6) Comparative Figures

Certain comparative figures for the six months ended 30 June 1999 have been reclassified to conform with the current period's presentation.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2000 (1999: Nil).

BUSINESS REVIEW

Competition in the Mainland beer industry remained intense in the first half of the year especially in those geographical areas and cities that are comparatively more affluent. Amid these difficult market conditions, the Group actively and continuously strengthened its existing markets and developed new markets. The sales volume of Kingway beer for the first half of the year amounted to 81,300 tons, slightly decreased by 2.9% as compared to the same period of year 1999. Due to changes in product mix, the unaudited consolidated turnover for the first six months of the year was HK\$287 million, representing a decrease of 11.5% as compared to the same period of year 1999. Although there was a decrease in turnover, effective cost control had increased the gross profit margin to 32.8%. The unaudited net profit attributable to shareholders was HK\$12,030,000. As there were exchange gains of HK\$15,583,000 recorded in the same period of year 1999 while that of this period were only HK\$1,182,000, the net profit attributable to shareholders decreased by 50.4% as compared to the same period of year 1999. If exchange gains were excluded, the profit before tax increased by 28.8% as compared to the same period of year 1999. Earnings per share were 1.0 cents, representing a decrease of 47.4% as compared to the same period of year 1999. The Group's cash inflow from operations was still satisfactory and the financial status of the Group remains stable; the non-current liabilities to equity ratio at 30 June 2000 was 25.7% reducing from that of 42.1% at the same period end of year 1999.

Kingway beer continues to focus on brand promotion and market development. During the first half of the year, the Group further increased its strength in advertising and promotion planning. The quality of the launched advertisement and promotional campaign was greatly improved which enhanced the Kingway brand in the market. The sales volume of Shenzhen market was successfully maintained in the first half of the year and the sales volume in the neighbouring provinces achieved satisfactory increase. However, the sales volume in other geographical areas of Guangdong was slightly decreased. In the Hong Kong market, Kingway beer achieved good results in which the sales volume was largely increased by 4.7 times as compared to the same period of year 1999 to 866 tons.

The Group continued to strengthen its internal management with an ultimate aim of achieving further cost reduction. During the first half of the year, cost of sales of each ton of beer was reduced by 9.6% as compared to the same period of year 1999, selling expenses were reduced by 6.1%, administrative expenses were reduced by 16.9% and finance costs were reduced by 29.9%.

The sales volume of Amber beer for the first half of the year was 83,700 tons, remained approximately the same as the same period of year 1999. Owing to the low beer price in Shandong, Shandong Amber Brewery still recorded a loss during the first half of the year.

BUSINESS PROSPECT

The Board views the second half of the year with caution in the light of the prevailing market conditions in which the Group is operating. The second half of the year is traditionally the peak season for the beer industry, and Kingway beer has planned a series of promotional campaign in order to achieve greater sales volume and expand its market share. In the first two months of the second half of the year 2000, Kingway beer reported encouraging results in which the sales volume recorded satisfactory growth as compared to the same period of year 1999. Meanwhile, the Group will implement the proposal of the management consultant with the objectives of achieving higher production efficiency and higher profitability by the adoption of more sophisticated and scientific strategy planning, results assessment and personnel performance appraisal. The Board remains confident as to the long-term business development prospects of the Group.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2000, the interests of the Directors in the equity or debt securities of the Company and its associated corporations recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

I. Shares

(i) *The Company*

Name of Director	Type of Interest	Number of Shares Held
Michael Wu	Personal	14,000
Chau Kam Wing, Donald	Personal	4,220,000

(ii) *Guangdong Investment Limited*

Name of Director	Type of Interest	Number of Ordinary Shares Held
Michael Wu	Personal	54,000
	Family	18,000
Zhou Dongxiang	Personal	40,000
Chen Haotian	Personal	100,000
Hou Bojian	Personal	150,000
Tang Zhen	Personal	666,000

As at 30 June 2000, Mr. V-nee Yeh, a Director of the Company, held US\$450,000 in principal amount of the 1% convertible bonds due 2002 (the "2002 CBs") issued by Guangdong Investment Finance (Cayman) Limited and guaranteed by Guangdong Investment Limited ("GDI") and had more than 1/3 of the voting right in VP Private Equity Limited, the fund manager to VP Special Situations I Limited ("VPSS") which held US\$500,000 in principal amount of the 2002 CBs. Mr. V-nee Yeh also had a 0.486% attributable interests in VPSS. The 2002 CBs are listed on the Luxembourg Stock Exchange and would be due on 7 July 2002. The 2002 CBs carry a right to be converted into fully-paid ordinary shares ("Ordinary Shares") with a par value of HK\$0.50 each of GDI at an initial conversion price of HK\$13.75 per Ordinary Share subject to adjustment.

II. Options

(i) The Company

Name of Director	Number of options held on 01/01/2000	Options granted Jan - Jun 2000 Date granted	Number granted	Period during which option is exercisable	Price per share to be paid on exercise of option (HK\$)	Number of options exercised Jan - Jun 2000	Number of options held on 30/06/2000
Zhou Dongxiang	1,200,000	–	–	*20/02/1998– 19/02/2003	2 1	–	1,200,000
Chau Kam Wing, Donald	1,400,000	–	–	*20/02/1998– 19/02/2003	2 1	–	1,400,000
Ren Qihan	1,200,000	–	–	*20/02/1998– 19/02/2003	2 1	–	1,200,000
Chen Haotian	1,200,000	–	–	*20/02/1998– 19/02/2003	2 1	–	1,200,000

No consideration has been paid by any of the Directors for the options granted by the Company.

* If the last day of the option period is not a business day in Hong Kong, the option period expires at 5:01 p.m. on the business day preceding that day (Hong Kong time).

II. Options (con'd)

(ii) Guangdong Investment Limited

Name of Director	Number of options held on 01/01/2000	Options granted Jan - Jun 2000 Date granted	Number granted	Period during which option is exercisable	Price per share to be paid on exercise of option (HK\$)	Number of options exercised Jan - Jun 2000	Number of options held on 30/06/2000
Michael Wu	250,000	–	–	*10/06/1997–09/06/2002	4.536	–	250,000
	350,000	–	–	*19/08/1998–18/08/2003	2.892	–	350,000
Zhou Dongxiang	150,000	–	–	*17/09/1998–16/09/2003	3.024	–	150,000
Chau Kam Wing, Donald	150,000	–	–	*19/08/1998–18/08/2003	2.892	–	150,000
Ren Qihan	150,000	–	–	*17/09/1998–16/09/2003	3.024	–	150,000
Chen Haotian	50,000	–	–	*10/06/1997–09/06/2002	4.536	–	50,000
	150,000	–	–	*17/09/1998–16/09/2003	3.024	–	150,000
Hou Bojian	500,000	–	–	*19/08/1998–18/08/2003	2.892	–	500,000
Tang Zhen	350,000	–	–	*10/06/1997–09/06/2002	4.536	–	350,000
	500,000	–	–	*19/08/1998–18/08/2003	2.892	–	500,000

No consideration has been paid by any of the Directors for the options granted by Guangdong Investment Limited.

* If the last day of the option period is not a business day in Hong Kong, the option period expires at 5:01 p.m. on the business day preceding that day (Hong Kong time).

II. Options (con'd)

(iii) Guangdong Building Industries Limited

Name of Director	Number of options held on 01/01/2000	Options granted Jan - Jun 2000 Date granted	Number granted	Period during which option is exercisable	Price per share to be paid on exercise of option (HK\$)	Number of options exercised Jan - Jun 2000	Number of options held on 30/06/2000
Hou Bojian	770,000	-	-	* 11/09/1995-10/09/2000	2.25	-	770,000

The consideration paid by the Director for each option granted by Guangdong Building Industries Limited was HK\$0.005.

* As the last day of the option period was not a business day in Australia, the option period expired at 5:01 p.m. (Australian time) on the business day preceding that day.

(iv) Guangdong Tannery Limited

Name of Director	Number of options held on 01/01/2000	Options granted Jan - Jun 2000 Date granted	Number granted	Period during which option is exercisable	Price per share to be paid on exercise of option (HK\$)	Number of options exercised Jan - Jun 2000	Number of options held on 30/06/2000
Hou Bojian	1,100,000	-	-	* 15/07/1997-14/01/2002	1.3936	-	1,100,000
Tang Zhen	1,100,000	-	-	* 15/07/1997-14/01/2002	1.3936	-	1,100,000

No consideration has been paid by any of the Directors for the options granted by Guangdong Tannery Limited.

* The options were cancelled on 22 August 2000.

Save as disclosed above, as at 30 June 2000, none of the Directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Section 28 of the SDI Ordinance, including interests which they were deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance, or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Rules Governing the Listing of Securities of the Stock Exchange ("Listing Rules").

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2000, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of SDI Ordinance:

Name of shareholder	Number of Shares Held	Percentage Holding
Guangdong Enterprises (Holdings) Limited (Note)	937,500,000	75%
Guangdong Investment Limited	900,000,000	72%

Note: The shares beneficially held by Guangdong Enterprises (Holdings) Limited comprise the 900,000,000 shares held by Guangdong Investment Limited and 37,500,000 shares held directly by it.

CHANGE OF DIRECTORS

On 18 August 2000, the Board of Directors announced that Messrs. Wang Man Kwan, Paul, Zhang Yaping and Mrs. Ho Lam Lai Ping, Theresa were appointed as Directors of the Company with effect from 17 August 2000. Messrs. Ren Qihan, Chen Haotian, Hou Bojian and Tang Zhen resigned as Directors of the Company with effect from 17 August 2000.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the Period except that the Non-Executive Directors were not appointed for specific terms of appointment but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

The Board of Directors of the Company has established an Audit Committee on 25 September 1998 in accordance with the Code of Best Practice. The Audit Committee meets regularly to consider the nature and scope of audit reviews, the effectiveness of the internal control systems and compliance with the relevant rules and regulations.

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 Period.

By order of the Board
Michael Wu
Chairman

Hong Kong, 22 September 2000