

## **CORPORATE INFORMATION**

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### **Board of Directors**

JIANG Guoqiang (*Chairman*)

ZHOU Dongxiang (*General Manager*)

CHENG Mo Chi, Moses\*

Alan Howard SMITH\*

V-nee YEH\*

ZHANG Yaping

WANG Man Kwan, Paul

HO LAM Lai Ping, Theresa

*\* Independent Non-Executive Directors*

### **Company Secretary**

LAM Yee Mei, Katherine

### **Auditors**

Ernst & Young

### **Solicitors**

Charltons

### **Principal Bankers**

Standard Chartered Bank

The Hongkong and Shanghai Banking  
Corporation Limited

### **Registered Office**

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

### **Head Office & Principal Place of Business**

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Guangdong Investment Tower

148 Connaught Road Central

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### **Principal Share Registrars**

Butterfield Corporate Services Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

### **Branch Share Registrars in Hong Kong**

Tengis Limited

4th Floor, Hutchison House

10 Harcourt Road

Central

Hong Kong

## UNAUDITED INTERIM RESULTS

The Board of Directors of Guangdong Brewery Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2001 (the "Period") together with comparative figures. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee and the auditors, Ernst & Young.

### Condensed Consolidated Profit and Loss Account

		(Unaudited)	
		Six months ended 30 June	
		2001	2000
		HK\$'000	HK\$'000
	Notes		
<b>TURNOVER</b>	2	<b>253,772</b>	286,987
Cost of sales		<b>(153,571)</b>	(192,983)
<b>Gross profit</b>		<b>100,201</b>	94,004
Other revenue		<b>23,089</b>	20,249
Selling expenses		<b>(71,139)</b>	(45,335)
Administrative expenses		<b>(29,330)</b>	(32,672)
<b>PROFIT FROM OPERATING ACTIVITIES</b>	2,3	<b>22,821</b>	36,246
Finance costs	4	<b>(5,411)</b>	(16,267)
Share of losses of an associate		<b>(2,925)</b>	(2,531)
<b>PROFIT BEFORE TAX</b>		<b>14,485</b>	17,448
Tax	5	<b>(3,040)</b>	(7,261)
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>11,445</b>	10,187
Minority interests		<b>(1,362)</b>	1,843
<b>NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>10,083</b>	12,030
<b>EARNINGS PER SHARE</b>	6		
– Basic		<b>0.8 cents</b>	1.0 cents
– Diluted		<b>N/A</b>	N/A

## Condensed Consolidated Statement of Recognised Gains and Losses

		(Unaudited)	
		Six months ended 30 June	
		2001	2000
	Note	HK\$'000	HK\$'000
Exchange differences on translation of the financial statements of subsidiaries and an associate in Mainland China and net losses not recognised in the profit and loss account	10	(630)	(3,010)
Net profit attributable to shareholders		<u>10,083</u>	<u>12,030</u>
Total recognised gains for the Period		<u><u>9,453</u></u>	<u><u>9,020</u></u>

## Condensed Consolidated Balance Sheet

	Notes	(Unaudited) 30 June 2001 HK\$'000	(Audited) 31 December 2000 HK\$'000 (Restated)
<b>NON-CURRENT ASSETS</b>			
Fixed assets		1,165,995	1,221,788
Interest in an associate		59,047	62,079
Investment securities		4,611	4,611
Long term receivable		-	1,649
Reusable packaging materials		8,819	12,025
		<b>1,238,472</b>	<b>1,302,152</b>
<b>CURRENT ASSETS</b>			
Inventories		81,038	79,212
Accounts receivable	8	46,138	37,689
Prepayments, deposits and other receivables		10,497	10,766
Current portion of loan to a director		-	51
Cash and bank balances		84,387	176,059
		<b>222,060</b>	<b>303,777</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank loans		(47,085)	(94,277)
Accounts payable	9	(43,215)	(36,526)
Other payables and accrued liabilities		(66,682)	(61,469)
Tax payable		(2,572)	(4,360)
VAT payable		(12,006)	(19,142)
Current portion of amounts due to immediate holding company		-	(25,325)
Amount due to a fellow subsidiary		(3,779)	(3,649)
Declared dividend		(12,500)	-
		<b>(187,839)</b>	<b>(244,748)</b>
<b>NET CURRENT ASSETS</b>		<b>34,221</b>	<b>59,029</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,272,693</b>	<b>1,361,181</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term interest-bearing bank loans		(51,794)	(65,994)
Long term portion of amounts due to immediate holding company		-	(72,531)
Long term portion of amounts due to minority equityholders of subsidiaries		(103,218)	(103,335)
		<b>1,117,681</b>	<b>1,119,321</b>
<b>MINORITY INTERESTS</b>		<b>(33,273)</b>	<b>(31,866)</b>
		<b>1,084,408</b>	<b>1,087,455</b>
<b>SHARE CAPITAL</b>		<b>125,000</b>	<b>125,000</b>
<b>RESERVES</b>	10	<b>959,408</b>	<b>949,955</b>
<b>PROPOSED DIVIDENDS</b>		<b>-</b>	<b>12,500</b>
		<b>1,084,408</b>	<b>1,087,455</b>

## Condensed Consolidated Cashflow Statement

(Unaudited)  
Six months ended  
30 June 2001  
HK\$'000

NET CASH INFLOW FROM OPERATING ACTIVITIES	80,976
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(4,424)
TAX PAID	(4,828)
INVESTING ACTIVITIES	(4,176)
NET CASH INFLOW BEFORE FINANCING	67,548
FINANCING ACTIVITIES	(159,067)
DECREASE IN CASH AND CASH EQUIVALENTS	(91,519)
Cash and cash equivalents at beginning of Period	176,059
Effect of foreign exchange rate changes, net	(153)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	84,387
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash and bank balances	84,387

## Notes to Condensed Consolidated Interim Financial Statements

### 1. Accounting Policies

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" except that the comparative condensed consolidated cash flow statement for the six months ended 30 June 2000 has not been prepared as permitted under the transitional provisions set out in The Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the audited financial statements for the year ended 31 December 2000, except that the following SSAPs have been adopted for the first time in the preparation of the current period's condensed consolidated interim financial statements:

- |                     |  |
|---------------------|--|
| • SSAP 9 (revised)  | Events after the Balance Sheet Date  |
| • SSAP 14 (revised) | Leases   |
| • SSAP 28           | Provisions, Contingent Liabilities and Contingent Assets                         |
| • SSAP 30           | Business Combinations  |
| • SSAP 31           | Impairment of Assets   |
| • SSAP 32           | Consolidated Financial Statements and Accounting for Investments in Subsidiaries |

## 1. Accounting Policies (cont'd)

A summary of their major effects is as follows:

SSAP 9 (revised) prescribes the accounting treatment and disclosures for events occurring after the balance sheet date. Following the adoption of SSAP 9 (revised), dividends proposed after the balance sheet date should not be recognised as a liability at the balance sheet date. Accordingly, the final dividend proposed for the year ended 31 December 2000 of HK\$12,500,000, previously classified as a current liability at 31 December 2000, has been reclassified and shown under the shareholders' equity. There is no impact on the profit and loss account because of this change.

SSAP 14 (revised) prescribes the accounting treatment and disclosures for leases and hire purchase contracts. This SSAP has been applied prospectively. This has had no major impact on these financial statements, however, the disclosures for commitments under non-cancellable operating leases have been changed. In prior years, operating lease commitments were disclosed as payment committed to be made during the next year, analysed between those in which the commitment would expire within that year; in the second to fifth years, inclusive; and over five years. In the current Period, such disclosure has been changed to the total of future minimum lease payments under non-cancellable operating leases analysed into those not later than one year, later than one year and not later than five years; and later than five years. Disclosures as required are set out in note 11 to these financial statements.

SSAP 28 prescribes the accounting treatment and disclosures for provisions, contingent liabilities and contingent assets. This has had no major impact on these financial statements.

SSAP 30 prescribes the accounting treatment and disclosures for business combinations. This SSAP has been applied prospectively. Under SSAP 30, goodwill/negative goodwill arising from business combinations after 1 January 2001 is capitalised and amortised over its useful life.

The Group has taken advantage of the transitional provisions in SSAP 30 and the goodwill/negative goodwill arose from acquisitions prior to 1 January 2001 which have been previously eliminated against/taken to reserves had not been retrospectively restated under the new accounting policy. Therefore, goodwill arising on acquisitions prior to 1 January 2001 is held in reserves and will be charged to the profit and loss account at the time of disposal of the subsidiaries/associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1 January 2001 is held in reserves and will be credited to the profit and loss account at the time of disposal of the relevant subsidiaries/associate.

SSAP 31 requires enterprises to consider whether assets are carried in excess of their recoverable amounts and prescribes the accounting treatment for any resulting impairment losses. This SSAP has been applied prospectively. This has had no major impact on these financial statements.

SSAP 32 prescribes the accounting treatment and disclosures in the preparation and presentation of consolidated financial statements. This has had no major impact on these financial statements.

## 2. Segment Information

An analysis of the Group's turnover and profit from operating activities by geographical area and principal activity of operations is as follows:

	Turnover (Unaudited)		Profit from operating activities (Unaudited)	
	Six months ended 30 June 2001	2000	Six months ended 30 June 2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By geographical area:				
In Mainland China	238,407	280,568	35,278	46,516
In Hong Kong	15,365	6,419	(12,457)	(10,270)
	<u>253,772</u>	<u>286,987</u>	<u>22,821</u>	<u>36,246</u>
By activities:				
Sale of goods	249,749	282,334	22,985	36,080
Operation of restaurants, pubs and other related services	4,023	4,653	(164)	166
	<u>253,772</u>	<u>286,987</u>	<u>22,821</u>	<u>36,246</u>

### 3. Profit from Operating Activities

The Group's profit from operating activities is arrived at after charging:

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation	<b>56,754</b>	56,042
Amortisation of reusable packaging materials	<b>5,159</b>	8,695
	<b><u>56,754</u></b>	<b><u>56,042</u></b>
and after crediting:		
Interest income	<b>(986)</b>	(1,484)
Value-added tax exemption	<b>(18,585)</b>	(18,042)
	<b><u>(18,585)</u></b>	<b><u>(18,042)</u></b>

### 4. Finance Costs

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on:		
Interest-bearing bank loans	<b>4,065</b>	8,683
Other loans	<b>1,346</b>	7,584
	<b><u>4,065</u></b>	<b><u>8,683</u></b>
	<b><u>1,346</u></b>	<b><u>7,584</u></b>
	<b><u>5,411</u></b>	<b><u>16,267</u></b>

### 5. Tax

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Group:		
Hong Kong	<b>130</b>	-
Mainland China	<b>2,910</b>	7,261
	<b><u>130</u></b>	<b><u>7,261</u></b>
	<b><u>2,910</u></b>	<b><u>7,261</u></b>
Tax charge for the Period	<b><u>3,040</u></b>	<b><u>7,261</u></b>

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the Period. No provision for Hong Kong profits tax was made in the prior period as the Group had no estimated assessable profits derived from or earned in Hong Kong during that period.

Provision has been made for tax in Mainland China based on existing legislation, interpretations and practices at the prevailing rates of tax.

A Group subsidiary, Shenzhen Kingway Brewery Company Limited, is a sino-foreign equity joint venture established in one of the special economic zones of Mainland China. According to the tax regulations in Mainland China, the subsidiary is subject to a tax rate of 15% on the taxable profits for each year calculated on a calendar year basis.

## 5. Tax (cont'd)

All the other subsidiaries of the Group established in Mainland China have not generated any assessable profits for the Period (2000: Nil).

No provision for tax is required for the associate as no assessable profits was earned by the associate during the Period.

There were no material unprovided deferred tax liabilities at the Period end (2000: Nil).

## 6. Earnings Per Share

The calculation of the basic earnings per share is based on the Group's unaudited net profit attributable to shareholders for the six months ended 30 June 2001 of HK\$10,083,000 (2000: HK\$12,030,000) and on the weighted average number of 1,250,000,000 (2000: 1,250,000,000) shares in issue during the Period.

Diluted earnings per share for the six months ended 30 June 2001 and 2000 reflecting the exercise of all outstanding share options is not presented because the impact is anti-dilutive.

## 7. Dividend

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 June 2001 (2000: Nil).

## 8. Accounts Receivable

The ageing analysis of accounts receivable is as follows:

	(Unaudited) 30 June 2001 HK\$'000	(Audited) 31 December 2000 HK\$'000
Outstanding balances with ages:		
Within 3 months	28,204	16,851
Between 4 to 6 months	9,003	18,574
Between 7 to 12 months	8,931	2,057
Over 1 year	-	207
	<u>46,138</u>	<u>37,689</u>

### Credit terms

Trading terms with customers are either on cash basis or on credit. For those customers who trade on credit, invoices are normally payable within 30-180 days of issuance. Credit limit has been 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.



## 9. Accounts Payable

The ageing analysis of accounts payable is as follows:

	(Unaudited) 30 June 2001 HK\$'000	(Audited) 31 December 2000 HK\$'000
Outstanding balances with ages:		
Within 3 months	34,894	30,012
Between 4 to 6 months	4,107	2,237
Between 7 to 12 months	4,195	4,219
Over 1 year	19	58
	<u>43,215</u>	<u>36,526</u>

## 10. Reserves

### Group

	Share premium HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Enterprise development fund # HK\$'000	Reserve fund # HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2001	739,583	51,104	4,746	216	15,246	139,060	949,955
Net profit for the Period	-	-	-	-	-	10,083	10,083
Exchange adjustments	-	-	(630)	-	-	-	(630)
At 30 June 2001	<u>739,583</u>	<u>51,104</u>	<u>4,116</u>	<u>216</u>	<u>15,246</u>	<u>149,143</u>	<u>959,408</u>

# Pursuant to the relevant laws and regulations for sino-foreign joint venture enterprises, a portion of the profits of a Company's subsidiary operating in Mainland China has been transferred to the reserve fund and the enterprise development fund which are restricted as to use. The amounts transferred from the retained profits are determined by the Board of Directors of a subsidiary. These funds are not available for distribution.

## 11. Commitments

### (a) Capital commitments

As at 30 June 2001, the Group had outstanding contracted capital commitments in respect of property, plant and equipment amounting to HK\$802,000 (31 December 2000: HK\$1,480,000).

### (b) Operating lease commitments

As at 30 June 2001, the Group had total commitments payable in future years under non-cancellable operating leases in respect of land and buildings, as follows:

	(Unaudited) HK\$'000
Not later than one year	738
Later than one year and not later than five years	89
	<u>827</u>

## 11. Commitments (cont'd)

### (b) Operating lease commitments (cont'd)

As at 31 December 2000, the Group had annual commitments payable in the following year under non-cancellable operating leases in respect of land and buildings expiring:

	(Audited) HK\$'000
Within one year	456
In the second to fifth years, inclusive	532
	<u>988</u>

## 12. Contingent Liabilities

As at 31 December 2000, the contingent liabilities of the Company in respect of guarantees given to banks to secure banking facilities granted and utilised by the Group's non-wholly-owned subsidiaries amounted to HK\$28,283,000. Such bank loans were fully repaid during the Period and the guarantees were released accordingly.

## 13. Related Party Transactions

The nature and terms of the material related party transactions are the same as those disclosed in the Company's audited financial statements for the year ended 31 December 2000. The magnitude of the transactions during the Period are as follows:

		(Unaudited) Six months ended 30 June 2001 HK\$'000	2000 HK\$'000
	Notes		
Purchase of malt from a fellow subsidiary, Guangzhou Malting Co., Ltd. ("GMCL")	(i)	21,272	16,649
Rental of office premises paid to a fellow subsidiary, Bateson Developments Ltd.		266	582
Interest expenses paid to immediate holding company, Guangdong Investment Ltd.		1,346	5,486
Interest expenses paid to minority equityholders of the Company's subsidiaries	(ii)	<u>-</u>	<u>2,097</u>

Notes:

- (i) The balance due to GMCL, which amounted to RMB4,013,000 as at 30 June 2001 (31 December 2000: RMB3,870,000), is unsecured, interest-free and has no fixed terms of repayment.
- (ii) The minority equityholders of the Company's subsidiaries agreed to waive the interest on the funds advanced from them with effect from 1 January 2001 pursuant to a resolution passed on 3 August 2001 and, accordingly, there is no interest expense for the Period.

## 14. Approval of the Interim Financial Statements

These condensed interim financial statements were approved by the Board of Directors on 21 September 2001.

## **INDEPENDENT AUDITORS' REVIEW REPORT**

**To The Board of Directors  
Guangdong Brewery Holdings Limited**

### **Introduction**

We have been instructed by the Company to review the interim financial report set out on pages 2 to 10.

### **Directors' responsibilities**

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with SSAP 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

### **Review work performed**

We conducted our review in accordance with SAS 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

### **Review conclusion**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2001.

Without modifying our review conclusion above, we draw attention to the fact that:

- (i) the comparative condensed consolidated profit and loss account and condensed consolidated statement of recognised gains and losses for the six months ended 30 June 2000 have not been reviewed in accordance with SAS 700; and
- (ii) as disclosed in note 1 to the interim financial report, a comparative condensed consolidated cash flow statement for the six months ended 30 June 2000 has not been prepared.

**Ernst & Young**  
*Certified Public Accountants*

Hong Kong  
21 September 2001

## **BUSINESS REVIEW**

### **Operating Results**

Competition in the beer industry in the Mainland China remained intense in the first half of the year. The principal markets of Kingway beer are Shenzhen and the Guangdong Province. Most of the beer products sales in the region employ a low price strategy. Together with the wet weather within the Guangdong Province during the period, the sales of Kingway beer in the first half of the year was not as good as expected. The sales volume of Kingway beer for the first half of the year amounted to 72,000 tons, decreased by 11.4% as compared to the same period of year 2000. The unaudited consolidated turnover was HK\$254 million, representing a decrease of 11.6% as compared to the same period of year 2000. Notwithstanding the decrease in turnover, the gross profit margin increased to 39.5% as a result of effective cost control. The unaudited consolidated profit attributable to shareholders was HK\$10.08 million, representing a decrease of 16.2%. Earnings per share were 0.8 cents and earnings before finance costs, tax, depreciation and amortisation (EBITDA) were HK\$81.81 million.

The Group's sales are principally in the Mainland China. During the first half of the year, the sales in the Mainland China represented 93.9% of the Group's turnover. With the proactive development of the Hong Kong market, sales in Hong Kong for the current period have been increased significantly as compared to the same period of year 2000. It accounted for 6.1% of the Group's current period turnover as compared to 2.2% in the same period of year 2000. The product mix of the Group remained similar as in last year.

### **Operating Expenses and Finance Costs**

In order to further promote the Kingway brand and facilitate market development, the Group put more efforts in the advertising and promotion campaign, resulting in an increase in selling expenses of HK\$25.8 million as compared to the same period of year 2000. Administrative expenses were reduced by HK\$3.34 million due to the implementation of a pervasive cost reduction program. Finance costs were decreased by HK\$10.86 million because of the continuous reduction of debts for both the shareholder's loan and bank loans, and an exemption of interest on a portion of minority shareholders' loan.

### **Cash and Debt Position**

The financial position of the Group is healthy as at 30 June 2001. Cash and bank balances on hand amounted to HK\$84 million, decreased by HK\$92 million as compared to the end of year 2000. The reduction was mainly due to repayment of debts. During the period, repayment of loan due to immediate holding company, Guangdong Investment Limited, amounted to HK\$98 million and bank loans amounted to HK\$61 million. The resulted total liabilities and minority interests to total assets ratio dropped from 32.3% at the beginning of the year to 25.8% at the end of the period. During the period, the Group repaid its entire USD and DEM loans and the exposure to exchange rate risks arising from the outstanding debts has become minimal because nearly all operating income are received in RMB.

## **BUSINESS REVIEW** *(cont'd)*

### **Cash and Debt Position** *(cont'd)*

The remaining bank borrowings are denoted in RMB, bear interest at the lending rate as announced from time to time by the People's Bank of China. The Group is always looking for a source of financing with the most favourable terms.

### **Charges on Group Assets and Contingent Liabilities**

At 30 June 2001, none of the fixed assets of the Group were pledged to creditors and there was no contingent liability recorded.

### **Associate – Amber Brewery**

The sales volume of Amber Brewery for the first half of the year amounted to approximately 110 thousand tons. Owing to the low beer price, Amber Brewery still recorded an operating loss during the first half of the year. Management is actively looking for potential buyers for Amber Brewery. For the time being, all discussions are in the preliminary stage and no agreement has been entered. An announcement will be made according to the Listing Rules in relation to any progress in these discussions as and when appropriate.

During the period, the Group did not acquire or dispose of any subsidiary or associate.

### **Human Resources**

The Group has employed 962 staff with a total remuneration of HK\$23.0 million during the period. The Group places strong emphasis on raising the quality of its staff and their productivity. The Group organizes regular internal training programs to its staff and also encourages them to attend training programs organized by external professional bodies. The Group provides all the basic benefits to its staff and their year-end bonus scheme is directly linked to the Group's results.

## **BUSINESS PROSPECT**

The sale of beer is always affected by seasonal fluctuation. The Group will make use of a more aggressive marketing strategy to increase the sales during the second half of the year as the peak season comes up. In the first half of the year, the Group put more effort in the Hong Kong market by strengthening the sales team and launched various advertisements in different media. Turnover in Hong Kong increased by 139% as compared to the same period of year 2000. It is predicted that sales will grow constantly during the second half of the year. However, the cost of beer products has increased as the Government of the HKSAR raised the ad valorem duty on beer from 30% to 40%. It affects the contribution to the operating profit from Hong Kong.

Despite the intense competition of beer market in the Mainland China, the Group is ready to compete with other market players after conducting a series of corporate re-engineering processes and distribution network integration. The Board is confident of the business development prospects of the Group.

## **DIRECTORS' INTEREST IN SECURITIES**

As at 30 June 2001, 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") 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 Listing Rules were as follows:

### **1. Shares**

#### *(i) The Company*

<b>Name of Director</b>	<b>Type of Interest</b>	<b>Number of Shares Held</b>
Ho Lam Lai Ping, Theresa	Personal	80,000

#### *(ii) Guangdong Investment Limited*

<b>Name of Director</b>	<b>Type of Interest</b>	<b>Number of Shares Held</b>
Zhou Dongxiang	Personal	40,000
Ho Lam Lai Ping, Theresa	Personal	250,000

As at 30 June 2001, Mr. V-nee Yeh, a Director of the Company, held US\$450,000 in principal amount of the Guaranteed Floating Rate Bonds due 2005 (the "2005 Guaranteed Bonds"), issued by Guangdong Investment Finance (Cayman) Limited and guaranteed by Guangdong Investment Limited. The 2005 Guaranteed Bonds are listed on the Luxembourg Stock Exchange and would be due in 2005.

### **2. Options**

#### *(i) The Company*

Name of Director	Number of options held on 01/01/2001	Options granted Jan-Jun 2001		Period during which option is exercisable	Price per share to be paid on exercise of option (HK\$)	Number of options exercised Jan-Jun 2001	Number of options held on 30/06/2001
		Date granted	Number granted				
Zhou Dongxiang	1,200,000	-	-	*20/02/1998-19/02/2003	2.10	-	1,200,000

\* 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).

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

## DIRECTORS' INTEREST IN SECURITIES *(cont'd)*

### 2. Options *(cont'd)*

#### (ii) Guangdong Investment Limited

Name of Director	Number of options held on 01/01/2001	Options granted Jan-Jun 2001 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 2001	Number of options held on 30/06/2001
Zhou Dongxiang	150,000	-	-	*17/09/1998-16/09/2003	3.024	-	150,000
Ho Lam Lai Ping, Theresa	200,000	-	-	*10/06/1997-09/06/2002	4.536	-	200,000
	500,000	-	-	*19/08/1998-18/08/2003	2.892	-	500,000

\* 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).

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

#### (iii) Guangnan (Holdings) Limited

Name of Director	Number of options held on 01/01/2001	Options granted Jan-Jun 2001 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 2001	Number of options held on 30/06/2001
Jiang Guoqiang	300,000	-	-	12/02/1999-10/02/2002	0.4295 <sup>#</sup>	-	2,850,000 <sup>#</sup>

<sup>#</sup> The exercise price and the number of outstanding share options which were granted prior to 16 January 2001 were adjusted as a result of completion of the open offer of Guangnan (Holdings) Limited on 16 January 2001.

No consideration has been paid by any of the Directors for the options granted by Guangnan (Holdings) Limited.

Save as disclosed above, as at 30 June 2001, 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 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 of Securities Transaction by Directors of Listed Companies under the Listing Rules.



## **SUBSTANTIAL SHAREHOLDER**

As at 30 June 2001, 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 the SDI Ordinance.

<b>Name of Shareholder</b>	<b>Number of Shares Held</b>	<b>Percentage Holding</b>
廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited)	900,000,000	72%
GDH Limited ("GDH")	900,000,000	72%
Guangdong Investment Limited ("GDI")	900,000,000	72%

*Notes:*

1. The attributable interest which 廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited) has in the Company is held through its 100% direct interests in GDH.
2. The attributable interest which GDH has in the Company is held through its subsidiary, GDI.

## **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.

## **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 are not appointed for a specific term as they 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 in accordance with the Code of Best Practice. The Audit Committee meets regularly mainly to consider the nature and scope of audit reviews, the effectiveness of the internal control systems and compliance with the relevant rules and regulations.

By order of the Board

**Jiang Guoqiang**

*Chairman*

Hong Kong, 21 September 2001