

**CONTENTS**

	Pages
CORPORATE INFORMATION	2
UNAUDITED INTERIM FINANCIAL REPORT	
Condensed Consolidated Financial Statements	
Profit and Loss Account	3
Balance Sheet	4
Summary Statement of Changes in Equity	5
Cash Flow Statement	6
Notes to Condensed Consolidated Financial Statements	7
INDEPENDENT AUDITORS' REVIEW REPORT	20
MANAGEMENT DISCUSSION AND ANALYSIS	21
INTERIM DIVIDEND	23
CLOSURE OF REGISTER OF MEMBERS	23
DIRECTORS' INTERESTS IN SECURITIES	24
SUBSTANTIAL SHAREHOLDERS' INTERESTS	27
PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES	28
CORPORATE GOVERNANCE	28

## **CORPORATE INFORMATION**

### **Board of Directors**

YE Xuquan (*Chairman*)

JIANG Guoqiang (*Managing Director*)

CHENG Mo Chi, Moses\*

Alan Howard SMITH\*

V-nee YEH\*

ZHANG Yaping

LI Wai Keung

WANG Man Kwan, Paul

HO LAM Lai Ping, Theresa

FUNG Sing Hong, Stephen (*Chief Financial Officer*)

\* *Independent Non-Executive Directors*

### **Company Secretary**

LAM Yee Mei, Katherine

### **Auditors**

Ernst & Young

### **Principal Bankers**

Standard Chartered Bank

Shenzhen Development Bank

### **Registered Office**

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

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

Office A1, 19th Floor

Guangdong Investment Tower

148 Connaught Road Central

Hong Kong

Telephone: (852) 2165 6262

Facsimile: (852) 2815 2822

### **Principal Share Registrars**

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

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

Tengis Limited

G/F., Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

## UNAUDITED INTERIM FINANCIAL REPORT

The Board of Directors of Guangdong Brewery Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2003 together with the 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

For the six months ended 30 June 2003

		<b>(Unaudited)</b>	
		<b>For the six months</b>	
		<b>ended 30 June</b>	
		<b>2003</b>	<b>2002</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
			<i>(Restated)</i>
<b>TURNOVER</b>	2	<b>289,635</b>	276,433
Cost of sales		<b>(162,321)</b>	(168,399)
Gross profit		<b>127,314</b>	108,034
Other revenue and gains		<b>9,528</b>	18,887
Selling and distribution expenses		<b>(58,227)</b>	(48,211)
Administrative expenses		<b>(15,447)</b>	(20,727)
<b>PROFIT FROM OPERATING ACTIVITIES</b>	2, 3	<b>63,168</b>	57,983
Share of loss of an associate		<b>—</b>	(2,998)
<b>PROFIT BEFORE TAX</b>		<b>63,168</b>	54,985
Tax	4	<b>(11,589)</b>	(8,357)
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>51,579</b>	46,628
Minority interests		<b>(5,451)</b>	(3,142)
<b>NET PROFIT FROM ORDINARY ACTIVITIES</b>			
<b>ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>46,128</b>	43,486
<b>DIVIDEND — Interim</b>	5	<b>(12,504)</b>	(12,500)
<b>EARNINGS PER SHARE</b>	6		
— Basic		<b>3.7 cents</b>	3.5 cents
— Diluted		<b>3.7 cents</b>	N/A

**Condensed Consolidated Balance Sheet**

30 June 2003

		(Unaudited) 30 June 2003 HK\$'000	(Audited) 31 December 2002 HK\$'000 (Restated)
	Notes		
<b>NON-CURRENT ASSETS</b>			
Fixed assets		<b>1,005,621</b>	1,037,299
Reusable packaging materials		<b>22,095</b>	15,778
Deferred tax assets	1	<b>22,941</b>	30,072
		<b>1,050,657</b>	1,083,149
<b>CURRENT ASSETS</b>			
Inventories		<b>85,325</b>	80,866
Trade receivables	7	<b>42,289</b>	26,103
Prepayments, deposits and other receivables	14(b)	<b>66,170</b>	29,493
Pledged bank deposit	8	<b>28,263</b>	—
Cash and cash equivalents	8	<b>219,935</b>	232,734
		<b>441,982</b>	369,196
<b>CURRENT LIABILITIES</b>			
Trade payables	9	<b>(43,913)</b>	(42,337)
Tax payable		<b>(4,067)</b>	(1,173)
VAT payable		<b>(4,919)</b>	(7,977)
Other payables and accruals		<b>(72,417)</b>	(84,485)
Due to a fellow subsidiary	15(i)	<b>(2,046)</b>	—
Due to a minority equityholder of subsidiaries		<b>(60,871)</b>	(60,852)
Dividend payable		<b>(12,500)</b>	—
		<b>(200,733)</b>	(196,824)
<b>NET CURRENT ASSETS</b>		<b>241,249</b>	172,372
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,291,906</b>	1,255,521
<b>NON-CURRENT LIABILITY</b>			
Due to a minority equityholder of subsidiaries		<b>(20,512)</b>	(23,525)
		<b>1,271,394</b>	1,231,996
<b>MINORITY INTERESTS</b>		<b>(49,439)</b>	(44,004)
		<b>1,221,955</b>	1,187,992
<b>CAPITAL AND RESERVES</b>			
Issued capital	10	<b>125,040</b>	125,000
Reserves	12	<b>1,084,411</b>	1,050,492
Proposed dividend		<b>12,504</b>	12,500
		<b>1,221,955</b>	1,187,992

**Condensed Consolidated Summary Statement of Changes in Equity***For the six months ended 30 June 2003*

		<b>(Unaudited)</b>	
		<b>For the six months ended 30 June</b>	
		<b>2003</b>	2002
	Notes	<b>HK\$'000</b>	HK\$'000
			(Restated)
Total equity at 1 January			
As previously stated		<b>1,160,848</b>	1,109,050
Prior period adjustments	1, 12	<b>27,144</b>	29,856
As restated		<b>1,187,992</b>	1,138,906
Exchange differences on translation of the financial statements of subsidiaries and an associate in Mainland China, and net gains not recognised in the profit and loss account	12	<b>182</b>	63
Net profit from ordinary activities attributable to shareholders			
As previously stated		<b>46,128</b>	43,590
Prior period adjustments	1, 12	<b>—</b>	(104)
As restated		<b>46,128</b>	43,486
Issue of 400,000 new shares, including share premium, upon exercise of share options		<b>153</b>	—
Dividend recognised as current liability		<b>(12,500)</b>	—
Dividend paid		<b>—</b>	(12,500)
Total equity at 30 June		<b>1,221,955</b>	1,169,955

**Condensed Consolidated Cash Flow Statement***For the six months ended 30 June 2003*

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>70,010</b>	74,623
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(83,010)</b>	(7,340)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>153</b>	—
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(12,847)</b>	67,283
Cash and cash equivalents at beginning of period	<b>232,734</b>	74,579
Effect of foreign exchange rate changes, net	<b>48</b>	7
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>219,935</b>	141,869
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>112,291</b>	122,029
Non-pledged time deposits with original maturity of less than three months when acquired	<b>107,644</b>	19,840
	<b>219,935</b>	141,869

## Notes to Condensed Consolidated Financial Statements

30 June 2003

### 1. Accounting Policies and Prior Period Adjustments

These unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. 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 2002, except for the revised SSAP 12 "Income taxes" and the new interpretations relating thereto which have been retrospectively adopted for the first time in the preparation of the current period's condensed consolidated financial statements.

SSAP 12 (Revised) prescribes the basis for accounting for income taxes payable or recoverable, rising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

Due to the adoption of SSAP 12 (Revised), prior period adjustments were made to recognise the deferred tax assets and liabilities relating to (i) the differences between capital allowance for tax purpose and depreciation for financial reporting purposes and other taxable and deductible temporary difference are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future; (ii) the fair value adjustments arising from the acquisition of subsidiaries; and (iii) tax losses arising in the prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.

The effects of the adjustments on these condensed consolidated interim financial statements are summarised as follows:

	<b>As at 1 January 2003 HK\$'000</b>	As at 1 January 2002 HK\$'000
	<b>Increase/(decrease)</b>	
<b><u>Balance sheet</u></b>		
Deferred tax assets	<b>30,072</b>	33,396
Minority interests	<b>2,928</b>	3,540
Retained profits	<b>24,804</b>	27,516
Goodwill classified under capital reserve	<b><u>2,340</u></b>	<u>2,340</u>

**Notes to Condensed Consolidated Financial Statements** (Cont'd)**1. Accounting Policies and Prior Period Adjustments** (Cont'd)

For the six  
months ended  
30 June 2002  
HK\$'000  
**Increase/  
(decrease)**

**Profit and loss account**

Deferred tax expenses, net	257
Minority interest share of profit	(153)
Profit attributable to shareholders	<u>(104)</u>

During the period, deferred tax of HK\$7,131,000 was charged to the profit and loss account. As at 30 June 2003, the deferred tax assets amounted to HK\$22,941,000.

**2. Segment Information**

The Group's operating businesses are structured and managed separately, according to the location of customers. Each of the Group's geographical segments represents a strategic geographical unit that offers products and services which are subject to risks and returns that are different from those of the other geographical segments. Summary details of the geographical segments are as follows:

- (a) the Mainland China segment engages in the production, distribution and sale of beer, and operation of restaurants, pubs and other related services;
- (b) the Overseas and Hong Kong segment engages in the distribution and sale of beer in Taiwan, Macau and Hong Kong; and
- (c) the Corporate segment engages in providing corporate services to the Mainland China, and the Overseas and Hong Kong segments in Hong Kong.

In determining the Group's business segments, revenues and results are attributed to the segments based on the nature of their operations and the products and services they provide.

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



## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 2. Segment Information (Cont'd)

#### (a) Geographical segments

The following tables present revenue, results and other information for the Group's geographical segments.

	(Unaudited)									
	For the six months ended 30 June									
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	Mainland China		Overseas and Hong Kong		Corporate		Eliminations		Consolidated	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)									
Segment revenue:										
Sales to external customers	259,744	255,001	29,891	21,432	—	—	—	—	289,635	276,433
Intersegment sales	7,147	5,959	—	—	—	—	(7,147)	(5,959)	—	—
Other revenue and gains	6,380	18,543	—	—	—	—	—	—	6,380	18,543
Total	273,271	279,503	29,891	21,432	—	—	(7,147)	(5,959)	296,015	294,976
Segment results	49,500	53,360	11,380	6,336	(860)	(2,057)	—	—	60,020	57,639
Interest income and unallocated gains									3,148	344
Profit from operating activities									63,168	57,983
Share of loss of an associate	—	(2,998)	—	—	—	—	—	—	—	(2,998)
Profit before tax									63,168	54,985
Tax									(11,589)	(8,357)
Profit before minority interests									51,579	46,628
Minority interests									(5,451)	(3,142)
Net profit from ordinary activities attributable to shareholders									46,128	43,486
Other segment information:										
Depreciation and amortisation	45,925	46,367	92	—	—	110	—	—	46,017	46,477

#### (b) Business segments

During the period, the Group was engaged in the production, distribution and sale of beer. In prior period, the Group terminated its operations of restaurants, pubs and other related services (the "Other Operations"). As the Other Operations contributed for less than 10% of total revenue and results, the information in respect of each of the business segment are not presented.

**Notes to Condensed Consolidated Financial Statements** (Cont'd)**3. Profit from Operating Activities**

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

	<b>(Unaudited)</b> <b>For the six months</b> <b>ended 30 June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold	<b>162,321</b>	168,399
Depreciation	<b>41,486</b>	43,276
Minimum lease payments under operating lease in respect of land and buildings	<b>327</b>	372
Amortisation of reusable packaging materials	<b>4,531</b>	3,201
(Gains)/losses on disposal of fixed assets, net	<b>(63)</b>	161
Interest income	<b>(2,205)</b>	(344)
Exchanges (gains)/losses, net	<b>(56)</b>	25
Net rental income	<b>(909)</b>	(384)
Value-added tax exemption*	<b>(3,894)</b>	(16,447)

\* According to a notice from the Shenzhen tax authority dated 19 December 2002, the policy for value-added tax exemption on the products that are both produced and sold in Shenzhen was ceased effective from 1 January 2003. On 23 April 2003, the Group received an approval from the Shenzhen tax authority which revised the approval percentage for the aforesaid exemption for the year ended 31 December 2002 and accordingly, a further tax exemption of HK\$3,894,000 was credited to the profit and loss account for the period.

**4. Tax**

	<b>(Unaudited)</b> <b>For the six months</b> <b>ended 30 June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Company and subsidiaries:		
Current:		
Hong Kong	<b>1,908</b>	896
Mainland China	<b>2,550</b>	7,204
Deferred (note 1)	<b>7,131</b>	257
	<b>11,589</b>	8,357
Associate:		
Mainland China	<b>—</b>	—
	<b>11,589</b>	8,357

**Notes to Condensed Consolidated Financial Statements** *(Cont'd)***4. Tax** *(Cont'd)*

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the period. The increased profits tax rate became effective from 1 April 2003.

Enterprise Income Tax of Shenzhen Kingway Brewery Co., Ltd., a subsidiary of the Group, has been provided at the rate of 15% (2002: 15%) on the estimated assessable profits. Shenzhen Kingway Brewing Co., Ltd., ("Shenzhen Brewing", a subsidiary of the Group) is entitled to a tax exemption for the first two profitable years and a tax relief of 50% in the succeeding three years under the approval of the local tax authority. Shenzhen Brewing has still applied tax losses carried forward for a period of five years to offset the profits assessable in Mainland China during the period and, accordingly, the tax exemption period has not commenced.

**5. Dividend**

The Board of Directors has resolved to declare an interim dividend of 1.0 (2002: 1.0) HK cent per share for the six months ended 30 June 2003.

**6. Earnings Per Share**

The calculation of the basic earnings per share is based on the unaudited net profit attributable to shareholders for the six months ended 30 June 2003 of HK\$46,128,000 (2002: HK\$43,486,000 as restated) and the weighted average number of 1,250,209,945 (2002: 1,250,000,000) shares in issue during the period.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the period of HK\$46,128,000. The weighted average number of shares used in the calculation is 1,258,494,937 shares, comprising the weighted average of 1,250,209,945 shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 8,284,992 shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period.

The diluted earnings per share amount for the six months ended 30 June 2002 reflecting the exercise of all outstanding share options was not presented because the impact was anti-dilutive.

**Notes to Condensed Consolidated Financial Statements** (Cont'd)**7. Trade Receivables**

The Group's trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, invoices are normally payable within 30 to 180 days of issuance. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management.

The aged analysis of the trade receivables based on payment due date is as follows:

	(Unaudited) 30 June 2003 HK\$'000	(Audited) 31 December 2002 HK\$'000
Within 3 months	36,025	24,275
More than 3 months and less than 6 months	345	1,236
More than 6 months and less than 1 year	6,161	848
More than 1 year	<u>2,214</u>	<u>2,977</u>
	44,745	29,336
Less: Provision for doubtful debts	<u>(2,456)</u>	<u>(3,233)</u>
	<u><u>42,289</u></u>	<u><u>26,103</u></u>

**8. Cash and Cash Equivalents and Pledged Bank Deposit**

	(Unaudited) 30 June 2003 HK\$'000	(Audited) 31 December 2002 HK\$'000
Cash and bank balances	112,291	115,169
Time deposits	<u>135,907</u>	<u>117,565</u>
	248,198	232,734
Less: Pledged bank deposit (note 14(b))	<u>(28,263)</u>	<u>—</u>
Cash and cash equivalents	<u><u>219,935</u></u>	<u><u>232,734</u></u>

**Notes to Condensed Consolidated Financial Statements** (Cont'd)**9. Trade Payables**

The aged analysis of the trade payables based on invoice date is as follows:

	(Unaudited) 30 June 2003 HK\$'000	(Audited) 31 December 2002 HK\$'000
Within 3 months	41,751	37,702
More than 3 months and less than 6 months	1	—
More than 6 months and less than 1 year	—	58
More than 1 year	<u>2,161</u>	<u>4,577</u>
	<u><b>43,913</b></u>	<u><b>42,337</b></u>

**10. Share Capital**

	(Unaudited) 30 June 2003 HK\$'000	(Audited) 31 December 2002 HK\$'000
Authorised: 2,000,000,000 (2002: 2,000,000,000) shares of HK\$0.10 each	<u><b>200,000</b></u>	<u><b>200,000</b></u>
Issued and fully paid: 1,250,400,000 (2002: 1,250,000,000) shares of HK\$0.10 each	<u><b>125,040</b></u>	<u><b>125,000</b></u>

During the period, 400,000 shares of HK\$0.10 each were issued for cash at a subscription price of HK\$0.383 per share pursuant to the exercise of the Company's share options for a total cash consideration, before expenses, of HK\$153,000.

A summary of movements of the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2002, 31 December 2002 and 1 January 2003	1,250,000,000	125,000	739,583	864,583
Share options exercised	<u>400,000</u>	<u>40</u>	<u>113</u>	<u>153</u>
At 30 June 2003	<u><b>1,250,400,000</b></u>	<u><b>125,040</b></u>	<u><b>739,696</b></u>	<u><b>864,736</b></u>

## Notes to Condensed Consolidated Financial Statements (Cont'd)

### 11. Share Option Schemes

The movements of the Company's share options under its share option schemes during the period are as follows:

Name or category of participants	Number of share options					Date of grant of share option*	Exercise period of share options#	Exercise price of share options**	Price of Company's shares***	
	At 01/01/2003	Granted during the period	Lapsed during the period	Exercised during the period	At 30/06/2003 HK\$				At grant date of options HK\$	At exercise date of options HK\$
<b>Directors and chief executives</b>										
Ye Xuquan	—	2,000,000	—	—	2,000,000	26/05/2003	27/08/2003–26/08/2008	0.840	0.790	—
Jiang Guoqiang	10,000,000	—	—	—	10,000,000	10/10/2001	11/04/2002–10/04/2007	0.383	0.400	—
	—	2,000,000	—	—	2,000,000	26/05/2003	27/08/2003–26/08/2008	0.840	0.790	—
Cheng Mo Chi, Moses	—	300,000	—	—	300,000	26/05/2003	27/08/2003–26/08/2008	0.840	0.790	—
Alan Howard Smith	—	300,000	—	—	300,000	26/05/2003	27/08/2003–26/08/2008	0.840	0.790	—
V-nee Yeh	—	300,000	—	—	300,000	26/05/2003	27/08/2003–26/08/2008	0.840	0.790	—
Fung Sing Hong, Stephen	—	400,000	—	—	400,000	26/05/2003	27/08/2003–26/08/2008	0.840	0.790	—
	<u>10,000,000</u>	<u>5,300,000</u>	<u>—</u>	<u>—</u>	<u>15,300,000</u>					
<b>Other employees</b>										
In aggregate	3,650,000	—	(3,650,000)	—	—	20/08/1997	20/02/1998–19/02/2003	2.100	2.550	—
	7,400,000	—	—	(400,000)	7,000,000	10/10/2001	11/04/2002–10/04/2007	0.383	0.400	0.650
	—	4,900,000	—	—	4,900,000	26/05/2003	27/08/2003–26/08/2008	0.840	0.790	—
	<u>11,050,000</u>	<u>4,900,000</u>	<u>(3,650,000)</u>	<u>(400,000)</u>	<u>11,900,000</u>					
	<u>21,050,000</u>	<u>10,200,000</u>	<u>(3,650,000)</u>	<u>(400,000)</u>	<u>27,200,000</u>					

\* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

\*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

\*\*\* The price of the Company's shares disclosed as at the date of the grant of the share options is the closing price on The Stock Exchange of Hong Kong Limited on the trading day immediately prior to the date of grant of the share options. The price of the Company's shares disclosed as at the date of exercise of the share options is the weighted average closing price of the shares immediately before the dates on which the share options were exercised.

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

**Notes to Condensed Consolidated Financial Statements** (Cont'd)**11. Share Option Schemes** (Cont'd)

The directors do not consider it appropriate to disclose a theoretical value of the share options granted during the period to the directors and employees, because in the absence of a readily market value of the share options on the shares of the Company, the directors were unable to arrive at an assessment of the value of these share options.

**12. Reserves**

	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 2003:							
As previously stated	739,583	51,104	3,202	216	15,246	213,997	1,023,348
Prior period adjustments (note 1)	—	2,340	—	—	—	24,804	27,144
As restated	739,583	53,444	3,202	216	15,246	238,801	1,050,492
Share options exercised	113	—	—	—	—	—	113
Net profit for the period	—	—	—	—	—	46,128	46,128
Proposed interim dividend	—	—	—	—	—	(12,504)	(12,504)
Exchange adjustments	—	—	182	—	—	—	182
At 30 June 2003	<u>739,696</u>	<u>53,444</u>	<u>3,384</u>	<u>216</u>	<u>15,246</u>	<u>272,425</u>	<u>1,084,411</u>
At 1 January 2002:							
As previously stated	739,583	51,104	4,407	216	15,246	160,994	971,550
Prior period adjustments (note 1)	—	2,340	—	—	—	27,516	29,856
As restated	739,583	53,444	4,407	216	15,246	188,510	1,001,406
Net profit for the period							
As previously stated	—	—	—	—	—	43,590	43,590
Prior period adjustments (note 1)	—	—	—	—	—	(104)	(104)
As restated	—	—	—	—	—	43,486	43,486
Proposed interim dividend	—	—	—	—	—	(12,500)	(12,500)
Exchange adjustments	—	—	63	—	—	—	63
At 30 June 2002	<u>739,583</u>	<u>53,444</u>	<u>4,470</u>	<u>216</u>	<u>15,246</u>	<u>219,496</u>	<u>1,032,455</u>

**Notes to Condensed Consolidated Financial Statements** (Cont'd)**13. Operating Lease Arrangements**(a) *As lessor*

The Group leases certain of its office properties under operating lease arrangements, with leases negotiated for one year. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2003, the Group had total future minimum lease receivables under non-cancelable operating leases, in respect of land and buildings, with its tenants falling due as follows:

	<b>(Unaudited)</b> <b>30 June</b> <b>2003</b> <b>HK\$'000</b>	(Audited) 31 December 2002 HK\$'000
Within one year	<u><b>1,894</b></u>	<u>857</u>

(b) *As lessee*

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At 30 June 2003, the total future minimum lease payments under non-cancellable operating leases, in respect of land and buildings, falling due as follows:

	<b>(Unaudited)</b> <b>30 June</b> <b>2003</b> <b>HK\$'000</b>	(Audited) 31 December 2002 HK\$'000
Within one year	<b>434</b>	434
In the second to fifth years, inclusive	<u><b>73</b></u>	<u>290</u>
	<u><b>507</b></u>	<u>724</u>



**Notes to Condensed Consolidated Financial Statements** (Cont'd)**14. Commitments**

In addition to the operating lease commitments detailed in note 13 to the financial statements, the Group had the following commitments at the balance sheet date:

(a)

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Capital commitments in respect of property, plant and equipment:		
Contracted for	<b>4,428</b>	10,457
Authorised, but not contracted for	<b>4,168</b>	4,981
	<b><u>8,596</u></b>	<b><u>15,438</u></b>

- (b) On 28 March 2003, Morefit Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "S&P Agreement") with 深圳市寶安區投資管理有限公司 ("SBA"), a 10% equityholder in each of Shenzhen Kingway Brewing Co., Ltd., Shenzhen Kingway Packaging Co., Ltd. and Shenzhen Kingway Utility Co., Ltd. (collectively as the "SK Companies"), to acquire SBA's 10% interest in each of the SK Companies together with the shareholder's loans of the SK Companies due to SBA for a total consideration of RMB75,000,000.

During the period, the first installment of HK\$42,395,000 (equivalent to RMB45,000,000) was paid by the Group and recorded under "Prepayments, deposits and other receivables" as at 30 June 2003. According to the S&P Agreement, an irrevocable guarantee (the "Guarantee") was given to SBA by a bank in respect of the Group's commitment for the payment of the remaining consideration. As at 30 June 2003, a bank deposit of HK\$28,263,000 (equivalent to RMB30,000,000) was pledged as a security of the Guarantee.

The acquisition was completed on 27 August 2003 and the remaining consideration was subsequently paid by the Group in September 2003. Upon completion of the acquisition, the Group's interest in each of SK Companies was increased from 87% to 97%.

**Notes to Condensed Consolidated Financial Statements** (Cont'd)**15. 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 2002. The magnitude of the transactions during the period is as follows:

		<b>(Unaudited)</b>	
		<b>For the six months ended 30 June</b>	
		<b>2003</b>	<b>2002</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>Note</i>		
Purchase of malt from a fellow subsidiary, Guangzhou Malting Co., Ltd.		<b>22,323</b>	23,350
Purchase of malt from a fellow subsidiary, Ningbo Malting Co., Ltd. ("NMCL")	(i)	<b>11,418</b>	—
Rental of office premises paid to a fellow subsidiary, Bateson Developments Ltd.		<b>217</b>	266

*Note:*

- (i) The amount due to NMCL of HK\$2,046,000 as at 30 June 2003 (31 December 2002: nil) was unsecured, interest-free and had no fixed terms of repayment.

**16. Post Balance Sheet Events**

In addition to the disclosures set out in note 14(b), subsequent to the balance sheet date, the Group had the following significant post balance sheet events:

- (a) On 19 July 2003, the Company entered into an agreement with the Preparatory Division of Jinping Government for the establishment of an indirect wholly-owned subsidiary of the Company to be engaged in the production of beer bearing the "Kingway" brand.

Accordingly, an application for the establishment of a new enterprise with the name of Kingway Brewery (Shan Tou) Co. Ltd. ("Kingway Shantou") has been made on 26 August 2003. The registered capital and total investment of Kingway Shantou amount to RMB126,000,000 and RMB230,440,000 respectively for the first phase of construction. Up to the date of this report, no capital injection has been made by the Group.

**Notes to Condensed Consolidated Financial Statements** *(Cont'd)***16. Post Balance Sheet Events** *(Cont'd)*

- (b) On 7 August 2003, the Group entered into a supplemental deed (the "Deed") to a sale and purchase agreement and a deed of charge with the same independent third party for the disposal (the "Disposal") of the Group's entire interest in Central China (Asia) Investment Limited ("CCAIL, a wholly-owned subsidiary of the Group"). The Disposal was completed in 2002. Details of the Disposal are disclosed in note 28(b) to the Company's audited financial statements for the year ended 31 December 2002.

According to the Deed, the Group agreed to extend the payment of the outstanding consideration of HK\$12,228,000 for the Disposal from 30 June 2003 to 24 October 2003 and charge interest up to the actual payment date at 8% per annum. In addition, the entire issued shares of CCAIL have been charged to the Group for the due and punctual payment of the outstanding amount.

**17. Approval of the Interim Financial Report**

These condensed interim financial statements were approved and authorised for issue by the Board of Directors on 15 September 2003.

## **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 3 to 19.

#### **Respective responsibilities of directors and auditors**

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 Statement of Standard Accounting Practice 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. It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### **Review work performed**

We conducted our review in accordance with Statement of Auditing Standards 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 2003.

#### **Ernst & Young**

*Certified Public Accountants*

Hong Kong

15 September 2003

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Results**

The Board of Directors is pleased to report a steady growth in the Group's results for the first half of 2003. The unaudited consolidated net profit from ordinary activities attributable to shareholders was HK\$46.13 million (2002: HK\$43.49 million, as restated), increased by 6.1% over the same period of 2002. Basic earnings per share were 3.7 (2002: 3.5) HK cents, increased by 5.7% over the same period of 2002.

After excluding the effect of the exemption of value added tax (expired from 2003) for beer produced and sold in Shenzhen granted to Kingway Plant no. 1 at Luohu on the financials, the adjusted consolidated net profit attributable to shareholders was HK\$42.98 million (2002: HK\$30.21 million), representing a remarkable growth of 42.3% compared to the same period of 2002.

### **Operating and Financial Review**

The production and sale of Kingway beer continued to be the Group's core business during the first half of the year. The Group's sales are primarily conducted in the Guangdong Province, Mainland China. The total sales volume of Kingway beer for the first half of the year amounted to 112,000 tonnes (2002: 95,000 tonnes), representing an increase of 17.9% over the same period of 2002. The consolidated turnover was HK\$290 million (2002: HK\$276 million), representing an increase of 4.8% over the same period of 2002.

The sales volume of Kingway beer were lower than the management's initial forecast as both Hong Kong and Mainland China were hit by the SARS during the period reported. However, as a result of compounded effort invested to rebuild and expand the distribution network over the past 18 months, the well-managed distribution network have been able to enable Kingway beer to reach consumers more effectively and efficiently, and have resulted in an increase in both the sales volume and turnover compared to the same period of 2002.

Although the average unit selling price has fallen 11.1% to HK\$2,586 (2002: HK\$2,910) per tonne, and the average unit cost of sales dropped 18.3% to HK\$1,449 (2002: HK\$1,773) per tonne. As a result, the gross profit has recorded a 17.8% growth to HK\$127 million (2002: HK\$108 million), and the gross profit margin has also increased to 44.0% (2002: 39.1%) during the period under review. This improvement was a result of the management's effort to control costs through sourcing activities by way of public tender under the "Sunshine Program", and closely monitoring of various production processes to ensure compliance with the economic efficiency criteria. In addition, the increase in the sales volume also led to a decrease in the unit fixed cost, and enabled the Group to have a better bargaining power in bulk purchases.

During the first half of the year, the Group focused on promoting Kingway brand as "Green Technique, Healthy Beer". Besides, the Group strengthened the management on distributors through active participation in certain promotion activities organized by distributors. These promotion activities, such as the employment of more temporary sales personnel to promote beer sales at restaurants and pubs, primarily accounted for the increase of selling and distribution expenses by 20.8% compared to the same period of 2002. As a result of the strict cost control and credit management, administrative expenses for the first half of the year dropped by 25.5% to HK\$15.45 million (2002: HK\$20.73 million). No finance cost was incurred for the first half of year 2003 and 2002 as the Group has no interest-bearing debt.

### **Investment, Financial Resources and Liquidity**

As at 30 June 2003, the Group had cash and bank balances of HK\$248 million (including a pledged bank deposit of HK\$28.26 million), of which 21.3% was in USD, 21.4% was in HKD and the remaining 57.3% was in RMB.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Cont'd)*

### **Investment, Financial Resources and Liquidity** *(Cont'd)*

The net cash inflow from operating activities for the period amounted to HK\$70.01 million. The Group's cash balances and net cash inflow from operating activities are ample enough to satisfy the working capital requirement for the business operations.

Pursuant to the Group's expansion strategy, the Group will continue to grow and strategically position in Guangdong Province through acquisitions and new constructions. On 19 July 2003, the Group entered into the agreement with the Preparatory Division of Jinping Government to build a new beer production plant in Shantou with annual production capacity of 200,000 tonnes. The total investment will be RMB350 million. The investment will be divided into two phases. Phase 1 plant of annual production capacity of 100,000 tonnes is expected to commence production in the year 2005 (details refer to announcement on 21 July 2003).

New investment will be funded by the Group's internal resources, bank borrowings, and/or debt or equity fund raising exercise, or strategic investment partners introduced.

### **Tax**

Due to the adoption of the revised Hong Kong SSAP 12 "Income taxes", the additional amount of deferred tax charged to the profit and loss account for the period ended 30 June 2003 and 2002 has been increased by HK\$7.13 million and HK\$0.26 million respectively. These adjustments will neither affect the Group's daily operations nor the cash flows from operating activities (details refer to note 1 of the condensed consolidated financial statements).

### **Debts and Contingent Liabilities**

No bank debts and contingent liabilities were recorded as at 30 June 2003. The gearing of the Group was net cash, reflecting the sound capital structure of the Group.

### **Amber Brewery**

The Group received partial payment of HK\$7.77 million and interest of HK\$0.73 million charged at 8% per annum from the purchaser on 24 June 2003, with the remaining balance of HK\$12.23 million still outstanding as at 30 June 2003. Pursuant to the new supplemental deed signed on 7 August 2003, it is expected that the remaining balance and the interest accrued will be paid on 24 October 2003 (details refer to note 16(b) of the condensed consolidated financial statements).

### **Human Resources**

The Group has employed 1,004 staff with a total remuneration of HK\$24.26 million during the period reported. The Group places strong emphasis on raising the quality of its staff and their efficiency. 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 Prospects**

The Group will continue to strive for enhanced integration and building of market, brand and distribution network in order to build a solid foundation to facilitate its further expansion in Guangdong Province. Although the competition of the beer market remains intense, the growth momentum generated during the period reported is expected to continue into the second half of the year. The Board of directors and the management are confident in the business development prospects and performance to be achieved in the second half of the year.

**INTERIM DIVIDEND**

The Board of Directors has resolved to declare the payment of an interim dividend of 1.0 (2002: 1.0) HK cent per share for the six months ended 30 June 2003. The interim dividend will be paid to the shareholders whose names appear on the Register of Members on Friday, 10 October 2003. The interim dividend will be paid on Friday, 17 October 2003.

**CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed on Thursday, 9 October 2003 and Friday, 10 October 2003, during these two days no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Tengis Limited, of G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 8 October 2003.

## **DIRECTORS' INTERESTS IN SECURITIES**

### **Directors' Interests and Short Positions in the securities of the company and its associated corporations**

As at 30 June 2003, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (a) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

#### **I. Shares**

##### *(i) The Company*

<b>Name of Director</b>	<b>Type of interest</b>	<b>Number of shares held</b>	<b>Long/Short Position</b>	<b>Approximate Percentage of holding</b>
Ho Lam Lai Ping, Theresa	Personal	180,000	Long Position	0.0144
Fung Sing Hong, Stephen	Personal	24,000	Long Position	0.0019

*Note:* The issued shares of the Company as at 30 June 2003 was 1,250,400,000.

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

<b>Name of Director</b>	<b>Type of Interest</b>	<b>Number of ordinary shares held</b>	<b>Long/Short Position</b>	<b>Approximate Percentage of holding</b>
Ye Xuquan	Personal	1,672,000	Long Position	0.0320
Wang Man Kwan, Paul	Personal	700,000	Long Position	0.0134
Ho Lam Lai Ping, Theresa	Personal	300,000	Long Position	0.0057

*Note:* The issued ordinary shares of Guangdong Investment Limited as at 30 June 2003 was 5,218,682,672.

##### *(iii) Guangdong Tannery Limited*

<b>Name of Director</b>	<b>Type of Interest</b>	<b>Number of shares held</b>	<b>Long/Short Position</b>	<b>Approximate Percentage of holding</b>
Fung Sing Hong, Stephen	Personal	226,000	Long Position	0.0431

*Note:* The issued shares of Guangdong Tannery Limited as at 30 June 2003 was 524,154,000.



**DIRECTORS' INTERESTS IN SECURITIES** (Cont'd)**Directors' Interests and Short Positions in the securities of the company and its associated corporations** (Cont'd)**I. Shares** (Cont'd)(iv) *Guangnan (Holdings) Limited*

Name of Director	Type of Interest	Number of shares held	Long/Short Position	Approximate Percentage of holding
Fung Sing Hong, Stephen	Personal	500,000	Long Position	0.0056

Note: The issued shares of Guangnan (Holdings) Limited as at 30 June 2003 was 8,998,332,859.

**II. Options**(i) *The Company*

Name of Director	Number of options held on 01/01/2003	Option granted		Period during which option is exercisable *	Total consideration paid for share options  HK\$	Price to be paid per share on exercise of options  HK\$	Number of options exercised Jan-Jun 2003	Number of options held on 30/6/2003	Long/Short Position
		Jan-Jun 2003							
		Date granted	Number granted						
Ye Xuquan	—	26/05/2003	2,000,000	27/08/2003–26/08/2008	1	0.84	—	2,000,000	Long Position
Jiang Guoqiang	10,000,000	—	—	11/04/2002–10/04/2007	—	0.383	—	10,000,000	Long Position
	—	26/05/2003	2,000,000	27/08/2003–26/08/2008	1	0.84	—	2,000,000	Long Position
Cheng Mo Chi, Moses	—	26/05/2003	300,000	27/08/2003–26/08/2008	1	0.84	—	300,000	Long Position
Alan Howard Smith	—	26/05/2003	300,000	27/08/2003–26/08/2008	1	0.84	—	300,000	Long Position
V-nee Yeh	—	26/05/2003	300,000	27/08/2003–26/08/2008	1	0.84	—	300,000	Long Position
Fung Sing Hong, Stephen	—	26/05/2003	400,000	27/08/2003–26/08/2008	1	0.84	—	400,000	Long Position

\* 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).

**DIRECTORS' INTERESTS IN SECURITIES** (Cont'd)**Directors' Interests and Short Positions in the securities of the company and its associated corporations** (Cont'd)**II. Options** (Cont'd)(ii) *Guangdong Investment Limited*

Name of Director	Number of options held on 01/01/2003	Option granted Jan-Jun 2003		Period during which option is exercisable*	Total consideration paid for share options HK\$	Price per ordinary share to be paid on exercise of option HK\$	Number of options exercised Jan-Jun 2003	Number of options held on 30/6/2003	Long/Short Position
		Date granted	Number granted						
Ye Xuquan	12,000,000	—	—	11/02/2002–10/02/2007	—	0.5312	5,000,000	7,000,000	Long Position
	9,000,000	—	—	08/11/2002–07/11/2007	—	0.814	—	9,000,000	Long Position
	6,000,000	—	—	05/03/2003–04/03/2008	1	0.96	—	6,000,000	Long Position
	—	07/05/2003	3,000,000	08/08/2003–07/08/2008	1	1.22	—	3,000,000	Long Position
Cheng Mo Chi, Moses	1,000,000	—	—	02/05/2002–01/05/2007	—	0.74	—	1,000,000	Long Position
	1,000,000	—	—	08/11/2002–07/11/2007	—	0.814	—	1,000,000	Long Position
	1,000,000	—	—	05/03/2003–04/03/2008	1	0.96	—	1,000,000	Long Position
	—	07/05/2003	1,000,000	08/08/2003–07/08/2008	1	1.22	—	1,000,000	Long Position
Li Wai Keung	1,500,000	—	—	02/05/2002–01/05/2007	—	0.74	800,000	700,000	Long Position
	1,500,000	—	—	08/11/2002–07/11/2007	—	0.814	—	1,500,000	Long Position
	1,500,000	—	—	05/03/2003–04/03/2008	1	0.96	—	1,500,000	Long Position
	—	07/05/2003	1,500,000	08/08/2003–07/08/2008	1	1.22	—	1,500,000	Long Position
Zhang Yaping	12,000,000	—	—	11/02/2002–10/02/2007	—	0.5312	—	12,000,000	Long Position
	9,000,000	—	—	08/11/2002–07/11/2007	—	0.814	—	9,000,000	Long Position
	6,000,000	—	—	05/03/2003–04/03/2008	1	0.96	—	6,000,000	Long Position
	—	07/05/2003	1,000,000	08/08/2003–07/08/2008	1	1.22	—	1,000,000	Long Position
Wang Man Kwan, Paul	1,000,000	—	—	11/02/2002–10/02/2007	—	0.5312	1,000,000	—	Long Position
	1,500,000	—	—	08/11/2002–07/11/2007	—	0.814	—	1,500,000	Long Position
	1,500,000	—	—	05/03/2003–04/03/2008	1	0.96	—	1,500,000	Long Position
	—	07/05/2003	1,500,000	08/08/2003–07/08/2008	1	1.22	—	1,500,000	Long Position
Ho Lam Lai Ping, Theresa	500,000	—	—	19/08/1998–18/08/2003	—	2.892	—	500,000	Long Position
	1,200,000	—	—	11/02/2002–10/02/2007	—	0.5312	900,000	300,000	Long Position
	1,200,000	—	—	08/11/2002–07/11/2007	—	0.814	—	1,200,000	Long Position
	1,200,000	—	—	05/03/2003–04/03/2008	1	0.96	—	1,200,000	Long Position
—	—	07/05/2003	1,500,000	08/08/2003–07/08/2008	1	1.22	—	1,500,000	Long Position
Fung Sing Hong, Stephen	400,000	—	—	05/03/2003–04/03/2008	1	0.96	—	400,000	Long Position

\* 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).

**DIRECTORS' INTERESTS IN SECURITIES (Cont'd)****Directors' Interests and Short Positions in the securities of the company and its associated corporations (Cont'd)**

Save as disclosed above, as at 30 June 2003, to the knowledge of the Company, none of the directors, chief executives of the Company and their associates had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Save as disclosed above, at no time during the period was the Company, its holding companies or any of its subsidiaries or associated corporation a party to any arrangements to enable the Directors of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS**

As at 30 June 2003, so far as is known to any director or chief executive of the Company, the following persons (other than director or chief executive of the Company) have interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

<b>Name of shareholders</b>	<b>Type of securities</b>	<b>Number of securities held</b>	<b>Long/short position</b>	<b>Approximate percentage of issued capital</b>
廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited)	shares	900,000,000	Long position	71.98%
GDH Limited ("GDH")	shares	900,000,000	Long position	71.98%

Notes: 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 wholly owned subsidiary, GDH.

Save as disclosed above, no other person (other than director or chief executive of the Company) known to any director or chief executive of the Company as at 30 June 2003 had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## **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.

## **CORPORATE GOVERNANCE**

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of Stock Exchange throughout the Period.

The Company has an audit committee which was established in accordance with the Code of Best Practice. The audit committee comprises the three independent non-executive directors and a non-executive director of the Company. The audit committee meets every six months 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

**Ye Xuquan**

*Chairman*

Hong Kong, 15 September 2003