



GDH

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

(於百慕達註冊成立之有限公司)

(Incorporated in Bermuda with limited liability)

中期報告 2004 INTERIM REPORT

SHENZHEN KINGWAY BREWERY CO., LTD.
SHENZHEN KINGWAY BREWERY CO., LTD.
SHENZHEN KINGWAY BREWERY CO., LTD.



中国名牌



CONTENTS

2	CORPORATE INFORMATION
3	HIGHLIGHTS
	UNAUDITED INTERIM FINANCIAL REPORT
4	Condensed Consolidated Profit and Loss Account
5	Condensed Consolidated Balance Sheet
6	Condensed Consolidated Summary Statement of Changes in Equity
7	Condensed Consolidated Cash Flow Statement
8	Notes to Condensed Consolidated Financial Statements
18	INDEPENDENT AUDITORS' REVIEW REPORT
19	MANAGEMENT DISCUSSION AND ANALYSIS
23	INTERIM DIVIDEND
23	CLOSURE OF REGISTER OF MEMBERS
24	DIRECTORS' INTERESTS IN SECURITIES
27	DIRECTORS' RIGHTS TO ACQUIRE SHARES
28	SHARE OPTIONS OF THE COMPANY
30	SUBSTANTIAL SHAREHOLDERS' INTERESTS
32	PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES
32	CORPORATE GOVERNANCE

CORPORATE INFORMATION

Board of Directors

Executive Directors

YE Xuquan (*Chairman*)

JIANG Guoqiang (*Managing Director*)

FUNG Sing Hong, Stephen

(*Chief Financial Officer*)

Non-Executive Directors

KOH Poh Tiong

HAN Cheng Fong

Herman Petrus Paulus Maria HOFHUIS

ZHAO Leili

LUO Fanyu

HO LAM Lai Ping, Theresa

Michael WU

Independent Non-Executive Directors

CHENG Mo Chi, Moses

Alan Howard SMITH

V-nee YEH

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

Stock Code

124

HIGHLIGHTS

	For the six months ended 30 June		Rate of Change
	2004	2003	
Beer sales volume, in tonne	158,000	112,000	+41.1%
Production capacity utilisation rate	79.0%	56.0%	+41.1%
Turnover, in thousand HK\$	399,146	289,635	+37.8%
Net profit attributable to shareholders, in thousand HK\$	70,056	46,128	+51.9%
Basic earnings per share, in HK cent	5.2	3.7	+40.5%
EBITDA, in thousand HK\$	129,630	109,185	+18.7%
Interim dividend per share, in HK cent	1.5	1.0	+50.0%
Average unit selling price per tonne, in HK\$	2,526	2,586	-2.3%
Average unit costs per tonne, in HK\$	1,294	1,449	-10.7%
Gross profit margin	48.8%	44.0%	+10.9%
Net profit margin	17.6%	15.9%	+10.7%
	30 June 2004	31 December 2003	
Current ratio	4.3 times	2.8 times	+53.6%
Gearing ratio	Net cash	Net cash	–
Total liabilities to total assets	10.5%	13.0%	-19.2%
Net asset value, in million HK\$	1,568	1,265	+24.0%
Net asset value per share, in HK\$	1.12	1.01	+10.9%

UNAUDITED INTERIM FINANCIAL REPORT

The Board of Directors of Kingway Brewery Holdings Limited (the "Company", formerly known as Guangdong Brewery Holdings Limited) 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 2004 (the "Period") 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 2004

		For the six months ended 30 June	
	<i>Notes</i>	2004	2003
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
TURNOVER	2	399,146	289,635
Cost of sales		(204,395)	(162,321)
Gross profit		194,751	127,314
Other revenue and gains		6,055	9,528
Selling and distribution expenses		(86,680)	(58,227)
Administrative expenses		(28,992)	(15,447)
PROFIT BEFORE TAX	3	85,134	63,168
Tax	4	(12,630)	(11,589)
PROFIT BEFORE MINORITY INTERESTS		72,504	51,579
Minority interests		(2,448)	(5,451)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		70,056	46,128
DIVIDEND – Interim	5	(20,922)	(12,504)
EARNINGS PER SHARE	6		
– Basic		5.2 cents	3.7 cents
– Diluted		5.1 cents	3.7 cents

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2004

	Notes	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Fixed assets		1,040,515	970,139
Negative goodwill		(10,040)	(10,371)
Investment security		–	–
Deferred tax assets		6,965	16,022
Reusable packaging materials		22,270	23,219
		<u>1,059,710</u>	<u>999,009</u>
CURRENT ASSETS			
Inventories		100,690	84,864
Trade receivables	7	30,132	22,602
Prepayments, deposits and other receivables		23,948	23,614
Tax recoverable		3,870	1,778
Pledged bank balance	8	27,652	–
Cash and cash equivalents	8	535,259	347,668
		<u>721,551</u>	<u>480,526</u>
CURRENT LIABILITIES			
Trade payables	9	(44,319)	(35,536)
Tax payable		(6,576)	(1,107)
VAT payable		(11,982)	(10,404)
Other payables and accruals		(95,117)	(98,562)
Due to the immediate holding company		(48)	(2,319)
Due to a fellow subsidiary		(2,705)	(16,965)
Due to a minority equityholder of subsidiaries	10	(6,431)	(6,401)
		<u>(167,178)</u>	<u>(171,294)</u>
NET CURRENT ASSETS		<u>554,373</u>	<u>309,232</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,614,083</u>	<u>1,308,241</u>
NON-CURRENT LIABILITY			
Due to a minority equityholder of subsidiaries	10	(20,516)	(20,420)
		<u>1,593,567</u>	<u>1,287,821</u>
MINORITY INTERESTS		<u>(25,218)</u>	<u>(22,627)</u>
		<u>1,568,349</u>	<u>1,265,194</u>
CAPITAL AND RESERVES			
Issued capital	11	139,437	125,060
Reserves	13	1,407,990	1,119,218
Proposed dividend		20,922	20,916
		<u>1,568,349</u>	<u>1,265,194</u>

CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2004*

	<i>Notes</i>	For the six months ended 30 June	
		2004	2003
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Total equity at 1 January		1,265,194	1,187,992
Issue of shares, including share premium	11	251,301	153
Share issue expenses	13	(3,714)	–
Exchange differences on translation of the financial statements of subsidiaries in Mainland China, and net gains not recognised in the profit and loss account	13	6,428	182
Net profit from ordinary activities attributable to shareholders	13	70,056	46,128
Dividend recognised as current liability	5	–	(12,500)
Dividend paid		(20,916)	–
Total equity at 30 June		1,568,349	1,221,955

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2004*

	For the six months ended 30 June	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES	75,950	70,010
CASH FLOWS FROM INVESTING ACTIVITIES	(137,415)	(83,010)
CASH FLOWS FROM FINANCING ACTIVITIES	247,587	153
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	186,122	(12,847)
Cash and cash equivalents at beginning of period	347,668	232,734
Effect of foreign exchange rate changes, net	1,469	48
CASH AND CASH EQUIVALENTS AT END OF PERIOD	535,259	219,935
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	295,642	112,291
Non-pledged time deposits with original maturity of less than three months when acquired	239,617	107,644
	535,259	219,935

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2004

1. Accounting Policies and Basis of Presentation

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies and basis of presentation adopted in the preparation of these interim financial statements are consistent with those used in the Group's audited financial statements for the year ended 31 December 2003.

2. Segment Information

Segment information is presented by way of the Group's primary segment reporting basis, by geographical segment. No further business segment information is presented as the Group's operations relate solely to the production, distribution and sale of beer. Summary details of the geographical segments are as follows:

- (a) the Mainland China segment engages in the production, distribution and sale of beer in the People's Republic of China (the "PRC" or "Mainland China");
- (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 segment, and the Overseas and Hong Kong segment in Hong Kong.

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

2. Segment Information (Cont'd)

Geographical segments

The following table presents revenue, profit/(loss) and other financial information for the Group's geographical segments.

	Mainland China		Overseas and Hong Kong		Corporate		Eliminations		Consolidated	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)
Segment revenue:										
Sales to external customers	368,151	259,744	30,995	29,891	-	-	-	-	399,146	289,635
Intersegment sales	8,129	7,147	-	-	-	-	(8,129)	(7,147)	-	-
Other revenue and gains	3,858	6,380	-	-	-	-	-	-	3,858	6,380
Total	<u>380,138</u>	<u>273,271</u>	<u>30,995</u>	<u>29,891</u>	<u>-</u>	<u>-</u>	<u>(8,129)</u>	<u>(7,147)</u>	<u>403,004</u>	<u>296,015</u>
Segment results	<u>76,569</u>	<u>49,500</u>	<u>12,245</u>	<u>11,380</u>	<u>(5,877)</u>	<u>(860)</u>	<u>-</u>	<u>-</u>	<u>82,937</u>	<u>60,020</u>
Interest income and unallocated gain									<u>2,197</u>	<u>3,148</u>
Profit before tax									<u>85,134</u>	<u>63,168</u>
Tax									<u>(12,630)</u>	<u>(11,589)</u>
Profit before minority interests									<u>72,504</u>	<u>51,579</u>
Minority interests									<u>(2,448)</u>	<u>(5,451)</u>
Net profit from ordinary activities attributable to shareholders									<u>70,056</u>	<u>46,128</u>
Other segment information:										
Depreciation and amortisation	<u>44,706</u>	<u>45,925</u>	<u>121</u>	<u>92</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,827</u>	<u>46,017</u>

3. Profit Before Tax

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

	For the six months ended 30 June	
	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)
Cost of inventories sold	204,395	162,321
Depreciation	38,173	41,486
Amortisation of reusable packaging materials	6,654	4,531
Losses/(gains) on disposal of fixed assets, net	232	(63)
Value-added tax exemption*	–	(3,894)
Interest income	(2,197)	(2,205)
Negative goodwill recognised as income	(331)	–
	<u> </u>	<u> </u>

* 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. In April 2003, the Group received an approval from the Shenzhen tax authority which revised the approval percentage for the 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 six months ended 30 June 2003.

4. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in the PRC have been calculated at the rates of tax prevailing in those places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Shenzhen Kingway Brewing Co., Ltd. ("Shenzhen Brewing"), a subsidiary of the Group, is entitled to a tax exemption for the first two profit-making years and a tax relief of 50% in the succeeding three years under the approval of the local tax authority. As Shenzhen Brewing did not generate any accumulated assessable profit since its establishment, the tax exemption period has not commenced.

	For the six months ended 30 June	
	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)
Group:		
Current:		
Hong Kong	2,134	1,908
Mainland China:		
Provision for current year	2,721	2,550
Overprovision of tax for prior years	(1,345)	–
	<u> </u>	<u> </u>
Deferred	3,510	4,458
	<u>9,120</u>	<u>7,131</u>
Total tax charge for the period	<u>12,630</u>	<u>11,589</u>

5. Dividend

The Board of Directors has declared an interim dividend of 1.5 HK cents (2003: 1.0 HK cent) per share for the six months ended 30 June 2004.

6. Earnings Per Share

The calculation of basic earnings per share is based on the unaudited net profit attributable to shareholders for the six months ended 30 June 2004 of HK\$70,056,000 (2003: HK\$46,128,000), and the weighted average number of 1,356,210,681 (2003: 1,250,209,945) shares in issue during the period.

The calculation of diluted earnings per share is based on the unaudited net profit attributable to shareholders for the period of HK\$70,056,000 (2003: HK\$46,128,000). The weighted average number of shares used in the calculation is 1,363,332,939 (2003: 1,258,494,937) shares, comprising the weighted average of 1,356,210,681 (2003: 1,250,209,945) shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 7,122,258 (2003: 8,284,992) shares assumed to have been issued at no consideration on the deemed exercise of the share options expiring on 10 April 2007 and 26 August 2008 (2003: share options expiring on 10 April 2007 and 26 August 2008) outstanding during the period. The share options expiring on 6 May 2009 had an anti-dilutive effect on the basic earnings per share and so have not been included in the diluted earnings per share calculation for the current period.

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.

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

	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
Within 3 months	32,776	21,547
More than 3 months and less than 6 months	39	3,859
More than 6 months and less than 1 year	109	45
More than 1 year	615	2,974
	33,539	28,425
Less: Provision for doubtful debts	(3,407)	(5,823)
	30,132	22,602

8. Cash and Cash Equivalents and Pledged Bank Balance

	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
Cash and bank balances	323,294	272,476
Time deposits	239,617	75,192
	562,911	347,668
Less: Pledged bank balance (note (a))	(27,652)	-
Cash and cash equivalents (note (b))	535,259	347,668

Notes:

- (a) As at the balance sheet date, the bank balance was pledged to a bank for the repayment of a trade facility granted to the Group.
- (b) At 30 June 2004, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK\$315,985,000 (at 31 December 2003: HK\$293,809,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

9. Trade Payables

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

	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
Within 3 months	42,316	33,578
More than 3 months and less than 6 months	-	3
More than 6 months and less than 1 year	39	-
More than 1 year	1,964	1,955
	44,319	35,536

10. Due to a Minority Equityholder of Subsidiaries

Except for an amount of HK\$6,431,000 (at 31 December 2003: HK\$6,401,000) due to a minority equityholder of subsidiaries, which is repayable within one year, all amounts due to a minority equityholder of subsidiaries are unsecured, interest-free and are not repayable within the next twelve months from the balance sheet date.

11. Share Capital

	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
<i>Authorised:</i>		
2,000,000,000 (at 31 December 2003: 2,000,000,000) shares of HK\$0.10 each	200,000	200,000
<i>Issued and fully paid:</i>		
1,394,368,000 (at 31 December 2003: 1,250,600,000) shares of HK\$0.10 each	139,437	125,060

- (a) On 28 January 2004, the Company entered into an agreement with Heineken – APB (China) Pte Ltd (formerly known as Heineken Asia Pacific Breweries (China) Pte Ltd) (“Heineken APB”), an independent third party, under which Heineken APB agreed to subscribe for 133,768,000 new ordinary shares of the Company of HK\$0.10 each, at a subscription price of HK\$1.85 per share.

The share issue was completed on 19 February 2004.

- (b) During the period, a total of 10,000,000 shares of the Company 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, net of expenses, of HK\$3,830,000.

The movements in the Company’s issue of share capital are summarised as follows:

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 31 December 2003	1,250,600,000	125,060	739,844	864,904
Issue of new shares	133,768,000	13,377	234,094	247,471
Share options exercised	10,000,000	1,000	2,830	3,830
Share issue expenses	–	–	(3,714)	(3,714)
At 30 June 2004	1,394,368,000	139,437	973,054	1,112,491

12. Share Option Schemes

The following share options were outstanding under the Company's share option schemes during the period:

Name or category of participant	Number of share options					At 30 June 2004	Date of grant of share options*	Exercise period of share options #	Exercise price of share options** HK\$	Price of Company's shares***	
	At 1 January 2004	Granted during the period##	Exercised during the period	Lapsed during the period	Cancelled during the period					At date of grant of options HK\$	At date of exercise of options HK\$
Directors and chief executive											
Mr. Ye Xuquan	2,000,000	-	-	-	-	2,000,000	26-05-2003	27-08-2003 to 26-08-2008	0.840	0.790	-
	-	7,000,000	-	-	-	7,000,000	06-02-2004	07-05-2004 to 06-05-2009	1.930	1.900	-
Mr. Jiang Guoqiang	10,000,000	-	(10,000,000)	-	-	-	10-10-2001	11-04-2002 to 10-04-2007	0.383	0.400	1.930
	2,000,000	-	-	-	-	2,000,000	26-05-2003	27-08-2003 to 26-08-2008	0.840	0.790	-
Mr. Cheng Mo Chi, Moses	300,000	-	-	-	-	300,000	26-05-2003	27-08-2003 to 26-08-2008	0.840	0.790	-
	-	300,000	-	-	-	300,000	06-02-2004	07-05-2004 to 06-05-2009	1.930	1.900	-
Mr. Alan Howard Smith	300,000	-	-	-	-	300,000	26-05-2003	27-08-2003 to 26-08-2008	0.840	0.790	-
	-	300,000	-	-	-	300,000	06-02-2004	07-05-2004 to 06-05-2009	1.930	1.900	-
Mr. V-nee Yeh	300,000	-	-	-	-	300,000	26-05-2003	27-08-2003 to 26-08-2008	0.840	0.790	-
	-	300,000	-	-	-	300,000	06-02-2004	07-05-2004 to 06-05-2009	1.930	1.900	-
Mr. Fung Sing Hong, Stephen	400,000	-	-	-	-	400,000	26-05-2003	27-08-2003 to 26-08-2008	0.840	0.790	-
	-	400,000	-	-	-	400,000	06-02-2004	07-05-2004 to 06-05-2009	1.930	1.900	-
	<u>15,300,000</u>	<u>8,300,000</u>	<u>(10,000,000)</u>	<u>-</u>	<u>-</u>	<u>13,600,000</u>					
Other employees (in aggregate)											
	4,700,000	-	-	-	-	4,700,000	26-05-2003	27-08-2003 to 26-08-2008	0.840	0.790	-
	-	12,400,000	-	-	-	12,400,000	06-02-2004	07-05-2004 to 06-05-2009	1.930	1.900	-
	<u>4,700,000</u>	<u>12,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,100,000</u>					
Total	<u>20,000,000</u>	<u>20,700,000</u>	<u>(10,000,000)</u>	<u>-</u>	<u>-</u>	<u>30,700,000</u>					

12. Share Option Schemes (Cont'd)

- * *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 its closing price on the Stock Exchange on the business day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of exercise of the share options is its closing price on the Stock Exchange immediately before the date on which the options were exercised.*
- # *If the last day of the exercise period is not a business day in Hong Kong, the exercise period expires at 5:01 p.m. on the business day preceding that day (Hong Kong time).*
- ## *HK\$1.00 is payable by the grantee on acceptance of the offer in respect of the option granted on 6 February 2004.*

Subsequent to the balance sheet date, 200,000 share options with an exercise price of HK\$0.84 per share and 200,000 share options with an exercise price of HK\$1.93 per share were exercised by certain employees of the Group. These resulted in the issue of 400,000 shares of the Company and new share capital of HK\$40,000 and share premium of HK\$514,000 (before share issue expenses).

13. Reserves

	Share premium account HK\$'000 (Unaudited)	Capital reserve HK\$'000 (Unaudited)	Exchange fluctuation reserve HK\$'000 (Unaudited)	Enterprise development fund# HK\$'000 (Unaudited)	Reserve fund# HK\$'000 (Unaudited)	Retained profits HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
At 1 January 2004	739,844	53,444	26	216	30,683	295,005	1,119,218
Issue of shares	236,924	-	-	-	-	-	236,924
Share issue expenses	(3,714)	-	-	-	-	-	(3,714)
Net profit for the period	-	-	-	-	-	70,056	70,056
Interim 2004 dividend	-	-	-	-	-	(20,922)	(20,922)
Exchange adjustments	-	-	6,428	-	-	-	6,428
At 30 June 2004	973,054	53,444	6,454	216	30,683	344,139	1,407,990
At 1 January 2003	739,583	53,444	3,202	216	15,246	238,801	1,050,492
Issue of shares	113	-	-	-	-	-	113
Net profit for the period	-	-	-	-	-	46,128	46,128
Interim 2003 dividend	-	-	-	-	-	(12,504)	(12,504)
Exchange adjustments	-	-	182	-	-	-	182
At 30 June 2003	739,696	53,444	3,384	216	15,246	272,425	1,084,411

- # *Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of a Company's subsidiary registered in the PRC has been transferred to the enterprise development fund and the reserve fund which are restricted as to use. The amounts transferred from the retained profits are determined by the board of directors of that subsidiary. These funds are not available for distribution.*

14. Operating Lease Arrangements*(a) As lessor*

The Group leases certain of its properties under operating lease arrangements, with leases negotiated for terms ranging from one to nine years (31 December 2003: one to three years). 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 2004, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
Within one year	3,952	1,512
In the second to fifth years, inclusive	9,385	1,003
After five years	3,836	–
	17,173	2,515

(b) As lessee

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms of one year.

At 30 June 2004, the Group had total future minimum lease payments under non-cancellable operating leases, in respect of land and buildings, falling due as follows:

	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
Within one year	271	338

15. Commitments

In addition to the operating lease commitments detailed in note 14 to the financial statements, the Group had the following commitments at the balance sheet date:

	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
Capital commitments on the acquisition of fixed assets:		
Contracted, but not provided for	129,137	4,766
Authorised, but not contracted for	515,032	329,336
	644,169	334,102

15. Commitments (Cont'd)

* On 15 April 2004, the directors of the Company approved an increase in the Group's commitments in respect of the construction of a new brewery in Shantou ("Shantou Brewery") to RMB400 million. During the period, the Group entered into project contracts with certain independent third parties for the purpose of constructing Shantou Brewery and developing the beer production business in Shantou.

On 31 May 2004, the Group entered into a letter of intent with Songshan Lake Technology Industrial Park Management Committee for the proposed construction of a new brewery in Dongguan ("Dongguan Brewery"). It is currently anticipated by the directors that the Group will invest approximately RMB375 million, as the total investment, for the phase I construction of Dongguan Brewery with an annual production capacity of 200,000 tonnes.

16. Post Balance Sheet Event

Subsequent to the balance sheet date, pursuant to a special resolution passed at the annual general meeting of the Company held on 15 June 2004 and approved by the Registrars of Companies of Bermuda and Hong Kong, the name of the Company was changed from Guangdong Brewery Holdings Limited to Kingway Brewery Holdings Limited. The Chinese translation of the Company name for identification purposes was changed from 粵海啤酒集團有限公司 to 金威啤酒集團有限公司.

17. Related Party Transactions

The nature and terms of material related party transactions are the same as those disclosed in the Group's audited financial statements for the year ended 31 December 2003. The magnitude of the transactions during the period is as follows:

	For the six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Purchase of malt from a fellow subsidiary, Guangzhou Malting Co., Ltd.	37,720	22,323
Purchase of malt from a fellow subsidiary, Ningbo Malting Co., Ltd.	–	11,418
Rental of office premises paid to a fellow subsidiary, Bateson Developments Ltd.	217	217

18. Approval of the Interim Financial Statements

These condensed interim financial statements were approved and authorised for issue by the Board of Directors on 16 September 2004.

INDEPENDENT AUDITORS' REVIEW REPORT



To The Board of Directors

Kingway Brewery Holdings Limited

(Formerly known as Guangdong Brewery Holdings Limited)

(Incorporated in Bermuda with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 4 to 17.

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 Institute of Certified Public 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 Institute of Certified Public 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 2004.

Ernst & Young

Certified Public Accountants

Hong Kong

16 September 2004

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Board of Directors is pleased to report a remarkable growth in Group's results for the first half of 2004. The unaudited consolidated net profit attributable to shareholders was HK\$70.06 million (2003: HK\$46.13 million), representing an increase of 51.9% over the same period of 2003; basic earnings per share was 5.2 HK cents (2003: 3.7 HK cents), representing an increase of 40.5% over the same period of 2003.

Key Operating Data

The sales volume of Kingway beer for the first half of the year was 158,000 tonnes (2003: 112,000 tonnes), representing an increase of 41.1% over the same period of 2003. The consolidated turnover was HK\$399 million (2003: HK\$290 million), increased by 37.8% as compared to the same period of 2003. The unaudited consolidated net profit attributable to shareholders was HK\$70.06 million (2003: HK\$46.13 million), representing an increase of 51.9% over the same period of 2003. EBITDA for the first half of the year was HK\$130 million (2003: HK\$109 million), increased by 18.7% as compared to the same period last year.

As these key operating data show, the Group achieved substantial growth as compared to the same period last year.

Business Review

The production and sale of Kingway beer continued to be the principal business of the Group during the first half of the year. The sales were primarily conducted in the Guangdong Province, Mainland China.

During the period under review, the main theme of the business concept of the Group is to emphasize on financial performance and efficiency. We have been focusing on developing market oriented initiatives with strong sales forces to achieve our sales target through innovation and effective execution. Set forth below are the key areas of our achievements: –

1. With respect to brand building, the Group has adopted innovative marketing strategies to enhance the awareness of Kingway brand. During the first half of the year, the Group co-produced and sponsored the "Kingway 2004 International Supermodel Contest". This was an international event with 46 contestants coming from 33 countries or regions. The various activities of the contest had drawn significant media attention throughout the second quarter of the year in Guangdong. On the media advertising front, the Group has created a fun loving 3-D chameleon character to perform in the television advertisement to promote Kingway as healthy beer. In addition, the Kingway art performance troupe performed more than 110 shows to over 700 thousand audience during the first half of 2004 to promote the Kingway brand directly.

MANAGEMENT DISCUSSION AND ANALYSIS *(Cont'd)***Business Review** *(Cont'd)*

2. The distribution policy of “precise market segmentation, sound distribution network, operational prudence and excellence, and target-based management” has been fully implemented. With emphasis on retail outlets management, it is important to have the sales force professionally manage to strengthen our competitiveness in the end-user market. In order to efficiently manage the fast market, our distribution networks have been segmented into 10 major sales regions, with 50 areas and 220 zones. As at the end of the period, the total number of sales and promotion staff and contractual promotion associates increased over 3 times when comparing to the year end of 2001.
3. Kingway beer has been promoting the use of Green Technology to produce healthy beer since last year. The Green Technology has been awarded as the annual promotion project sponsored by the National Technology Bureau. In July 2004, Kingway beer has been accredited the “Green Food” award, being the only PRC brewery that received the award for all of its beer products. Kingway beer has always taken a leading position not just in the area of production technology, but also in the area of innovation of beer products.
4. Following the completion of Heineken APB investment in the Group as our strategic partner in February 2004, we have been sharing our experiences and seeking opportunities to cooperate in different areas, including the trial run of joint promotion activities and using common sales channel in selected regions in Guangdong. Since July 2004, Heineken Hong Kong Limited has been appointed as the Group’s sole distribution agent of Kingway beer in Macau. We believe that the continuous collaboration between the Group and Heineken APB would benefit the business development of the Group.
5. The Group is actively pursuing to upgrade its information system. Both the Customer Relation Management System (CRM) and Business Intelligent System are currently under construction and are expected to be in trial run in October. These systems combine and analyse the information gathered from marketing, sales and after sales services to provide the management with valuable and timely information so as to support the formulation of the sales strategy.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)**Business Review** (Cont'd)

6. As existing production facilities of the Group have almost reached full capacity, we have to expand our production capacity to sustain our development. The first phase of the construction of the new Shantou Kingway Plant, with an annual production capacity of 100 thousand tonnes, is scheduled to be completed in the first quarter of 2005. Besides, the Group announced the construction of a new Kingway plant with a designed annual production capacity of 400 thousand tonnes in the Songshan Lake Technology Industrial Park of Dongguan in May 2004. The total investment for the first phase, with an annual production capacity of 200 thousand tonnes, is expected to be RMB375 million and will commence production in early 2006. Dongguan has huge market potential but with no local brewery production. The construction of a new plant in Dongguan represents a major strategic step to penetrate into the beer market of the Pearl River Delta.

Other than the projects mentioned above, the Group has also explored the opportunities to acquire or establish new brewery plants both within or outside Guangdong in order to lay a foundation for our five-year strategic expansion plan.

7. In July 2004, HSI Services Limited announced the inclusion of the Company in a series of indexes, including the Hang Seng China-Affiliated Corporations Index, with effect from 9 August 2004. This indicates that the efforts of the management in the last few years and the performance of the Group have been well received by the market.

Financial Review

Notwithstanding the increase in the price of some raw materials and packaging materials (e.g. the price of rice increased by almost 50% as compared to the same period last year) in the first half of the year, the Group has taken various measures to alleviate the pressure from the increase in production costs. We have selected our suppliers through public tenders, "Sunshine Programme", to drive down the purchase costs. The increase in production volume has enhanced the bargaining power of the Group on bulk purchase, and reduced the unit fixed costs with increase in utilisation rate. The resulting average unit costs per tonne of beer sold was HK\$1,294 (2003: HK\$1,449), representing a decrease of 10.7% over the same period last year.

During the period under review, the increase in the marketing and promotional activities, including the International Supermodel Contest and the performances of Kingway art performance troupe, the expansion in the sales force and contractual promotion associates, and together with the performance-linked wages, selling and distribution expenses was HK\$86.68 million (2003: HK\$58.23 million), increased by 48.9% over the same period last year. The average selling and distribution expenses per tonne of beer sold was HK\$549 (2003: HK\$520), with a moderate increase of 5.6% as compared to the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)**Financial Review** (Cont'd)

Administrative expenses for the first half of the year was HK\$28.99 million (2003: HK\$15.45 million), representing an increase of 87.6%, partly due to the pre-operating expenses of Shantou Kingway Plant. In addition, the remuneration of the management and the staff has been increased as their remuneration are directly linked to the Group's performance. Professional fees incurred in conducting due diligence and feasibility studies of certain M&A transactions and greenfield projects also accounted for the increase in administrative expenses for the period. The Group had no finance cost during the first half of 2004 and 2003 as the Group had no interest-bearing debt.

The Group had no bank borrowing and contingent liability recorded as at 30 June 2004. The Group was in net cash position, reflecting a sound capital structure of the Group.

Financial Resources and Liquidity

On 19 February 2004, Heineken APB has become the strategic shareholder of the Company. The Company allotted 133,768,000 new shares with an issue price of HK\$1.85 per share. The Company received a total of HK\$244 million, net of share issue expenses.

As at 30 June 2004, the Group had cash and bank balances of HK\$563 million (including a pledged bank balance of HK\$27.65 million), of which 26.3% was in USD, 5.1% was in EUR, 7.6% was in HKD and 61.0% was in RMB. Cash generated from operations for the period was HK\$75.95 million. With the current cash reserve and the recurrent operating cash inflow, the Group has sufficient cash and financial resources to fund its current operations as well as capital investments required for the construction of Shantou and Dongguan brewing plants.

Capital Expenditure

During the first half of the year, the capital expenditure of the Group was HK\$110 million (2003: HK\$21 million), of which HK\$100 million was attributable to the construction of the Shantou Kingway Plant. It is expected that the capital expenditure will increase with the progress of construction of the Shantou Kingway Plant in the second half of the year.

Amber Brewery

The purchaser of Central China (Asia) Investment Limited, which holds 50% equity interests in Shandong Huazhong Amber Brewery Co. Ltd., has actively discussed with the Group about the repayment of the outstanding principal of HK\$12.23 million together with the overdue interests. While the purchaser has requested for more time to make financial arrangements for the payment, he intended to realise other assets in his possession to repay the amount due to the Group and we are exploring different ways to collect the outstanding amount.

MANAGEMENT DISCUSSION AND ANALYSIS *(Cont'd)*

Human Resources

The Group currently employs approximately 1,140 staff. The total remuneration of the staff was HK\$32.67 million. The Group places strong emphasis on improving quality of its staff and their productivity and also encourages them to attend professional training programmes. As part of the collaboration with our strategic partner, Heineken APB have sent their experts to conduct seminars to our Kingway staff to enhance their skills and knowledge in the areas of marketing, promotion and the brand building strategy.

Outlook

The Group has achieved the best interim results since its incorporation. In light of high growth of sales of Kingway beer, the management is optimistic about the business prospects and the performance of the Group in the second half of the year. We will continue to explore and develop our potential markets and strengthen the sales network so as to build a good foundation for further business expansion of Kingway beer. The management is confident to double the sales volume as compared to that of 2001. The Group has formulated a five-year strategic plan to increase the annual beer sales volume to over 1 million tonne in five years' time and aim to have Kingway to become the market leader in Guangdong and a top-5 brewer in the PRC. The management and the staff of the Group will dedicate to achieve this corporate goal.

INTERIM DIVIDEND

The Board of Directors has resolved to declare the payment of an interim dividend of 1.5 HK cents (2003: 1.0 HK cent) per share for the six months ended 30 June 2004. The interim dividend will be paid to the shareholders whose names appear on the Register of Members on Friday, 8 October 2004. The interim dividend will be paid on Friday, 29 October 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed on Thursday, 7 October 2004 and Friday, 8 October 2004. 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, 6 October 2004.

DIRECTORS' INTERESTS IN SECURITIES**Directors' Interests and Short Positions in the securities of the Company and its associated corporations**

As at 30 June 2004, the interests and short positions of the directors and chief executive 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 (the "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 taken 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 (the "Listing Rules"), were as follows:

I. Shares

(i) The Company

Name of Director	Type of interest	Number of shares held	Long/short position	Approximate percentage of holding
Jiang Guoqiang	Personal	3,972,000	Long position	0.2849
Luo Fanyu	Personal	70,000	Long position	0.0050
Ho Lam Lai Ping, Theresa	Personal	80,000	Long position	0.0057
Michael Wu	Personal	134,000	Long position	0.0096
Fung Sing Hong, Stephen	Personal	24,000	Long position	0.0017

Note: The number of the issued shares of the Company as at 30 June 2004 was 1,394,368,000.

(ii) Guangdong Investment Limited

Name of Director	Type of interest	Number of shares held	Long/short position	Approximate percentage of holding
Ho Lam Lai Ping, Theresa	Personal	600,000	Long position	0.0110
Michael Wu	Personal	54,000	Long position	0.0010
	Family*	18,000	Long position	0.0003
Cheng Mo Chi, Moses	Personal	1,000,000	Long position	0.0183

* *held by the spouse of Mr. Michael Wu*

Note: The number of the issued ordinary shares of Guangdong Investment Limited as at 30 June 2004 was 5,463,382,672.

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)

(iii) Guangdong Tannery Limited

Name of Director	Type of interest	Number of shares held	Long/short position	Approximate percentage of holding
Luo Fanyu	Personal	70,000	Long position	0.0134
Fung Sing Hong, Stephen	Personal	226,000	Long position	0.0431

Note: The number of the issued shares of Guangdong Tannery Limited as at 30 June 2004 was 524,154,000.

II. Options

(i) The Company

Name of Director	Number of options held on 01/01/2004	Options granted Jan – Jun 2004		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 2004	Number of options held on 30/06/2004	Long/Short Position
		Date granted	Number granted						
Ye Xuquan	2,000,000	-	-	27/08/2003-26/08/2008	1	0.84	-	2,000,000	Long Position
	-	06/02/2004	7,000,000	07/05/2004-06/05/2009	1	1.93	-	7,000,000	Long Position
Jiang Guoqiang	10,000,000	-	-	11/04/2002-10/04/2007	-	0.383	10,000,000	-	Long Position
	2,000,000	-	-	27/08/2003-26/08/2008	1	0.84	-	2,000,000	Long Position
Cheng Mo Chi, Moses	300,000	-	-	27/08/2003-26/08/2008	1	0.84	-	300,000	Long Position
	-	06/02/2004	300,000	07/05/2004-06/05/2009	1	1.93	-	300,000	Long Position
Alan Howard Smith	300,000	-	-	27/08/2003-26/08/2008	1	0.84	-	300,000	Long Position
	-	06/02/2004	300,000	07/05/2004-06/05/2009	1	1.93	-	300,000	Long Position
V-nee Yeh	300,000	-	-	27/08/2003-26/08/2008	1	0.84	-	300,000	Long Position
	-	06/02/2004	300,000	07/05/2004-06/05/2009	1	1.93	-	300,000	Long Position
Fung Sing Hong, Stephen	400,000	-	-	27/08/2003-26/08/2008	1	0.84	-	400,000	Long Position
	-	06/02/2004	400,000	07/05/2004-06/05/2009	1	1.93	-	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 01/01/2004	Options granted Jan – Jun 2004		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 2004	Number of options held on 30/06/2004	Long/Short Position
		Date granted	Number granted						
Ye Xuquan	7,000,000	-	-	11/02/2002-10/02/2007	-	0.5312	-	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
	3,000,000	-	-	08/08/2003-07/08/2008	1	1.22	-	3,000,000	Long Position
	-	06/02/2004	3,000,000	07/05/2004-06/05/2009	1	1.59	-	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
	1,000,000	-	-	08/08/2003-07/08/2008	1	1.22	-	1,000,000	Long Position
	-	06/02/2004	1,000,000	07/05/2004-06/05/2009	1	1.59	-	1,000,000	Long Position
	-	24/05/2004	450,000	25/08/2004-24/08/2009	1	1.25	-	450,000	Long Position
Ho Lam Lai Ping, Theresa	1,000,000	-	-	08/11/2002-07/11/2007	-	0.814	400,000	600,000	Long Position
	1,200,000	-	-	05/03/2003-04/03/2008	1	0.96	-	1,200,000	Long Position
	1,500,000	-	-	08/08/2003-07/08/2008	1	1.22	-	1,500,000	Long Position
	-	06/02/2004	1,500,000	07/05/2004-06/05/2009	1	1.59	-	1,500,000	Long Position
	-	24/05/2004	1,000,000	25/08/2004-24/08/2009	1	1.25	-	1,000,000	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 2004, to the knowledge of the Company, none of the directors, chief executive 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 taken 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 corporations 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.

SHARE OPTIONS OF THE COMPANY

In assessing the theoretical aggregate value of the share options granted during the period, the Black-Scholes option pricing model has been used.

Share options granted during the period ended 30 June 2004:

Date of Grant	:	06/02/2004
Vesting Period	:	06/02/2004 – 06/05/2004
Exercise Period	:	07/05/2004 – 06/05/2009
Exercise Price	:	HK\$1.93 per share

	Number of Options At 06/02/2004	Options Value At 06/02/2004 <i>(Note (2))</i> HK\$	Number of Options At 30/06/2004	Options Value At 30/06/2004 <i>(Note (3))</i> HK\$
Grantee:				
YE Xuquan	7,000,000	6,580,000	7,000,000	6,160,000
CHENG Mo Chi, Moses	300,000	282,000	300,000	264,000
Alan Howard SMITH	300,000	282,000	300,000	264,000
V-nee YEH	300,000	282,000	300,000	264,000
FUNG Sing Hong, Stephen	400,000	376,000	400,000	352,000
Aggregate total of employees	<u>12,400,000</u>	<u>11,656,000</u>	<u>12,400,000</u>	<u>10,912,000</u>
Total	<u>20,700,000</u>	<u>19,458,000</u>	<u>20,700,000</u>	<u>18,216,000</u>

SHARE OPTIONS OF THE COMPANY (Cont'd)**Share options granted during the period ended 30 June 2004:** (Cont'd)

Notes:

(1) The closing price of the shares of the Company immediately before the date on which the options were granted was HK\$1.90.

(2) According to the Black-Scholes model¹, the total value of the options was estimated at HK\$19,458,000 as at 6 February 2004 (when the options were granted) with the following variables and assumptions:

Risk Free Rate : 2.83%, being the approximate yield of 5-year Exchange Fund Note traded on 06/02/2004.

Expected Volatility : 59.2%, being the annualised volatility of the closing price of the shares of the Company from 07/02/2003 to 06/02/2004.

Expected Dividend Yield : 1.30%, being the approximate yield of the shares of the Company over the period from 07/02/2003 to 06/02/2004.

Expected Life of the Options : 5.25 years

Assumptions : There is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares of the Company over the period from 07/02/2003 to 06/02/2004.

(3) According to the Black-Scholes model¹, the total value of the options was estimated at HK\$18,216,000 as at 30 June 2004 with the following variables and assumptions:

Risk Free Rate : 3.72%, being the approximate yield of 5-year Exchange Fund Note traded on 30/06/2004.

Expected Volatility : 48.7%, being the annualised volatility of the closing price of the shares of the Company from 01/07/2003 to 30/06/2004.

Expected Dividend Yield : 1.24%, being the approximate yield of the shares of the Company over the period from 01/07/2003 to 30/06/2004.

Expected Life of the Options : 4.93 years

Assumptions : There is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares of the Company over the period from 01/07/2003 to 30/06/2004.

(4) Options forfeited, if any, before expiry of the options will be treated as lapsed options which will be added back to the number of shares available to be issued under the relevant share option scheme.

¹ The Black-Scholes model (the "Model") is developed to estimate the fair value of publicly traded options that have no vesting restriction and are fully transferable. The Model is only one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

SHARE OPTIONS OF THE COMPANY (Cont'd)**Share options granted during the period ended 30 June 2004:** (Cont'd)

Details of the options of the Company held by the Directors of the Company are set out in the section headed "Directors' Interests in Securities" of this report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2004, so far as is known to any director or chief executive of the Company, the following persons (other than directors 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:

Name of shareholders	Type of securities	Number of securities held	Long/Short position	Approximate percentage of the Company's issued capital
廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited) <i>(note 1)</i>	Shares	1,033,768,000	Long position	74.14%
GDH Limited ("GDH") <i>(note 1)</i>	Shares	1,033,768,000	Long position	74.14%
Heineken Holding N.V. ("Heineken HNV") <i>(notes 2 and 3)</i>	Shares	1,033,768,000	Long position	74.14%
	Shares	299,264,280	Short position	21.46%
Heineken N.V. ("Heineken NV") <i>(notes 2 and 3)</i>	Shares	1,033,768,000	Long position	74.14%
	Shares	299,264,280	Short position	21.46%
Heineken International B.V. ("Heineken IBV") <i>(notes 2 and 3)</i>	Shares	1,033,768,000	Long position	74.14%
	Shares	299,264,280	Short position	21.46%

SUBSTANTIAL SHAREHOLDERS' INTERESTS (Cont'd)

Name of shareholders	Type of securities	Number of securities held	Long/Short position	Approximate percentage of the Company's issued capital
Fraser and Neave, Limited ("F & N") (notes 2 and 3)	Shares	1,033,768,000	Long position	74.14%
	Shares	299,264,280	Short position	21.46%
Asia Pacific Investment Pte Ltd ("APIP") (notes 2 and 3)	Shares	1,033,768,000	Long position	74.14%
	Shares	299,264,280	Short position	21.46%
Asia Pacific Breweries Limited ("APB") (notes 2 and 3)	Shares	1,033,768,000	Long position	74.14%
	Shares	299,264,280	Short position	21.46%
Heineken Asia Pacific Breweries (China) Pte Ltd ("Heineken APB") (notes 2 and 3)	Shares	1,033,768,000	Long position	74.14%
	Shares	299,264,280	Short position	21.46%

- Notes:
- (1)(a) 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, namely GDH.
- (1)(b) Of these 1,033,768,000 shares: (i) 734,503,720 shares are beneficially held by GDH, (ii) 165,496,280 shares relate to derivative interests of GDH, and (iii) 133,768,000 shares relate to the deemed interests of GDH under section 318 of the SFO.
- (2)(a) Of these 1,033,768,000 shares: (i) 299,264,280 shares are beneficially held by Heineken APB and (ii) 734,503,720 shares relate to the deemed interests of Heineken APB under section 318 of the SFO.
- (2)(b) In addition, by virtue of the SFO, each of Heineken HNV, Heineken NV, Heineken IBV, F & N, APIP and APB is deemed to be interested in the same 1,033,768,000 shares of the Company in which Heineken APB is interested, as described in note (2)(a) above.
- (3) The short position in respect of 299,264,280 shares arises as a result of the pre-emptive and other rights granted to GDH to, in certain specified circumstances, acquire Heineken APB's shareholding in the Company under a share purchase agreement dated 28 January 2004 and entered into between GDH and Heineken APB.

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(Cont'd)*

Save as disclosed above, no other person (other than directors or chief executive of the Company) known to any director or chief executive of the Company as at 30 June 2004 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 throughout the Period.

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the Period.

The Company has an audit committee which was established in accordance with the Code of Best Practice. The Audit Committee comprises three independent non-executive directors 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, 16 September 2004