

## UNAUDITED INTERIM RESULTS

The Board of Directors of Guangdong Brewery Holdings Limited (the "Company") is pleased to announce that the unaudited combined results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 1997 (the "Period") together with comparative figures for the same period in 1996 are as follows:

	<i>Notes</i>	Unaudited Six Months Ended 30th June,		Increase %
		1997 HK\$'000	1996 HK\$'000	
TURNOVER		<u>241,043</u>	<u>191,025</u>	26
PROFIT BEFORE TAXATION		54,009	45,101	20
Taxation	(2)	<u>(3,828)</u>	<u>(3,601)</u>	
PROFIT BEFORE MINORITY INTERESTS		50,181	41,500	21
Minority interests		<u>(12,205)</u>	<u>(10,375)</u>	
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>37,976</u>	<u>31,125</u>	22
Transfer to reserves		<u>3,990</u>	<u>4,202</u>	
Interim dividends		<u>—</u>	<u>—</u>	
EARNINGS PER SHARE	(3)	<u>4.2 cents</u>	<u>3.5 cents</u>	20

*Notes.*

**1. Basis of Presentation**

The Company was incorporated in Bermuda on 21st March, 1997 as a wholly-owned subsidiary of Guangdong Investment Limited ("GDI"). In preparing for the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company and its subsidiaries comprising the Group underwent a reorganisation (the "Reorganisation") in July 1997 as set out in the Prospectus of the Company dated 29th July, 1997 (the "Prospectus"). As a result of the Reorganisation, the Company became the ultimate holding company of the Group on 22nd July, 1997. The shares of the Company were listed on the Stock Exchange on 8th August, 1997 and GDI holds 72% of the issued share capital of the Company.

This announcement deals with the unaudited combined results of the Group for the six months ended 30th June, 1997 before the Company became listed and is issued in compliance with the Rules Governing the Listing of Securities on the Stock Exchange.

The unaudited combined results include the unaudited results of the companies now comprising the Group as if the current Group structure had been in existence throughout the relevant periods, or since the dates of their incorporation or registration where this is a shorter period. All material intra-group transactions and balances have been eliminated on combination.

**2. Taxation**

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries had no assessable profits derived from or earned in Hong Kong during the relevant periods. Tax on assessable profit of a subsidiary of the Company operating in mainland China has been calculated at the rate of enterprise income tax applicable to that subsidiary.

The Group did not have any significant unprovided deferred taxation in respect of each of the relevant periods

	<b>Unaudited Six Months Ended 30th June,</b>	
	<b>1997</b>	<b>1996</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:		
Hong Kong	—	—
Mainland China	3,828	3,601
	<hr/>	<hr/>
Taxation charge for the period	<u>3,828</u>	<u>3,601</u>

### **3. Earnings Per Share**

The calculation of the basic earnings per share is based on the Group's unaudited net profit attributable to shareholders for the six months ended 30th June, 1997 of HK\$37,976,000 (1996: HK\$31,125,000) and a total of 900,000,000 shares (1996: 900,000,000 shares) in issue during the Period and shares issued pursuant to the Reorganisation and the capitalisation issue of the Company (as more fully described in the Prospectus). The shares were assumed to be in issue throughout the relevant periods. The fully diluted earnings per share is not calculated as no options entitling the holders thereof to subscribe for shares of the Company were granted prior to 30th June, 1997.

### **INTERIM DIVIDEND FOR THE SIX MONTHS ENDED 30TH JUNE, 1997**

As mentioned in the Prospectus, a special dividend of HK\$132,755,000 was declared on 30th April, 1997 by one of the companies now comprising the Group to its then shareholders.

As the shares of the Company were recently listed on the Stock Exchange, the Board of Directors has decided not to declare an interim dividend for the six months ended 30th June, 1997.

### **BUSINESS REVIEW**

Although the overall beer market was affected by the incessant rain and cool weather which prevailed in South China during the first half of 1997, the result of the Group remains very satisfactory. The Group recorded a 19% rise in sales volume of Kingway beer reaching 62,000 tonnes and a 26% growth in turnover amounting to HK\$241 million, as compared with the same period last year. The unaudited net profit attributable to shareholders amounted to HK\$37,976,000, a 22% increase over the corresponding period of 1996, achieving 42% of this year's profit forecast. Given the fact that the peak season of beer market in South China is in the second half of the year, the Directors have full confidence in achieving this year's profit forecast.

This year, the Group has dedicated its effort to reinforcing its marketing teams through various incentive schemes, active exploration of new markets, particularly in the Pearl River Delta region, intensive advertising and promotion campaign and the establishment of new sales offices. These efforts have

contributed to a significant boost in the market share of Kingway beer. The sales of our products in the existing markets including Shenzhen, Changsha, Nanjing and Guangxi are growing steadily, as brand recognition was further enhanced. The Group has continued to improve its product mix, increase the sales proportion of Kingway Special 13-degree processed beer from last year's 10% to 13% by strengthening its promotion and distribution. Since the beer market is very competitive, especially in the low end, the Group develops an all round product mix with emphasis on premium beer to secure a high profit margin. To keep pace with the various consumer preferences, the Group has persistently committed to research and development of new products. The introduction of Kingway 11-degree light beer packaged in the popular green bottles, has been well-received by the market since its launch this year.

After a year's effort, the Bao An Plant No. 2 commenced its trial production on 28th August. The rapid construction of a brewery plant equipped with the most advanced technology and an annual production capacity of 200,000 tonnes within a year has set a record both domestically and overseas. Commencement of operation of the plant is scheduled for early 1998.

## **PROSPECT**

The successful listing of the Company on the Stock Exchange on 8th August contributes not only a proceed of approximately HK\$600 million for business development, but also raises the staff morale and provides the impetus for further improvement of management system. Above all, the brand recognition of Kingway beer has been strengthened both domestically and overseas. 1997 is a crucial year for the Group. For the second half of the year, the Group will put further efforts in developing new markets and the enlargement of market share, paving the way for the commencement of operation of Plant No. 2 in the coming year. Through intensified advertising and setting up of sales offices, the Group's products are progressively extending from their base in Guangdong towards a nation-wide distribution network. To further capitalise on the economies of scale in which the annual production capacity of Plants No. 1 and No. 2 will reach 400,000 tonnes next year, the Group is negotiating with suppliers for more favourable prices and terms of payments, with a prospect to reducing the production cost.

With the improving living standard in mainland China particularly in the coastal region where faster economic growth is expected, the reliable quality of

Kingway beer, an established brand name, advanced technology and effective management, together with the support of the parent companies, Guangdong Enterprises (Holdings) Limited and GDI, the Directors believe that the Group will develop into a sizable, modern and highly effective brewery group. In a constant drive to maximise benefits for shareholders and achieve the Group's production target of 1 million tonnes by the year 2000, the Board has put forward a series of initial studies on good potential projects.

## **DIRECTORS' INTERESTS IN SHARE CAPITAL**

As the shares of the Company were listed on the Stock Exchange on 8th August, 1997, no register of interests of the Directors and chief executive of the Company in the equity of the Company or any of its associated corporations was required to be kept on 30th June, 1997 pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance.

At no time during the Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debts securities of, the Company and none of the Directors, or their spouse or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights

## **SUBSTANTIAL SHAREHOLDER**

As the shares of the Company were listed on the Stock Exchange on 8th August, 1997, no register of shareholders who are interested in 10% or more of the share capital of the Company was required to be kept on 30th June, 1997 pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance.

## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

As the shares of the Company were listed on 8th August, 1997, the Company did not have any listed securities during the Period.

## **CODE OF BEST PRACTICE**

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange throughout the Period except that the Non-Executive Directors are not appointed for a specific term as they are subject to retirement by rotation in accordance with the Company's Bye-laws.

By order of the Board

**Au Wai Ming**

*Chairman*

Hong Kong, 22nd September, 1997