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Kingway Brewery Holdings Limited

金威啤酒集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 124)

CONTINUING CONNECTED TRANSACTION

SUPPLEMENTAL AGREEMENT AND 2010 ANNUAL CAP FOR THE MANUFACTURING AND SUPPLY OF BEER TO HAPCO

Reference is made to the announcements of the Company dated 22 April 2008 and 12 June 2009 in relation to the agreement (the "Agreement") entered into between the Company's indirect wholly-owned subsidiary, Kingway Foshan, and HAPCO, a connected person of the Company under the Listing Rules, for the manufacturing and supply of beer to be sold under the ANCHOR brand.

On 23 December 2009, Kingway Foshan entered into a supplemental agreement (the "Supplemental Agreement") with HAPCO to extend the period during which HAPCO is to arrange to take delivery of the remaining beer purchased under the Agreement to 30 June 2010. The Supplemental Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

Pursuant to the terms of the Agreement, HAPCO is required to purchase not less than 30,000 tonnes of beer during the period of twelve months commencing from the day HAPCO received its first batch of quality approved products on 29 July 2008. Of all the 30,000 tonnes of beer purchased by HAPCO under the Agreement and for which HAPCO has already paid the full contract price, HAPCO has only taken delivery of 25,694 tonnes, leaving another 4,306 tonnes yet to be arranged to take delivery and/or yet to be delivered as at 20 December 2009. It has accordingly been agreed that the remaining beer purchased under the Agreement will be delivered on or before 30 June 2010 pursuant to the Supplemental Agreement. As a result, the Company proposes to set an annual cap of RMB5,000,000 (equivalent to HK\$5,714,000) for the year ending 31 December 2010 (the "2010 Cap"). The actual sales revenue from the Continuing Connected Transaction for the period ended 20 December 2009 was RMB18,258,000 (equivalent to HK\$20,866,000) which did not exceed the Revised 2009 Cap of RMB26,000,000 (equivalent to HK\$29,714,000).

Pursuant to Rule 14A.36(2) of the Listing Rules, where the relevant agreement is renewed or there is a material change to the terms of the agreement, the Company must re-comply with the reporting, announcement and/or independent shareholders' approval requirements (as appropriate) as set out in Rules 14A.35(3) and 14A.35(4) of the Listing Rules.

The applicable percentage ratios in respect of the 2010 Cap are less than 2.5% respectively. Accordingly, the Continuing Connected Transaction is only subject to the reporting and announcement requirements of Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from the independent shareholders' approval requirement under Rule 14A.48 of the Listing Rules.

Reference is made to the announcements (the “Announcements”) of the Company dated 22 April 2008 and 12 June 2009 in relation to, inter alia, the Agreement entered into between the Company’s indirect wholly-owned subsidiary, Kingway Foshan, and HAPCO for the manufacturing and supply of beer to be sold under the ANCHOR brand pursuant to the terms and conditions of the Agreement. Capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements unless otherwise stated.

DESCRIPTION OF THE CONNECTED RELATIONSHIP

The Group is principally engaged in the production and distribution of beer under its renowned Kingway brand. The principal business activity of HAPCO is distribution and selling of beer under its renowned ANCHOR brand. HAPCO is a wholly-owned subsidiary of Heineken-APB (China) Pte Ltd, which is a substantial shareholder of the Company and accordingly, a connected person of the Company under the Listing Rules.

On 18 April 2008, the Company, through its indirect wholly-owned subsidiary, Kingway Foshan, has entered into the Agreement with HAPCO for the manufacturing and supply of beer to be sold under the ANCHOR brand pursuant to the terms and conditions of the Agreement.

On 23 December 2009, Kingway Foshan entered into the Supplemental Agreement with HAPCO to extend the period during which HAPCO is to arrange to take delivery of the remaining beer purchased under the Agreement to 30 June 2010.

Since the above transaction involves the provisions of goods which is carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group, it constitutes a continuing connected transaction (“Continuing Connected Transaction”) of the Company under the Listing Rules.

SUPPLEMENTAL AGREEMENT

A summary of the terms of the Supplemental Agreement are as follows:

Date : 23 December 2009

Parties : 1. Kingway Foshan, as the seller
2. HAPCO, as the purchaser

Subject matter: Pursuant to the terms of the Agreement, HAPCO is required to purchase not less than 30,000 tonnes of beer during the period of twelve months commencing from the day HAPCO received its first batch of quality approved products on 29 July 2008. HAPCO had paid the full contract price of the 30,000 tonnes of beer under the Agreement before 29 July 2009. Of all the 30,000 tonnes of beer purchased by HAPCO under the Agreement and for which HAPCO has already paid the full contract price, HAPCO has only taken delivery of 25,694 tonnes, leaving another 4,306 tonnes yet to be arranged to take delivery and/or yet to be delivered as at 20 December 2009. It has accordingly been agreed that the remaining beer purchased under the Agreement will be delivered on or before 30 June 2010 pursuant to the Supplemental Agreement.

Save for the above-mentioned changes, there are no other material changes to the terms and conditions of the Agreement.

ANNUAL CAP FOR THE YEAR 2010

Pursuant to the terms of the Supplemental Agreement, HAPCO is required to arrange to take delivery of the remaining beer purchased under the Agreement on or before 30 June 2010. As a result, the Company proposes to set an annual cap of RMB5,000,000 (equivalent to HK\$5,714,000) for the year ending 31 December 2010. The actual sales revenue from the Continuing Connected Transaction for the period ended 20 December 2009 was RMB18,258,000 (equivalent to HK\$20,866,000) which did not exceed the Revised 2009 Cap of RMB26,000,000 (equivalent to HK\$29,714,000).

The 2010 Cap was determined after taking into account:

- (a) 4,306 tonnes of beer to be delivered to HAPCO in 2010 pursuant to the Supplemental Agreement;
- (b) the agreed price of goods;
- (c) each tonne is equivalent to 128.664 cartons;
- (d) the current value added tax chargeable by the local authorities in the PRC being 17%.

The sales revenue from the Continued Connected Transaction has no material impact to the financial statements of the Group.

REASONS FOR ENTERING INTO THE SUPPLEMENTAL AGREEMENT

Notwithstanding that the period during which HAPCO is to arrange to take delivery of the remaining of about 4,306 tonnes of beer purchased under the Agreement has been extended to 30 June 2010, it will not have material impact on the operation of the Group. Taking into account also of the fact that HAPCO has already paid the full contract price of all such remaining beer, the Directors consider that it would be in the interest of the Company and its shareholders to enter into such arrangement upon the terms and conditions of the Supplemental Agreement.

The Directors (including the independent non-executive Directors) consider the Supplemental Agreement and the related 2010 Cap to be fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14A.36(2) of the Listing Rules, where the relevant agreement is renewed or there is a material change to the terms of the agreement, the Company must re-comply with the reporting, announcement and/or independent shareholders' approval requirements (as appropriate) as set out in Rules 14A.35(3) and 14A.35(4) of the Listing Rules.

The applicable percentage ratios in respect of the 2010 Cap are less than 2.5% respectively. Accordingly, the Continuing Connected Transaction is only subject to the reporting and announcement requirements of Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from the independent shareholders' approval requirement under Rule 14A.48 of the Listing Rules.

If there is any further material change to the terms or renewal of the Agreement and/or Supplemental Agreement, or if the 2010 Cap is exceeded, the Company must re-comply with Rules 14A.35(3) and 14A.35(4) of the Listing Rules.

For use in this announcement and for illustration purpose only, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB0.875 to HK\$1. No representation is made that any amount in HK\$ and RMB could be converted at such rate.

By Order of the Board
Kingway Brewery Holdings Limited
LI Wenyue
Chairman

Hong Kong, 23 December 2009

As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. YE Xuquan, Mr. JIANG Guoqiang and Ms. LIANG Jianqin; seven Non-executive Directors, namely Mr. LI Wenyue, Mr. HUANG Xiaofeng, Mr. LUO Fanyu, Mr. Michael WU, Mr. Roland PIRMEZ (*Note 1*), Mr. KOH Poh Tiong (*Note 2*) and Mr. Sijbe HIEMSTRA (*Note 3*); and three Independent Non-executive Directors, namely Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho.

Notes:

1. Mr. Roland PIRMEZ has appointed Mr. TAN Tiang Hing as his alternate director.
2. Mr. KOH Poh Tiong has appointed Madam LOY Juat Boey as his alternate director.
3. Mr. Sijbe HIEMSTRA has appointed Mr. Kenneth CHOO Tay Sian as his alternate director.

** For Identification purpose only*