

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2000.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. There were no changes in the nature of the Group's activities during the year.

Segmental information

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

	2000		1999	
	Turnover HK\$'000	Contribution to profit from operating activities HK\$'000	Turnover HK\$'000	Contribution to profit from operating activities HK\$'000 <i>(Restated)</i>
By activity:				
Brewery operations	1,585,596	318,981	1,355,041	319,741
Retail operations	1,817,536	(74,361)	1,050,753	(64,384)
Dairy operations	662,635	62,377	464,218	51,081
Expressway operations	270,946	175,642	231,315	149,102
Water treatment operations	197,820	128,041	197,109	127,438
Hotel operations	144,940	16,582	138,289	18,111
Tourism operations	130,800	20,220	119,811	15,910
Property construction and development	365,121	28,945	223,952	(7,848)
Others	37,488	140,581	43,225	112,749
	5,212,882	817,008	3,823,713	721,900
By geographical area:				
People's Republic of China:				
Hong Kong	3,453	146,303	3,680	82,666
Elsewhere	5,209,429	670,705	3,820,033	639,234
	5,212,882	817,008	3,823,713	721,900

Results and dividends

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 23 to 78.

An interim dividend of HK\$0.10 per ordinary share was paid on 10 October 2000. The directors recommend the payment of a final dividend of HK\$0.15 per ordinary share in respect of the year, to shareholders on the register of members on 15 June 2001. This recommendation has been incorporated in the financial statements.

Summary financial information

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on pages 79 to 80. This summary is not part of the audited financial statements.

Fixed assets and investment and hotel properties

Details of movements in the fixed assets and investment and hotel properties of the Company and the Group are set out in note 13 to the financial statements.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 15 to the financial statements.

Jointly-controlled entities and associates

Particulars of the Company's and the Group's interests in its principal jointly-controlled entities and principal associates are set out in notes 16 and 17 to the financial statements, respectively.

Bank loans and other borrowings

Details of the bank loans and other borrowings of the Company and the Group are set out in note 30 to the financial statements.

Interest capitalised

Interest of approximately HK\$1,687,000 (1999: HK\$38,055,000) was capitalised during the year in respect of the Group's construction in progress and properties under development.

Purchase, sale or redemption of listed securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements.

Distributable reserves

At 31 December 2000, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$633,710,000. In addition, the Company's share premium account, in the amount of HK\$4,839,497,000 may be distributed in the form of fully paid bonus shares.

Major customers and major suppliers

In the year under review, the Group's sales to the five largest customers and purchases from the five largest suppliers accounted for less than 30% of the Group's turnover and purchases, respectively.

Directors

The directors of the Company during the year were:

Executive directors

Mr. Hu Zhao Guang (*Chairman*)

Mr. Yi Xi Qun (*Vice Chairman*)

Mr. Xiong Da Xin (*Vice Chairman and President*)

(Appointed on 23 February 2000)

Mr. Guo Ying Ming (*Vice Chairman and President*)

(Resigned on 23 February 2000)

Mr. Bai Jin Rong (*Executive Vice President*)

Mr. Xing Chun Hua

Mr. Zheng Wan He

Mr. Wei En Hong

Mr. Li Fu Cheng

Mr. Cong Shi Jie

(Resigned on 28 August 2000)

Mr. Bi Yu Xi

(Appointed on 28 August 2000)

Mr. Qiao Yu

Mr. Li Zhong Gen

Non-executive director

Mr. Fang Fang

(Appointed on 30 May 2000)

Independent non-executive directors

Mr. Lau Hon Chuen, Ambrose

Mr. Lee Tung Hai, Leo

Mr. Wang Xian Zhang

Subsequent to the balance sheet date, on 15 January 2001, Mr. Liu Kai was appointed as an executive director and the Vice President of the Company.

In accordance with Articles 96 and 105(A) of the Company's Articles of Association, Messrs. Bai Jin Rong, Liu Kai, Bi Yu Xi, Lau Hon Chuen, Ambrose, Lee Tung Hai, Leo, Wang Xian Zhang and Fang Fang will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 14 of the annual report.

Directors' service contracts

Except for Mr. Liu Kai who was appointed as an executive director on 15 January 2001, all the remaining executive directors proposed for re-election at the forthcoming annual general meeting have service contracts with the Company, each with an unexpired period of 29 months as of 31 December 2000. Mr. Liu Kai has entered into a service contract with the Company for a period of three years commencing on 15 January 2001.

Except as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

Directors' interests in contracts

No director had a beneficial interest in any material contract to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party during the year.

Directors' interests in shares

As at 31 December 2000, the interests of the directors and their associates in the issued share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

<u>Name of director</u>	<u>Nature of interest</u>	<u>Name of associated corporation</u>	<u>Number of shares held</u>
Zheng Wan He	Personal	Beijing Wangfujing Department Store (Group) Co., Ltd.	45,738
Li Fu Cheng	Personal	Beijing Yanjing Brewery Company Limited	18,720

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance as recorded in the register required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Directors' rights to acquire shares

As at 31 December 2000, the interests of the directors of the Company in options to subscribe for shares of the Company under the share option scheme of the Company were as follows:

Name of director	Number of options held	
	Note (a)	Note (b)
Mr. Hu Zhao Guang	400,000	3,600,000
Mr. Bai Jin Rong	240,000	2,160,000
Mr. Xing Chun Hua	240,000	2,160,000
Mr. Zheng Wan He	200,000	1,800,000
Mr. Wei En Hong	200,000	1,800,000
Mr. Li Fu Cheng	200,000	1,800,000
Mr. Qiao Yu	200,000	1,800,000
Mr. Li Zhong Gen	200,000	1,800,000

Notes:

- (a) These options were granted on 3 March 1998, at an exercise price per share of HK\$17.03. The cash consideration paid by each director for the options granted was HK\$1. The options can be exercised at any time in the next ten years commencing on 1 September 1998. No such options were exercised during the year.
- (b) These options were granted on 23 June 1998 at an exercise price per share of HK\$17.03. The consideration paid by each director for the options granted was HK\$1. The options can be exercised in 9 equal portions. The first portion is exercisable at any time commencing on 1 January 1999, and one additional portion becomes exercisable on 1 January in each of the following years. All of the options (to the extent not exercised) will become exercisable on 1 January 2007, and if not otherwise exercised, will lapse on 1 January 2009. No part of these share options was exercised during the year.
- (c) Due to the resignation of Mr. Guo Ying Ming on 23 February 2000, a total of 3,000,000 share options granted to him on 3 March 1998 (300,000 share options) and 23 June 1998 (2,700,000 share options) respectively were lapsed on 23 February 2000.
- (d) Due to the resignation of Mr. Cong Shi Jie on 28 August 2000, a total of 2,000,000 share options granted to him on 3 March 1998 (200,000 share options) and 23 June 1998 (1,800,000 share options) respectively were lapsed on 28 August 2000.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial shareholders

As at 31 December 2000, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares	%
Modern Orient Limited	90,050,000	14.47
Beijing Enterprises Investments Limited (Note 1)	384,000,000	61.69
Beijing Holdings Limited (Note 2)	395,361,000	63.51

Notes:

- (1) The interest disclosed included the shares owned by Modern Orient Limited. Modern Orient Limited is held directly as to 100% by Beijing Enterprises Investments Limited. Accordingly, Beijing Enterprises Investments Limited is deemed to be interested in shares owned by Modern Orient Limited.
- (2) The interest disclosed included the shares owned by Beijing Enterprises Investments Limited and Modern Orient Limited. Beijing Enterprises Investments Limited, the holding company of Modern Orient Limited, is held indirectly as to 50.37% by Beijing Holdings Limited. Accordingly, Beijing Holdings Limited is deemed to be interested in shares owned by Beijing Enterprises Investments Limited and Modern Orient Limited.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

Connected transactions

The connected transactions undertaken by the Group are set out in note 39 to the financial statements.

The independent non-executive directors of the Company have reviewed and confirmed that these connected transactions entered into by the Group were (i) in the ordinary course of the Group's business either on normal commercial terms, or on terms that are fair and reasonable so far as the Company's shareholders are concerned; (ii) in accordance with the terms of the agreements governing the transactions; and (iii) within the prescribed limits as set out in the waiver letter in respect of connected transactions granted by The Stock Exchange of Hong Kong Limited.

Pension scheme

Details of the pension scheme of the Group and the employer's pension costs charged to the profit and loss account for the year are set out in notes 2 and 5 to the financial statements, respectively.

Loan agreement with covenant relating to specific performance of the controlling shareholders

In 1998, the Company obtained a three-year US\$165 million loan facility. The loan agreement includes certain conditions imposing specific performance obligations on the Company's holding companies, among which are the following events which would constitute an event of default on the loan facility:

1. If the beneficial interest in more than 50% of the entire issued share capital of the Company ceases to be owned by persons or entities controlled by the Beijing Municipal People's Government of China; or
2. If any of the Company's holding companies stops or suspends payments to its creditors generally or is unable to or admits its inability to pay its debts as they fall due, or is declared or becomes bankrupt or insolvent.

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 of Hong Kong Limited throughout the accounting period covered by the annual report except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's articles of association.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

胡 昭 廣

Chairman

Hong Kong
10 April 2001