

RESULTS OF THE YEAR

Year 2000 is a year full of challenges to the Group. During the year, competition in the Mainland beer industry remained intense, especially in those regions and cities with more developed economies and higher consuming power. Facing the difficult market conditions, the Group actively strengthened its existing markets and developed new markets. The sales volume of Kingway beer for the year amounted to 171,000 tons, decreased by 6.0% as compared to last year. Due to changes in product mix, the consolidated turnover was HK\$614 million, representing a decrease of 10.0% from last year. Although there was a decrease in turnover, effective cost control had increased the gross profit margin from 33.1% of last year to 37.1% which was a satisfactory improvement. The consolidated net profit attributable to shareholders was HK\$10,242,000, representing a decrease of 80.6% from last year. Earnings per share were 0.8 cents, representing a decrease of 81.0% from last year. During the year, a provision of HK\$41,502,000 has been made on the investment in Shandong Huazhong Amber Brewery Co., Ltd. ("Amber Brewery"), which is intended to be disposed of by the Group. If such non-recurrent provision is excluded, the profit before tax increased by 12.4% from last year to HK\$69,688,000. The Group's cash inflow from operations was still satisfactory and the financial position of the Group remains stable. The non-current liabilities to equity ratio as at the year end was 22.5%, reducing from that of 33.2% as at the end of last year. The financial position of the Group had been further strengthened.

BUSINESS REVIEW

Kingway beer continues to focus on brand promotion and market development. During the year, the Group further increased its strength in advertising and promotion planning. The quality of the launched advertisement and promotional campaign was greatly improved which enhanced the Kingway brand in the market. The sales volume of Shenzhen market was successfully maintained while sales volume in the neighbouring provinces achieved satisfactory growth. However, sales volume in other geographical areas of Guangdong province decreased slightly. In the Hong Kong market, Kingway beer achieved outstanding results again in which sales volume increased substantially by 1.7 times as compared with that of last year to 2,423 tons.

The Group continued to strengthen its internal management with an ultimate aim of achieving further cost reduction. During the year, costs of sales of each ton of beer were reduced by 10.4% as compared to last year. As a result, the gross profit margin improved by 4.0%. Due to modification of internal structure and reduction of surplus staff, selling expenses and administrative expenses were decreased by 9.9% and 5.9% respectively. Interest expenses were reduced by 32.6% after continuously servicing debts.

AMBER BREWERY

The sales volume of beer products sold by Amber Brewery amounted to 168,000 tons in 2000, approximately the same as 1999. Owing to the keen competition in the Shandong beer market, the losses of Amber Brewery had increased to HK\$28,992,000. After a prudent evaluation, the Group had intended to dispose of its interest in Amber Brewery and to make a provision of HK\$41,502,000 for impairment in value of investment.

BUSINESS PROSPECTS

The Board is cautiously optimistic about the economic growth and consumer market of Mainland. The beer industry will remain competitive. At the beginning of the year, the Group retained a renowned international management consultant firm to give advice on sales channel re-organisation, brand enhancing as well as operation and management rationalization. The Group has been pursuing the corporate culture of achieving excellent results. The Board of Directors believes that, upon the implementation of proposals for improving sales channel, enhancing brand and strengthening internal management, it is expected the market share and profitability of Kingway beer will be further enhanced. Withdrawal from Amber Brewery will facilitate the improvement of the consolidated earnings level of the Group. Moreover, the controlling shareholder, Guangdong Investment Limited, announced that the restructuring arrangements with its financial creditors was completed on 22 December 2000. The Board is confident of the business prospects of the Group.

Jiang Guoqiang

Chairman

Hong Kong, 20 April 2001