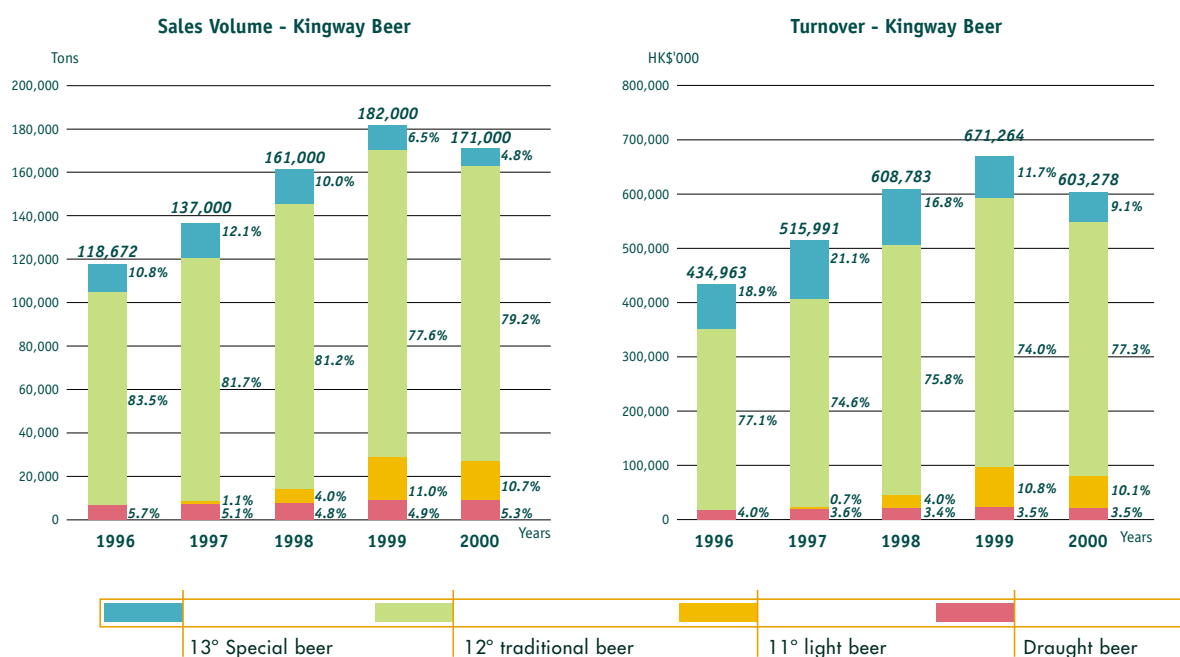


ANALYSIS OF OPERATIONS

Sales Volume and Turnover

In 2000, production and sales of Kingway beer continued to be the Group's main business. The total sales volume of Kingway beer in 2000 amounted to 171,000 tons, representing a decrease of 6.0% over 1999. The sales volume of Kingway Plant No. 1, Kingway Plant No. 2 and Guangdong Kingway Sales Limited in Hong Kong were 135,600 tons, 33,000 tons and 2,400 tons respectively. 12° traditional beer remained the best selling product and accounted for 79.2% of total sales volume. The sales of 13° special beer has dropped slightly and accounted for 4.8% of total sales volume. 11° light beer has accounted for 10.7% of total sales volume and draught beer accounted for 5.3% of total sales volume.

Turnover of Kingway beer for 2000 amounted to HK\$603 million, representing a decrease of 10.1% over 1999. Kingway Plant No. 1 contributed HK\$489 million, Kingway Plant No. 2 contributed HK\$96 million and Guangdong Kingway Sales Limited contributed HK\$18 million which representing an increase of more than 200% over 1999. In terms of product mix, 12° traditional beer accounted for 77.3%; 13° special beer accounted for 9.1%; 11° light beer accounted for 10.1% and draught beer accounted for 3.5%.



Price and Gross Profit Margin

The competition of the beer market was intense during 2000, the average price level of different products of Kingway beer has dropped by 4.4% compared with 1999.

With the implementation of costs cutting program, the costs of beer production has decreased significantly by 10.4% compared with 1999. The resulting overall gross profit margin for 2000 was 37.1%, which was improved over 1999 by 4.0%. The management will continue to take active measures to increase sales and to further enhance the costs control processes in order to improve the gross profit margin of the Group.

Operating Expenses

With the successful results in achieving the costs control measures of the Group, selling expenses for 2000 amounted to HK\$98 million, representing a decrease of 9.9% as compared to last year. Administrative expenses decreased by 5.9% as compared to last year to HK\$69 million in 2000. As the Group continued to reduce its debts during 2000, interest expenses has dropped by approximately HK\$15 million or 32.6% in 2000 as compared to that of 1999. The management has confidence that interest expenses for the Group will drop further during 2001 as the amount of debt will decrease continuously.

Taxation and Tax Exemption

As Kingway Plant No. 1 had fully utilised the enterprise income tax concession granted, the effective tax rate applicable in 2000 was 15.0%. Kingway Plant No. 2 entitled to "Two years full exemption and three years 50% exemption" enterprise income tax concession. As Kingway Plant No. 2 incurred losses in 2000, no exemption benefit was being utilised.

According to the prevailing tax regulations in the Shenzhen special economic zone, Kingway Plant No. 1 continues to entitle to exemption of net output value-added tax on those beer products that are both produced and sold in Shenzhen. The total exemption of net output value-added tax entitled by Kingway Plant No. 1 during the year was HK\$38 million.

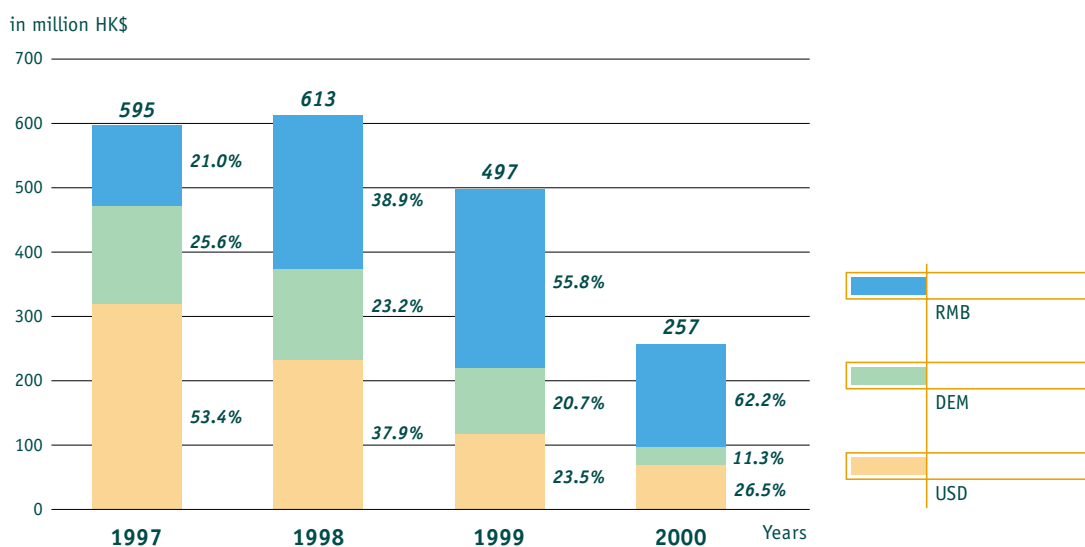
CASH POSITION

The cash position of the Group was strong and healthy as the cash and bank balances on hand at year ended 2000 was HK\$176 million which can be broken down into 48.7% in USD, 1.3% in HKD and 50% in RMB. The net cash inflow from operating activities in 2000 amounted to HK\$255 million.

DEBT ANALYSIS

Total bank loans and the export bank loans arranged by the immediate holding company and re-lent to the Group (the "Bank Loans") dropped from HK\$497 million in 1999 to HK\$257 million in 2000, representing a decrease of 48.3%. The Bank Loans comprised short-term portion of HK\$118 million and long-term portion of HK\$139 million, and can be broken down into 26.5% in USD, 11.3% in DEM and 62.2% in RMB. The drop in DEM loan reduced the risk of exchange rate fluctuation of the Group.

Debt Analysis by Currency



Further, the ratio of total liabilities and minority interests to total assets has decreased from 42.2% at the end of 1999 to 33.1% at the end of 2000. The financial position of the Group grows stronger.

Total Liabilities and Minority Interests / Total Assets



HUMAN RESOURCES

The Group places strong emphasis on raising the quality of its staff and their productivity. The Group organises regular internal training programs to its staff and also encourages them to attend training programs organised by external professional bodies. The Group provides all the basic benefits to its staff and the year-end bonus scheme is directly linked to the Group's results.