

The Directors have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in investment holding and in the production, distribution and sale of beer.

There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENTED INFORMATION

An analysis of the Group's turnover and contribution to operating profit by principal activity and geographical location for the year ended 31 December 2000 are set out in note 5 and note 6, respectively, to the financial statements.

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 31 to 68.

The Directors recommend the payment of a final dividend of 1.0 HK cent per share for the year ended 31 December 2000. This recommendation has been incorporated in the financial statements.

The proposed final dividend, if approved at the forthcoming Annual General Meeting of the Company to be held on Friday, 15 June 2001, is expected to be paid on 10 July 2001 to shareholders whose names appear on the register of members of the Company on 15 June 2001.

FINANCIAL SUMMARY

The Company was incorporated in Bermuda on 21 March 1997 and became the ultimate holding company of the companies now comprising the Group as a result of the reorganisation which became effective on 22 July 1997. Accordingly, the published balance sheets of the Group are prepared as at 31 December 1997, 1998, 1999 and 2000, respectively.

To ensure consistency of presentation and for comparison purposes, the proforma combined results for the two years ended 31 December 1997 are presented below on the basis that the current Group structure had been in existence throughout the said period.

REPORT OF THE DIRECTORS (cont'd)

FINANCIAL SUMMARY (cont'd)

The results, assets and liabilities of the Group for the three years ended 31 December 1999 are restated as the Group changed its accounting policy with respect to the treatment of pre-operating expenses in order to conform with the provisions of Statement of Standard Accounting Practice No. 1, "Presentation of Financial Statements" as subsequently confirmed by Interpretation 9 "Accounting for Pre-operating Costs" issued by the Hong Kong Society of Accountants in April 2000, further details of which are set out in note 4 to the financial statements.

RESULTS

	2000 HK\$'000	Consolidated		Proforma combined	
		Year Ended 31 December			
		1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
Turnover	613,892	682,454	618,641	525,069	446,701
Cost of sales	(386,172)	(456,477)	(380,537)	(345,817)	(288,984)
Gross profit	227,720	225,977	238,104	179,252	157,717
Other revenue	53,872	71,707	65,477	74,025	8,359
Selling expenses	(98,151)	(108,932)	(79,802)	(48,430)	(31,300)
Administrative expenses	(68,774)	(73,114)	(98,488)	(63,651)	(32,337)
Provision for impairment in value of investment in an associate	(32,367)	-	-	-	-
Release of goodwill in respect of impairment in value of investment in an associate	(9,135)	-	-	-	-
Profit from operating activities	73,165	115,638	125,291	141,196	102,439
Finance costs	(30,483)	(45,250)	(30,275)	(22,829)	(12,315)
Share of results of an associate	(14,496)	(8,401)	1,398	-	-
Profit before tax	28,186	61,987	96,414	118,367	90,124
Tax	(19,042)	(9,991)	(12,772)	(10,217)	(7,104)
Profit before minority interests	9,144	51,996	83,642	108,150	83,020
Minority interests	1,098	716	610	(24,025)	(20,755)
Net profit attributable to shareholders	10,242	52,712	84,252	84,125	62,265

ASSETS AND LIABILITIES

	2000	Consolidated		
		As at 31 December		
	HK\$'000	1999	1998	1997
		HK\$'000	HK\$'000	HK\$'000
Total assets	1,605,929	1,844,575	1,915,603	1,876,435
Total liabilities	(499,108)	(740,985)	(852,410)	(884,454)
Minority interests	(31,866)	(37,849)	(39,778)	(46,863)
Net assets	<u>1,074,955</u>	<u>1,065,741</u>	<u>1,023,415</u>	<u>945,118</u>

FIXED ASSETS

Movements in fixed assets of the Company and the Group during the year are set out in note 14 to the financial statements.

SUBSIDIARIES AND ASSOCIATE

Particulars of the Company's subsidiaries and the Group's associate are set out in note 15 and note 16, respectively, to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the authorised and issued shares and share options of the Company during the year are set out in note 25 to the financial statements.

SHARE PREMIUM ACCOUNT AND RESERVES

Details of movements in the share premium account and reserves of the Company and the Group during the year are set out in note 26 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2000, the Company's reserves available for distribution as calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$114,743,000.

In addition, the Company's share premium may be distributed in the form of fully paid bonus shares.

INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

Details of interest-bearing bank loans and other borrowings of the Company and the Group are set out in note 21, note 23 and note 24 to the financial statements.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Company are set out in note 29 to the financial statements.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$41,000 (1999: HK\$253,000).

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

JIANG Guoqiang	(Appointed on 9 March 2001)
ZHOU Dongxiang	
CHENG Mo Chi, Moses*	
Alan Howard SMITH*	
V-nee YEH*	
ZHANG Yaping	(Appointed on 17 August 2000)
WANG Man Kwan, Paul	(Appointed on 17 August 2000)
HO LAM Lai Ping, Theresa	(Appointed on 17 August 2000)
HUI Ho Ming, Herbert	(Resigned on 15 January 2000)
AU Wai Ming	(Resigned on 7 March 2000)
YUAN Youjian	(Retired on 6 April 2000)
REN Qihan	(Resigned on 17 August 2000)
CHEN Haotian	(Resigned on 17 August 2000)
HOU Bojian	(Resigned on 17 August 2000)
TANG Zhen	(Resigned on 17 August 2000)
Michael WU	(Resigned on 9 March 2001)
CHAU Kam Wing, Donald	(Resigned on 5 April 2001)

* *Independent Non-Executive Directors*

DIRECTORS (cont'd)

In accordance with bye-law 86(2) of the Company's Bye-laws, Messrs. Zhang Yaping, Wang Man Kwan, Paul and Ho Lam Lai Ping, Theresa who were appointed Directors of the Company after the last annual general meeting of the Company will hold office until the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the meeting.

In accordance with bye-law 87 of the Company's Bye-laws, Mr. Alan Howard Smith shall retire by rotation and, being eligible, offer himself for re-election at the forthcoming Annual General Meeting.

The Non-Executive Directors have not been appointed for a specific term, but are subject to retirement by rotation pursuant to the Company's Bye-laws.

DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

Details of the Directors' and the five highest paid individuals' remuneration, as per the disclosure requirements pursuant to Section 161 of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), are set out in note 8 and note 9, respectively, to the financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

The Directors of the Company as at the date of this report are as follows:

Directors

Mr. Jiang Guoqiang, aged 48, was appointed the Chairman of the Company in March 2001. He is a deputy general manager of Guangdong Investment Limited ("GDI"). Mr. Jiang is also the Chairman of Guangzhou Malting Co., Ltd. and Ningbo Malting Co., Ltd., subsidiaries of GDI. Mr. Jiang graduated from Shanghai Metallurgical Machinery School where he majored in metallurgical machinery. He is an engineer. In 1976 to 1988, Mr. Jiang worked for First Metallurgy Construction Company of the Ministry of Metallurgy. In 1988, he joined Zhongshan Zhongyue Tin-Plate Industrial Company Limited and 中山市山海實業有限公司 and he became a director and deputy general manager of both companies in 1991. Mr. Jiang was a director and the general manager of both companies from 1995 to March 2001. He was a deputy general manager of the strategic development department of GDH Limited from April 2000 to January 2001.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES (cont'd)

Directors (cont'd)

Mr. Zhou Dongxiang, aged 48, was appointed a Director of the Company in June 1997. He was appointed the general manager of the Company in August 2000. He graduated from Qi Qi Haer Light Industry College in the PRC. Mr. Zhou has been in charge of the development of Kingway Plant No. 2 since 1995. He was the general manager of Shenzhen Kingway Brewing Co., Ltd. from August 1997 to October 1998. He was the first deputy general manager of Shenzhen Kingway Brewery Co., Ltd. and Shenzhen Kingway Brewing Co., Ltd from 1998 to 2000. He has been the general manager of Shenzhen Kingway Brewery Co., Ltd. and Shenzhen Kingway Brewing Co., Ltd. since April 2000. He was the deputy factory director of Jiamusi Winery, Heilongjiang Province and the factory director of Winery from 1976 to 1983. From 1985 to 1990, he was the deputy plant manager of Jiamusi Brewery and was the factory director of that brewery from 1990 to 1995. Mr. Zhou has over 17 years of experience in brewery industry.

Mr. Cheng Mo Chi, Moses, JP aged 51, was appointed an Independent Non-Executive Director of the Company in July 1997. He is also an independent non-executive director of GDI. Mr. Cheng is a senior partner of Messrs. P.C. Woo & Co., a firm of solicitors and notaries in Hong Kong. Mr. Cheng was a member of the Legislative Council of Hong Kong between 1991 and 1995. He is currently the chairman of the Hong Kong Institute of Directors, the Board of Education and the Committee on the Promotion of Civic Education. He also serves on the boards of many other listed companies as independent non-executive director.

Mr. Alan Howard Smith, aged 57, was appointed an Independent Non-Executive Director of the Company in January 1999. Mr. Smith is vice chairman, Pacific Region, of Credit Suisse First Boston ("CSFB"), a leading global investment bank. Prior to joining CSFB, he was the chief executive of the Jardine Fleming Group from 1983 to 1994 and was chairman of the Jardine Fleming Group from 1994 to 1996. Mr. Smith has over twenty-five years investment banking experience in Asia. He was elected a council member of the Hong Kong Stock Exchange on two occasions. He is currently a member of the Hong Kong Special Administrative Region Government's Economic Advisory Committee, and was for 10 years a member of the Hong Kong Government's Standing Committee on Company Law Reform.

Mr. V-nee Yeh, aged 42, was appointed an Independent Non-Executive Director of the Company in January 1999. He is deputy chairman of Hsin Chong Construction Group Ltd.; co-founder of Value Partners Limited, VP Private Equity Limited and Orient Partners, the last is a real estate partnership with Blackstone Group of the United States. Mr. Yeh is also a council member of the Hong Kong Stock Exchange until its merger into the Hong Kong Exchanges and Clearing Ltd. as well as a member of the Listing Committee. He also sits on the Takeovers and Mergers Panel and the Takeovers Appeals Committee of the Securities and Futures Commission.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES (cont'd)**Directors (cont'd)**

Mr. Zhang Yaping, aged 48, was appointed a Director of the Company in August 2000. He is also the Managing Director of GDI. He was appointed a director of GDH Limited since September 2000 and Deputy General Manager of GDI in June 2000. Mr. Zhang graduated from the Professional Finance Program in Jilin College of Finance and Trading and the Senior Management Program in the Economic Management College of Tianjin Nankai University. He has more than 20 years working experience in the banking and securities industries. Between 1990 and 1997, he had worked in the Bank of China Group. Prior to joining GDI, he was Deputy Commissioner in the Shenzhen Regulatory Commissioner's Office of the China Securities Regulatory Commission. He is now a Senior Economist in the PRC.

Mr. Wang Man Kwan, Paul, aged 44, was appointed a Director of the Company in August 2000. He is a Director of GDI (GDI, together with its subsidiaries the "GDI Group") and the Chief Financial Officer of the GDI Group. Mr. Wang is a Certified Public Accountant in Hong Kong, a fellow of The Association of Chartered Certified Accountants and Hong Kong Society of Accountants. He is also an associate of Certified General Accountants of Canada, The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Company Secretaries and Hong Kong Institute of Taxation.

Mrs. Ho Lam Lai Ping, Theresa, aged 45, was appointed a Director of the Company in August 2000. She has been the Company Secretary of GDI since December 1992. She graduated from The Hong Kong Polytechnic and is an associate of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries ("HKICS"). She is also a member of the HKICS Company Secretaries Panel.

Senior Management

During the year, Messrs. Michael Wu, Zhou Dongxiang and Chau Kam Wing, Donald were members of the Company's senior executives.

DIRECTORS' SERVICE CONTRACTS

None of the Directors 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 of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

None of the Directors had a beneficial interest in any significant contract, whether directly or indirectly, to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Zhang Yaping, a Director of the Company, is also a director of GDH Limited ("GDH"). GDH engages in a wide range of business including brewing. However the Directors do not believe that the brewing business of GDH competes either directly or indirectly in any material respect with those of the Group.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2000, the interests of the Directors in the equity or debt securities of the Company and its associated corporations recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules were as follows:

I. Shares*(i) The Company*

Name of Director	Type of interest	Number of shares held
Ho Lam Lai Ping, Theresa	Personal	80,000
Michael Wu	Personal	14,000
Chau Kam Wing, Donald	Personal	4,220,000

DIRECTORS' INTERESTS IN SECURITIES (cont'd)

I. Shares (cont'd)

(ii) *Guangdong Investment Limited*

Name of Director	Type of interest	Number of shares held
Zhou Dongxiang	Personal	40,000
Ho Lam Lai Ping, Theresa	Personal	250,000
Michael Wu	Personal	54,000
	Family	18,000

As at 31 December 2000, Mr. V-nee Yeh, a Director of the Company, held US\$450,000 in principal amount of the Guaranteed Floating Rate Bonds due 2005 (the "2005 Guaranteed Bonds"), formerly the 1% convertible bonds due 2002, issued by Guangdong Investment Finance (Cayman) Limited and guaranteed by Guangdong Investment Limited. The 2005 Guaranteed Bonds are listed on the Luxembourg Stock Exchange and would be due in 2005.

REPORT OF THE DIRECTORS (cont'd)

DIRECTORS' INTERESTS IN SECURITIES (cont'd)

II. Options

(i) *The Company*

Name of Director	Number of options held on 01/01/2000	Options granted during the year		Period during which option is exercisable	Price per share to be paid on exercise of option (HK\$)	Number of options exercised during the year	Number of options held on 31/12/2000
		Date granted	Number granted				

Zhou

Dongxiang	1,200,000	-	-	*20/02/1998-19/02/2003	2.10	-	1,200,000
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Chau Kam Wing, Donald	1,400,000	-	-	*20/02/1998-19/02/2003	2.10	-	1,400,000
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* If the last day of the option period is not a business day in Hong Kong, the option period expires at 5:01 p.m. on the business day preceding that day (Hong Kong time).

No consideration has been paid by the Directors for the options granted by the Company.

DIRECTORS' INTERESTS IN SECURITIES (cont'd)

II. Options (cont'd)

(ii) *Guangdong Investment Limited*

Name of Director	Number of options held on 01/01/2000	Options granted during the year		Period during which option is exercisable	Price per share to be paid on exercise of option (HK\$)	Number of options exercised during the year	Number of options held on 31/12/2000
		Date granted	Number granted				
Zhou Dongxiang	150,000	-	-	*17/09/1998-16/09/2003	3.024	-	150,000
Ho Lam Lai Ping, Theresa	200,000	-	-	*10/06/1997-09/06/2002	4.536	-	200,000
	500,000	-	-	*19/08/1998-18/08/2003	2.892	-	500,000
Michael Wu	250,000	-	-	*10/06/1997-09/06/2002	4.536	-	250,000
	350,000	-	-	*19/08/1998-18/08/2003	2.892	-	350,000
Chau Kam Wing, Donald	150,000	-	-	*19/08/1998-18/08/2003	2.892	-	150,000

* If the last day of the option period is not a business day in Hong Kong, the option period expires at 5:01 p.m. on the business day preceding that day (Hong Kong time).

No consideration has been paid by the Directors for the options granted by Guangdong Investment Limited.

Save as disclosed above, as at 31 December 2000, none of the Directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Section 28 of the SDI Ordinance, including interests which they were deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance, or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

1. Pursuant to the share option scheme of the Company adopted on 22 July 1997 and which will expire on 21 July 2007, options were granted to certain Directors of the Company to subscribe for shares of the Company at a price not less than the higher of (i) the nominal value of the shares of the Company; and (ii) 80% of the average of the closing prices of the shares of the Company recorded on the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the options.

During the year, no option was granted to and/or exercised by the executives and/or employees of the Company and its subsidiaries. As at 31 December 2000, the Company had 9,450,000 outstanding share options entitling the holders to subscribe for the shares of the Company.

Details of the share options of the Company held by the Directors of the Company are set out in the section headed "Directors' Interests in Securities" of this report.

2. Pursuant to the share option scheme of the Company's holding company, Guangdong Investment Limited ("GDI"), adopted on 2 February 1994 and which will expire on 1 February 2004, options were granted to certain Directors of the Company to subscribe for shares of GDI at a price equal to the higher of (i) the nominal value of the shares of GDI; and (ii) not less than 80% of the average of the closing prices of the shares of GDI as recorded on the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the options.

Details of the share options of GDI held by the Directors of the Company are set out in the section headed "Directors' interests in Securities" of this report.

Other than the share option schemes outlined above, at no time during the year was the Company, its holding company or any of its subsidiaries or fellow 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 debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, the following interests of 10% or more of the issued 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 of shareholder	Number of Shares Held	Percentage Holding
廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited)	900,000,000	72%
GDH Limited ("GDH")	900,000,000	72%
Guangdong Investment Limited ("GDI")	900,000,000	72%

Notes:

1. The attributable interest which 廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited) has in the Company is held through its 100% direct interests in GDH.
2. The attributable interest which GDH has in the Company is held through its subsidiary, GDI.

CONNECTED TRANSACTIONS

Details of the connected transactions for the year are set out in note 31 to the financial statements. The Independent Non-Executive Directors of the Company had reviewed the connected transaction set out in note 31(i) for which the Stock Exchange has granted a waiver from the relevant requirements of the Listing Rules and confirmed that:

- (a) the transaction was entered into by the Group in the ordinary and usual course of its business;
- (b) the transaction was entered into either (i) on normal commercial terms, or (ii) on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
- (c) the transaction was entered into either (i) in accordance with the terms of the agreements governing such transaction, or (ii) on terms no less favourable than terms available to or from independent third parties; and
- (d) the aggregate value of the malt purchased by the Group during the year from Guangzhou Malting Co., Ltd. in which Guangdong Investment Limited, the Company's holding company, has an approximately 51.6% interest, does not exceed 30% of the total cost of production of the Group.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the law of Bermuda, being the jurisdiction in which the Company is incorporated.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 66.4% of the total sales for the year and purchases from the Group's five largest suppliers accounted for 28.6% of the total purchases for the year.

Turnover from the largest customer of the Group accounted for 19.1% of the Group's total turnover for the year.

None of the Directors, their respective associates or shareholders (which to the knowledge of the Directors) owning more than 5% of the issued share capital of the Company, have any interests in the five largest customers of the Group.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

During the year, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange 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.

The Board of Directors of the Company has established an Audit Committee in 1999 in accordance with the Code of Best Practice. The Audit Committee meets every six months mainly to consider the nature and scope of audit reviews, the effectiveness of the internal control systems and compliance with the relevant rules and regulations.

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

Jiang Guoqiang

Chairman

Hong Kong, 20 April 2001