

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

The sales volume of Kingway beer in 2001 was 161 thousand tons, representing a decrease of 10 thousand tons as compared to year 2000. The turnover of the Group decreased accordingly. With a higher degree of reduction in cost of sales, the gross profit margin increased over last year. On the expenditure side, with the exception of selling and distribution expenses, all other expenses dropped considerably when comparing to year 2000. These are the results of the effective implementation of a comprehensive management policy throughout the Group. Net profit from ordinary activities attributable to shareholders was HK\$34.43 million, increased by more than double over last year. The increase was mainly due to the reduction in the impairment loss of the investment in Amber Brewery.

The Group put a great effort in its treasury function during the year. We fully repaid all the loans due to the immediate holding company and banks by utilising the Group's strong net cash inflow generated from operating activities. The overall gearing level and interest expenses have been reduced. At the end of year 2001, the gearing ratio was only 8.0%, which dropped substantially from 33.2% at the end of year 2000. The low gearing level laid the foundation for the Group to further expand its business.

ASSOCIATE – AMBER BREWERY

The sales volume of Amber Brewery for the year amounted to 190 thousand tons, representing an increase of 22 thousand tons compared to year 2000. Owing to the low beer price in northern China and the increase in depreciation of the new production equipment, Amber Brewery recorded an operating loss of HK\$26.85 million for the year, reduced by 7.4% as compared to last year. The Group had made a further impairment of HK\$5.6 million this year for this project, after taking into consideration the estimated recoverable amount of the investment. The carrying value of Amber Brewery, after the impairment, represented only 3.9% of the Group's net asset value and would not affect the Group significantly in all material aspects. The Group is under discussion with a potential buyer regarding the disposal of Amber Brewery. Additional information will be disclosed according to the Listing Rules as and when appropriate.

BUSINESS PROSPECT

The Group will focus on the marketing and set the appropriate sale strategy in 2002. In the Pearl River Delta region, the consuming power of the average citizen is high. It is a market where many breweries aim to capture a great market share. The Group is going to establish an extensive distribution network within the region, aiming to have Kingway beer be sold in most of the major retail outlets. The Hong Kong market is another focal point for further development. Kingway beer has already entered into all major supermarket chains. The degree of brand recognition increases continuously. Though the economy of Hong Kong is not fully recovered, I am confident that the turnover and profit attributable from Hong Kong region will record a growth in the coming year.

CHAIRMAN'S STATEMENT (cont'd)

BUSINESS PROSPECT (cont'd)

The Group recognises that after sales services are important. At the beginning of 2002, we have already fine-tuned and streamlined the selling and distribution processes to meet the needs and demands of our customers. The measures increase the customer satisfaction and demonstrate our promises to our invaluable customers.

Our Group is gradually transforming into a market-oriented business. With the China National Football Team having got a ticket to the 2002 FIFA World Cup Finals, we will take this opportunity to further promote Kingway beer. Our mission is to maximise the shareholders' wealth and return on investment.

Ye Xuquan

Chairman

Hong Kong, 12 April 2002