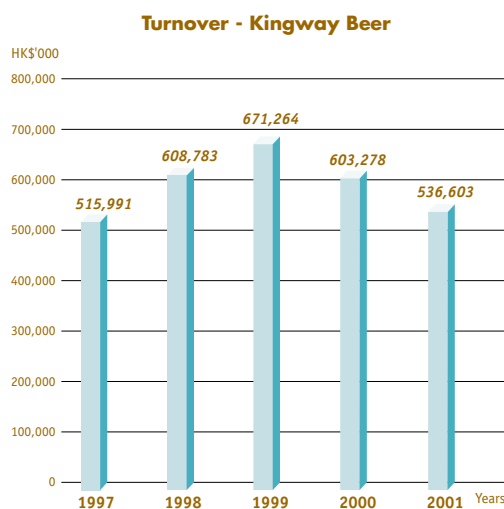
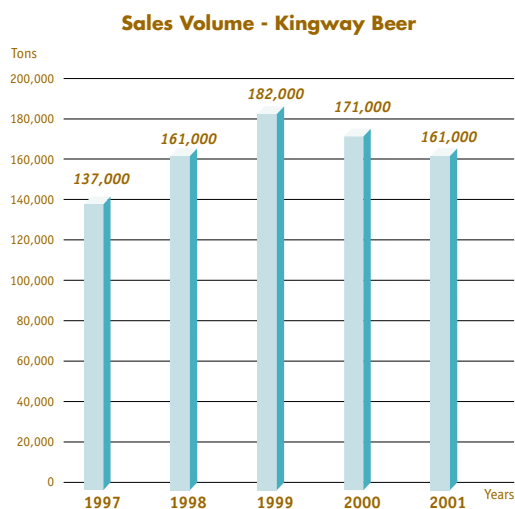


Operating Results

In 2001, the production and sale of Kingway beer continued to be the Group's main business. The Group's sales are principally conducted in Guangdong Province, Mainland China. The total sales volume of Kingway beer in 2001 amounted to 161,000 tons, representing a decrease of 5.8% over year 2000. This could be attributable to the wet weather within the Guangdong Province during the first half of the year and the intense competition coming from other branded beer.

The consolidated turnover was HK\$544 million, representing a decrease of 11.4% over year 2000. The sales in Mainland China contributed to 93.4% of the Group's turnover. The remaining 6.6% represented sales in Hong Kong, which had almost been doubled from last year. The product mix of the Group remained similar to last year, except that bottled draft beer was well received in both Shenzhen and Hong Kong. The sales volume of which had increased by 189% over year 2000.

Notwithstanding the decrease in turnover, the gross profit margin increased to 38.8% which is the highest since the listing of the Group in 1997. The management will strive to improve the gross profit margin by adopting various effective cost control measures.



Operating Expenses and Finance Costs

In order to further promote the Kingway brand, the Group increased the advertising and related spending. Selling and distribution expenses for 2001 increased by 36.1% as compared to last year. Administrative expenses decreased by 33.8% as compared to last year, resulting from the strict cost reduction programs and controls. As the Group continuously reduced the debt during the year, finance costs had dropped by approximately HK\$23 million or 74.2% as compared to that of year 2000.

Taxes

During the year, the beer consumption tax had increased from RMB220 per ton to RMB250 per ton in Mainland China whilst the beer ad valorem duty had increased from 30% to 40% in Hong Kong. Both changes had affected the Group's gross profit margin negatively.

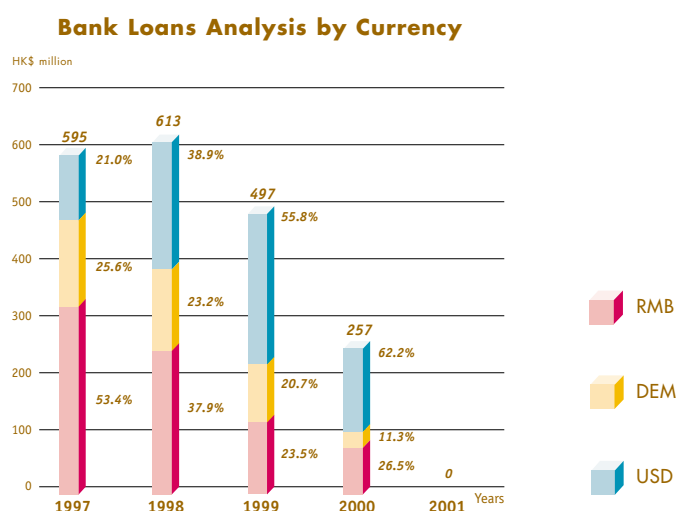
Assets and Cash Position

The Group had a total asset of HK\$1.36 billion at the balance sheet date. The current assets were amounted to approximately HK\$190 million. The current ratio was 1.5 times and is considered healthy. None of the fixed assets of the Group were pledged to creditors and there were no contingent liabilities recorded at the balance sheet date.

At 31 December 2001, the Group had cash and bank balances of HK\$75 million, of which 4.1% was in USD, 15.3% was in HKD and 80.6% was in RMB. The net cash inflow from operating activities in 2001 amounted to approximately HK\$210 million.

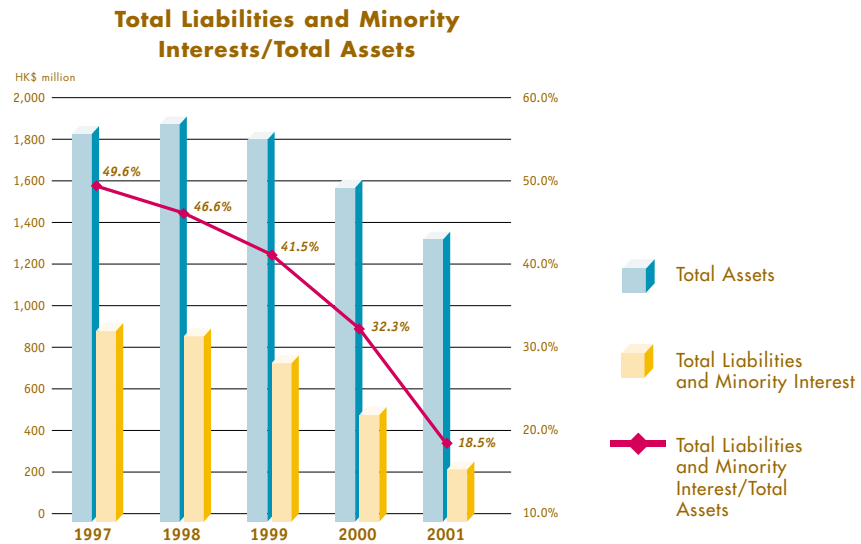
Debt Position

The Group's total bank loans and the export credit bank loans arranged by the immediate holding company and on-lent to the Company (the "Bank Loans") aggregated to HK\$257 million were fully repaid during 2001. The interest savings were phenomenal and the corresponding exchange rate risk has been eliminated. The only debts of the Group outstanding at the moment are the amounts due to the minority shareholders of the subsidiaries totalled to HK\$88 million, which are interest-free and have no fixed terms of repayment.



MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

Furthermore, the ratio of total liabilities and minority interests to total assets has decreased from 32.3% at the end of 2000 to 18.5% at the end of 2001, thus strengthening the financial position of the Group.



HUMAN RESOURCES

The Group has employed 925 staff with a total remuneration of HK\$45.6 million during the year. 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 their year-end bonus scheme is directly linked to the Group's results.