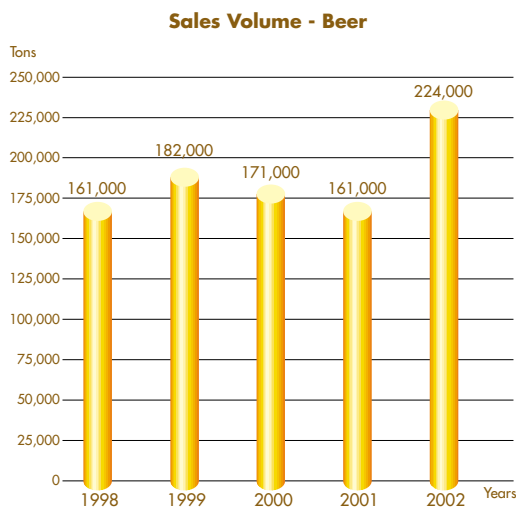


Operating Results

In 2002, the production and sale of Kingway beer continued to be the Group's core business. The Group's sales are principally conducted in the Guangdong Province, Mainland China. The total sales volume of Kingway beer for the year amounted to 224,000 tons (2001: 161,000 tons), a rise of 39.1% over 2001. Of the total sales volume for the year, the flagship 12° Kingway beer, Kingway bottled draft beer and Kingway "2008" represent 45.4%, 7.0% and 17.1% respectively.

The consolidated turnover for the year was HK\$593 million, representing an increase of 9.0% over HK\$544 million of 2001. The increase was primarily attributable to the effectiveness of the Group's appropriate marketing strategies. The sales in Mainland China contributed to 90.9% of the Group's turnover, an increase of 6.1% over the same period last year, and the remaining 9.1% represented overseas and Hong Kong sales, a rise of 51.3% over the same period of 2001. The remarkable sales growth in overseas and Hong Kong indicates that the Group has started to benefit from years of marketing efforts in the overseas and Hong Kong market where brand recognition for Kingway beer has been achieved.

While the average unit selling price has declined, the gross profit margin was raised from 38.8% in 2001 to 40.7% for the year under review. This improvement was a result of the effective cost controls and the reduction in unit fixed costs. The management will strive to maintain the gross profit margin of Kingway beer by the adoption of various effective cost control measures.



Operating Expenses and Finance Costs

To build brand recognition and image of Kingway beer has been the focus of promotion in 2002. Selling and distribution expenses were HK\$134 million, a similar level as compared to the previous year. However, such expenses in terms of unit cost were decreased by 27.9% against the same period last year. This shows the higher efficiency of selling and distribution expenses as Kingway beer has been widely recognised and well received by consumers. As a result of the strict cost reduction programs and controls, administrative expenses for the year decreased by 19.8% to HK\$36.5 million. No finance cost was incurred for the year as the Group has no interest-bearing debt. Finance costs dropped by approximately HK\$7.86 million from the same period of 2001.

Taxes

The exemption of value added tax for beer produced and sold in Shenzhen granted to Kingway Plant No. 1 at Luohu, Shenzhen has been expired on 1 January 2003. A gain of HK\$24.91 million was recorded for the Group in 2002 due to this exemption.

Enterprise Income Tax exemption were granted to Kingway Plant No. 2 at Baoan, Shenzhen for its first two profit-making years and a tax relief of 50% in next three years. No claim for such exemption has yet been made as there were accumulated losses to set-off the taxable profits during year 2002.

Capital Expenditure

The Group's capital expenditure for the year was approximately HK\$26.0 million (2001: HK\$9.8 million), a rise of about 165% over the same period last year. It was incurred primarily by the renovation of the office at Kingway Plant No. 1, the installation of necessary packaging equipment for Kingway Plant No. 2 and the purchase of machinery, equipment and reusable packaging materials of both plants.

Financial Resources and Liquidity

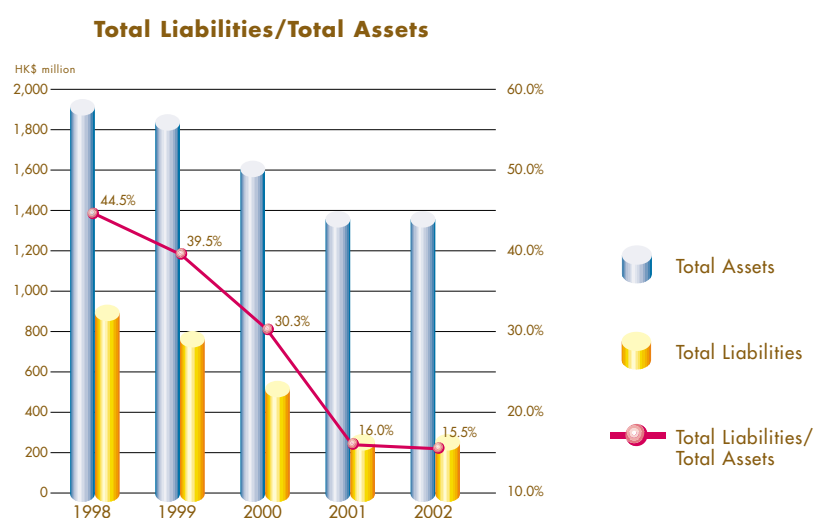
The Group's financial position was solid, with shareholders' funds amounting to HK\$1.16 billion as at the end of 2002.

As at the end of 2002, the Group had cash and bank balances of HK\$232 million (2001: HK\$74.6 million), a rise of 210% as compared to the same period last year. Of such balances, 22.9% was in USD, 14.0% was in HKD and 63.1% was in RMB. The net cash inflow from operating activities for the year amounted to HK\$164 million. At present, the Group's cash balances and net cash inflow from operating activities are ample enough to satisfy the funding requirement for business operations.

Debts and Contingent Liabilities

No bank loan was recorded at the end of 2002. The only debts of the Group outstanding were the amounts due to the minority shareholders of the subsidiaries totalling HK\$84.38 million (2001: HK\$88.18 million), which are interest-free. None of the fixed assets of the Group were pledged to creditors and there were no contingent liabilities recorded as at the end of 2002.

Furthermore, the ratio of total liabilities to total assets was 15.5% (2001: 16.0%), reflecting the sound capital structure of the Group.



Human Resources

The Group has employed 925 staff with a total remuneration of HK\$56.99 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.