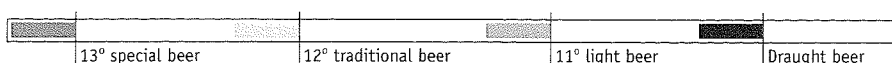
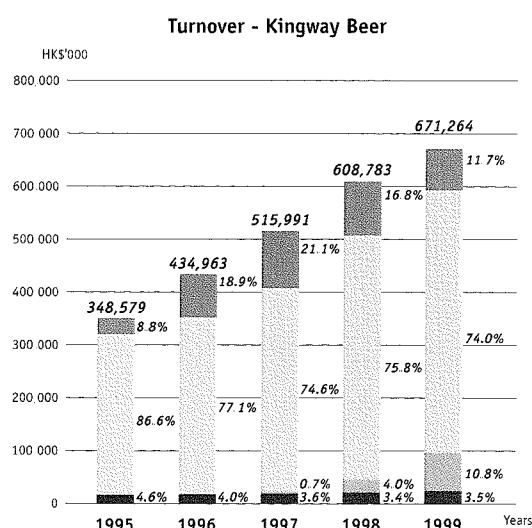
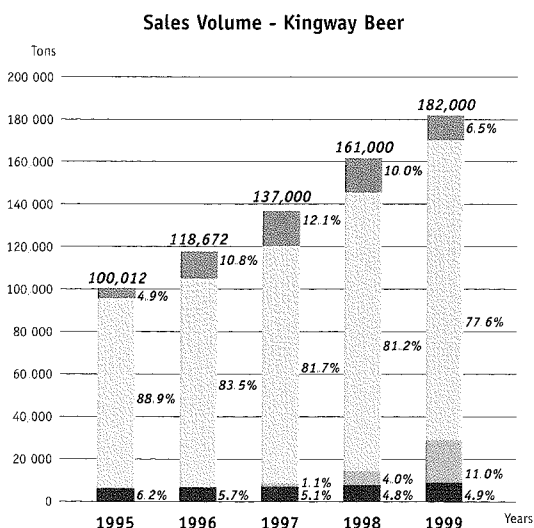


Analysis Of Operations

Sales Volume and Turnover

In 1999, production and sales of Kingway beer continued to be the Group's main business. The total sales volume of Kingway beer in 1999 amounted to 182,000 tons, representing an increase of 13.0% over 1998. The sales volume of Kingway Plant No. 1 was 149,000 tons and that of Kingway Plant No. 2 was 33,000 tons. 12° traditional beer remained the best selling product and accounted for 77.6% of total sales volume. The sales of 13° special beer was dropped and accounted for 6.5% of total sales volume. During the year, the sales volume of 11° light beer grew significantly from 6,000 tons in 1998 to 20,000 tons in 1999, representing an increase of 233.3% and accounted for 11.0% of total sales volume. Draught beer accounted for 4.9% of total sales volume and showed a steady increase during the year. The satisfactory increase in sales volume of Kingway beer in 1999 was mainly contributed by the effective marketing strategy implemented by the Group.

Turnover of Kingway beer for 1999 amounted to HK\$671 million, representing an increase of 10.3% over 1998. Kingway Plant No. 1 contributed HK\$555 million, Kingway Plant No. 2 contributed HK\$110 million and Guangdong Kingway Sales Limited, represent the turnover in Hong Kong, contributed HK\$6 million, representing an increase of 50% over 1998. In terms of product mix, 12° traditional beer accounted for 74.0%; 13° special beer accounted for 11.7%; 11° light beer accounted for 10.8% and draught beer accounted for 3.5%.



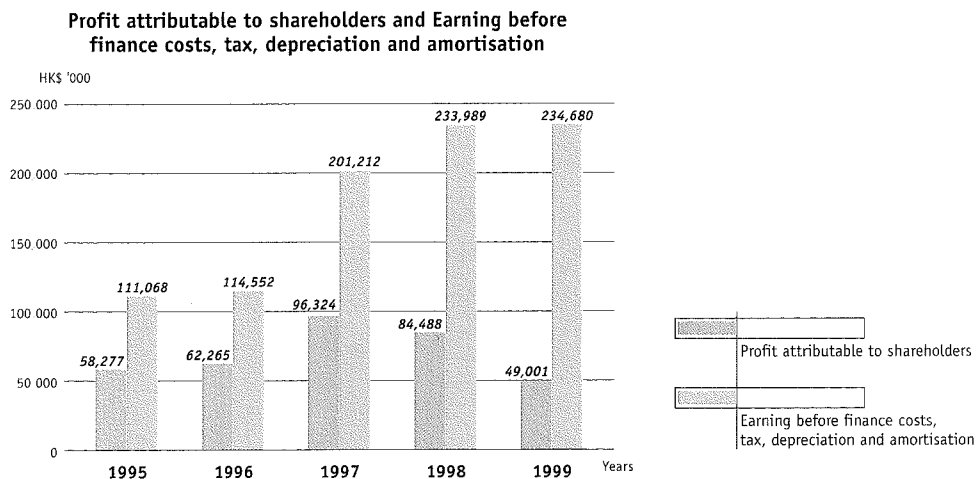
Price and Gross Profit Margin

Although the competition of the beer market was intense during 1999, the average price level of different products of Kingway beer was successfully maintained at the 1998 level.

Due to keen market competition, the Kingway Plant No. 2 has not yet reached break-even point which affected the gross profit margin of the Group. The gross margin for 1999 was 33.1% as compared to that of 38.5% in 1998. The management is taking active measures to increase sales and to enhance cost control in order to improve the gross profit margin of the Group.

Operating Expenses

To cope with the market development of Kingway beer, the selling expenses for 1999 was amounted to HK\$109 million, representing an increase of 36.5% as compared to last year. With the successful results achieved from the cost control measures of the Group, the administrative expenses decreased by 21.2% to HK\$77 million in 1999 as compared to last year. As the Group continuously reduced the debt level, the interest expenses has been dropped by 17.5% to HK\$45 million in 1999 as compared to that of 1998.



Taxation and Tax Exemption

Kingway Plant No. 1 entitled to "Two years full exemption and six years 50% exemption" enterprise income tax concession. 1999 was the last year of enterprise income tax being 50% exempted, the effective tax rate applicable in 1999 was 7.5%. 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 1999, no exemption benefit is being utilised.

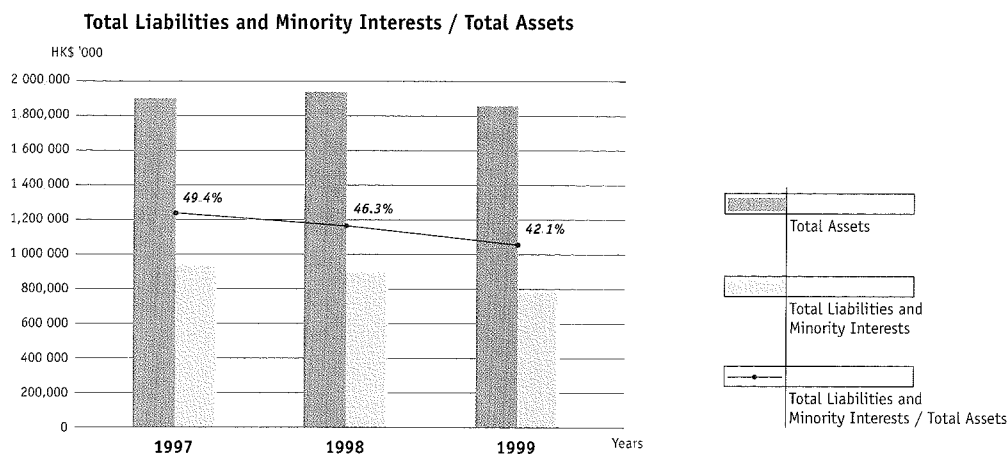
According to the prevailing tax regulations in the Shenzhen special economic zone, Kingway Plant No. 1 continues to entitle exemption of net output value-added tax on those beer products that are both produced and sold in Shenzhen. The total exemption of net output value-added tax entitled by Kingway Plant No. 1 during the year is HK\$50 million.

Liquidity

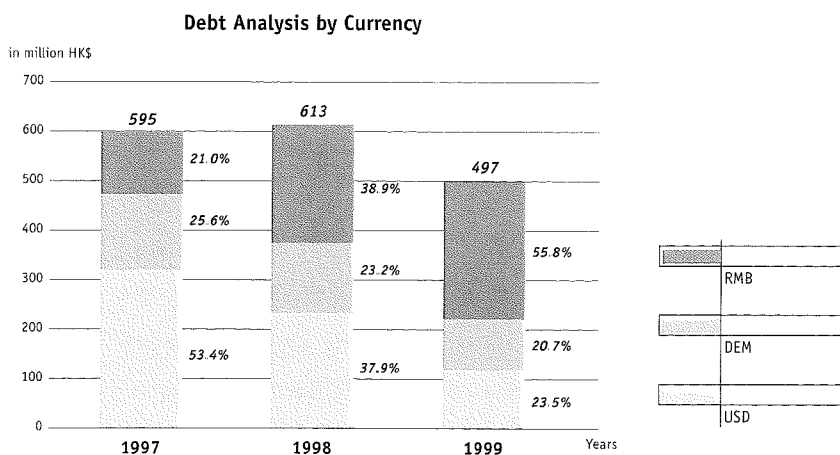
The liquidity position of the Group was strong and healthy as the cash and bank balances on hand at year ended 1999 was HK\$250 million and the net cash inflow from operating activities in 1999 amounted to HK\$280 million.

Debt Analysis

Total interest-bearing bank loans and the export bank loans arranged by the holding company and re-lent to the Group (the "Bank loans") dropped from HK\$613 million in 1998 to HK\$497 million in 1999, representing a decrease of 18.9%. Further, the ratio of total liabilities and minority interests to total assets has been decreased from 46.3% at the end of 1998 to 42.1% at the end of 1999. The financial position of the Group grows stronger.



The Bank loans of HK\$497 million comprised of short-term portion of HK\$247 million and long-term portion of HK\$250 million. It can be broken down as 23.5% in US dollars, 20.7% in DEM and 55.8% in RMB. Total cash held by the Group amounted to HK\$250 million.



Human Resources

The Group continues to organise 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. The Group also uses share option scheme to motivate the senior management.

Year 2000 ("Y2K") Compliance

Details of the Group's approach to the Y2K issue were stated in the 1999 interim report of the Company. The Group has taken appropriate measures since 1997 to ensure the Group's computer systems are Y2K compliant. A contingency plan has been developed and implemented to cater for possible disruptions to business from any Y2K problem.

Our Y2K compliance program including compliance tests, modification and replacement work, which was completed in June 1999. During the transition from 31 December 1999 to 1 January 2000, the computer systems of the Group functioned smoothly without encountering any Y2K problems. To date, the Group has not experienced any Y2K non-compliance issue. No report on Y2K non-compliance has been received from suppliers or business partners of the Group. The Group will continue to review its systems to ensure that its operations will not be affected by any Y2K problems.

As at 31 December 1999, the Group had not incurred material expenditure on Y2K issue.