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Board of Directors

Michael WU (*Chairman & General Manager*)

CHENG Mo Chi, Moses*

Alan Howard SMITH*

V-nee YEH*

REN Qihan

CHEN Haotian

ZHOU Dongxiang

HOU Bojian

TANG Zhen

CHAU Kam Wing, Donald (*Financial Controller*)

* *Independent Non-Executive Director*

Company Secretary

LAM Yee Mei, Katherine

Auditors

Ernst & Young

Solicitors

Charltons

Victor Chu & Co.

Principal Bankers

Banque Nationale de Paris Bank, Hong Kong

Branch

The Hongkong and Shanghai Banking

Corporation Limited

Standard Chartered Bank

Registered Office

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Head Office & Principal Place of Business

Office A, 16th Floor

Guangdong Investment Tower

148 Connaught Road Central

Hong Kong

Telephone: (852) 2165 6262

Facsimile: (852) 2815 2822

Principal Share Registrars

Butterfield Corporate Services Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

Branch Share Registrars in Hong Kong

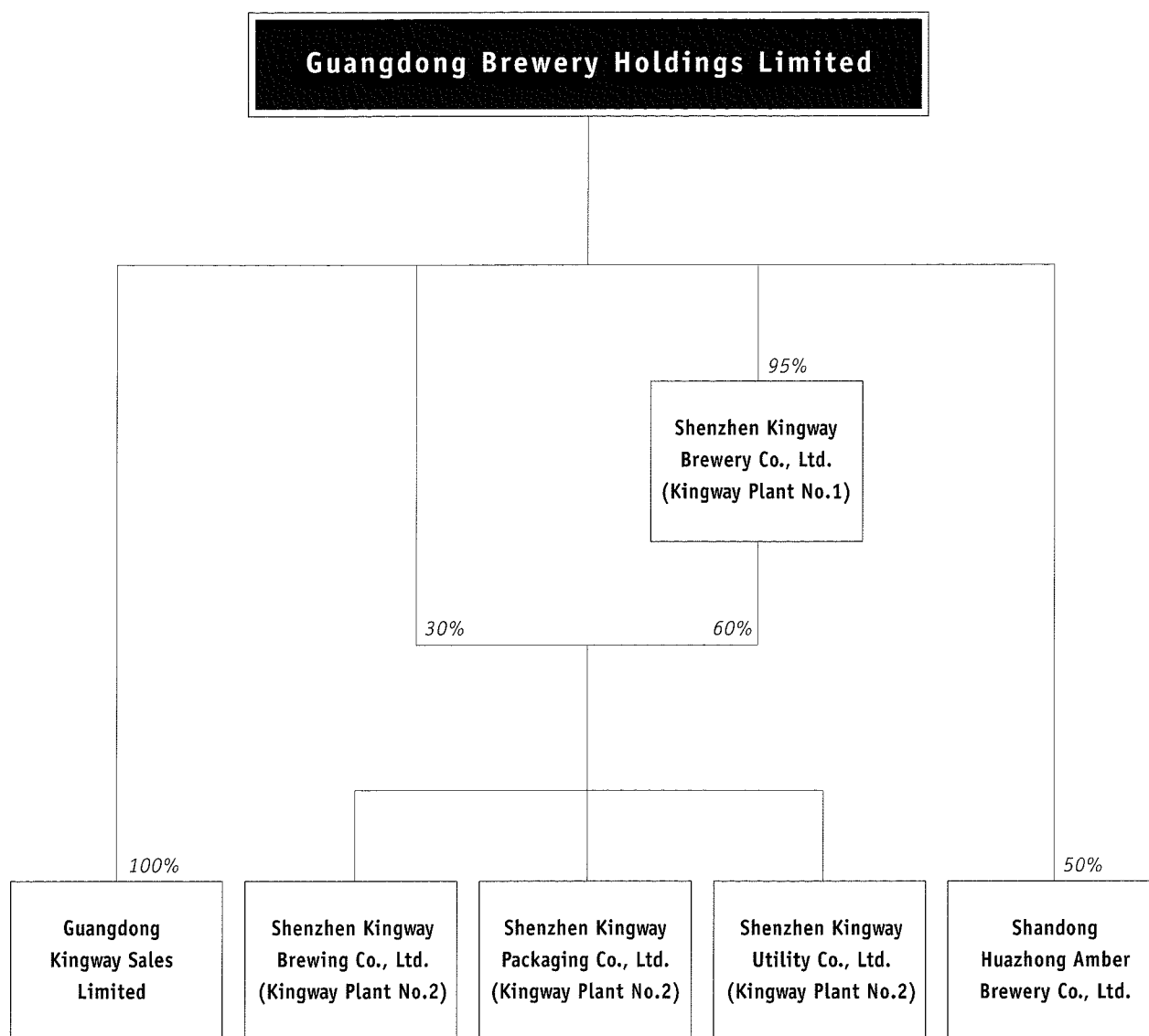
Tengis Limited

1601 Hutchison House

10 Harcourt Road

Central

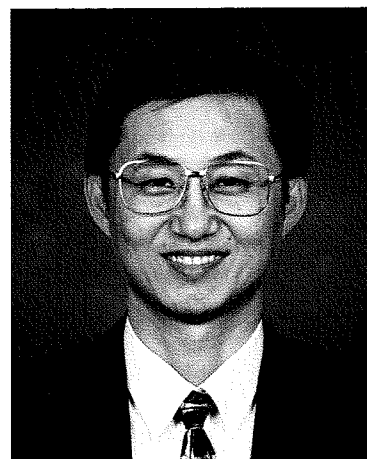
Hong Kong



Note:

The percentages shown represent the attributable interest of the Company or its subsidiaries as of 27 March 2000

	1999	1998	Change (%) Increase/ (decrease)
OPERATION			
Beer sale, in tons	182,000	161,000	+13.0%
Beer production, in tons	184,000	176,000	+4.5%
FINANCIAL RESULTS			
Turnover, in thousand dollars	682,454	618,641	+10.3%
Earning before finance costs, tax, depreciation and amortisation, in thousand dollars	234,680	233,989	+0.3%
Net profit attributable to shareholders, in thousand dollars	49,001	84,488	-42.0%
SHAREHOLDERS			
Issued shares, in thousand shares	1,250,000	1,250,000	-
Shareholders' equity, in thousand dollars	1,074,465	1,035,850	+3.7%
Earnings per share, in cents	3.9	6.8	-42.6%
Shareholders' equity per share, in cents	86	83	+3.6%



Mr. Michael Wu
Chairman and General Manager

Results of the Year

Competition in the beer industry remained intense for the year 1999. Amid difficult market conditions, the Group actively developed new markets and successfully achieved a satisfactory growth in sales. The consolidated turnover of the Group for the year 1999 was HK\$682 million, representing a growth of 10.3% as compared to last year. Kingway Plant No. 2, which commenced production in September 1998, has not yet reached break-even point. The selling expenses relating to the development of new markets have significantly increased. These factors coupled with the reduction in price of some of the Group's products due to keen market competition have affected the operating results of the Group. The net profit attributable to shareholders for the year was HK\$49 million, representing a decrease of 42.0% as compared to last year. Earnings per share were 3.9 cents, representing a decrease of 42.6% as compared to last year.

Review of Operations

Financial Status

Despite the decrease in profits in the year, the Group's net cash inflow from operations has satisfactorily increased by 19.0% over that of the previous last year. The financial status of the Group remains stable. During the year, the Group continued to lower the amount of total debts and reduced the proportion of foreign currency debts. The non-current liabilities to equity ratio at the end of 1999 was 32.6% reducing from that of 42.1% at the end of last year, which indicates that the financial status of the Group has been further improved since last year.

Market Development and Brand Promotion

The sales volume of Kingway beer for the year amounted to 182,000 tons, representing an increase of 13.0% as compared with that of last year. During the year, Kingway beer continued to focus on increasing sales through brand promotion and market development.

During the year, Kingway beer increased the budget in advertising and promotion with special emphasis on using more effective means of television, outdoor billboards and direct promotion at the points of consumption. The Kingway brand has been further enhanced in different markets.

The growth in sales volume of the Group in the year was mainly gained from the Guangdong markets. Although competition in the Shenzhen market for the year was very intense, Kingway beer successfully maintained its market share in Shenzhen by strengthening the Shenzhen sales force. Kingway beer added a new medium priced beer product in the Eastern Guangdong markets and successfully increased the sales in these areas. The sales of Kingway beer in other Guangdong markets remained stable. The strategy of focusing resources on the development of neighbouring provinces adopted last year has proved to be effective. Although at present the sales volume of Kingway beer in these provinces is relatively small as compared with that of Guangdong, the Kingway brand is becoming popular and the sales distribution network is being gradually built up in the main cities of these provinces. Markets in which Kingway beer achieved satisfactory results include Jiangxi province, Zhejiang province and Fujian province. Kingway beer has satisfactorily increased its sales volume by 36.0% over the last year in the Hong Kong market.

Research, Development and Cost Control

During 1999, a new product – bottled draught beer was introduced to the market. Production of bottled draught beer requires more advanced production facilities and technology. Beer consumers quickly accepted the special fresh taste of the bottled draft beer.

According to new regulations applicable to the beer industry in mainland China, commencing on 1 April 1999 all breweries must use the qualified type “B” bottles which meet certain specified standards promulgated by the authority of the industry. As a consequence of shortage of supply of type “B” bottles, the average bottle price for the year has increased over 10% as compared to that of last year. During the year, Kingway beer continues to strengthen its purchasing function and exercise tight control to reduce production wastage. The savings on the direct production costs resulted from such control measures have largely absorbed the impact of the cost increase on packaging due to the new regulations requiring the use of type “B” bottles. The Group also adopted cost control measures on other areas and the implementation so far has achieved positive results.

Shandong Huazhong Amber Brewery Co., Ltd. (“Amber Brewery”) – Associate

The sales volume of Amber beer for the year was 169,000 tons, representing a growth of 15.8% as compared with last year. Owing to the keen price competition in the beer markets in the northern region, cost increases due to the development of new markets and the new regulations for type “B” bottles, Amber Brewery suffered a loss for the year 1999. The demand for Amber beer exceeded supply during the peak seasons of the year and the company is now expanding capacity by 100,000 tons of beer per annum. With the completion of the expansion in April 2000, Amber Brewery will have sufficient capacity to satisfy the demand in the peak seasons of the year 2000.

Business Prospects

It shows that the consumption level in mainland China has picked up after entering the Millennium. With the central government continuing to adopt measures to stimulate the economy in order to increase domestic consumption, the improving consumer market creates better business environment for the sales of beer this year. However, competition in the beer market is expected to remain intense due to industry over-capacity. Kingway beer will continue to increase its efforts in technological advancement to develop new products that suit consumers, advertising and sales force in order to achieve greater market share in Guangdong and to further develop and strengthen its market position in neighbouring provinces. It is expected that the markets developed in neighbouring provinces will become another main source of sales growth of Kingway beer besides Guangdong Province. Meanwhile, the Group will further enhance and strengthen its internal management aiming to achieve higher production efficiency and higher profitability. As sales of Kingway beer grow, the Kingway Plant No. 2 is expected to improve from its loss-making position with the target of breaking even this year. Amber beer is currently planning to restructure its product mix in order to improve its operating margins. With quality products, outstanding brand image, and effective management of the Group, the Board is confident of the business prospects of the Group.

The Group is not included in the standstill arrangements with financial creditors applicable to its controlling shareholder, Guangdong Investment Limited, announced on 4 March 1999.

Michael Wu

Chairman

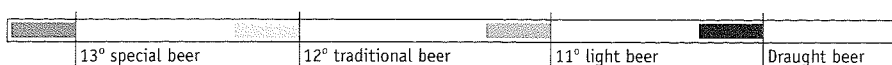
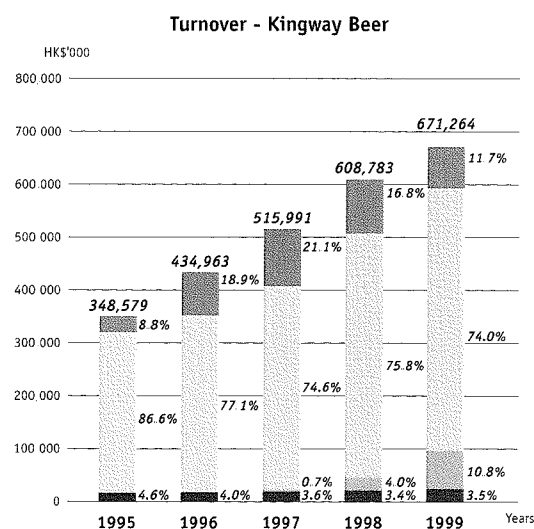
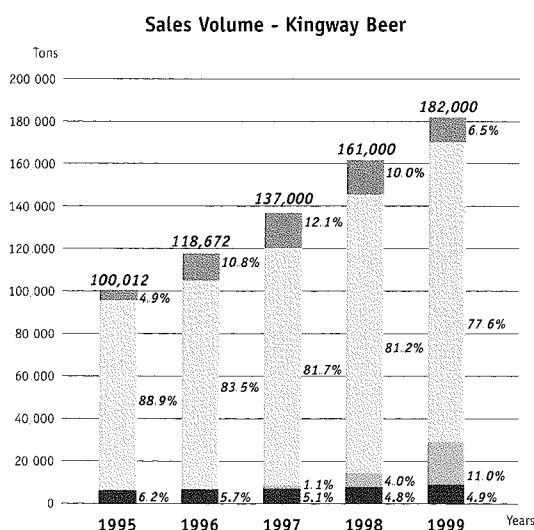
Hong Kong, 27 March 2000

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%.



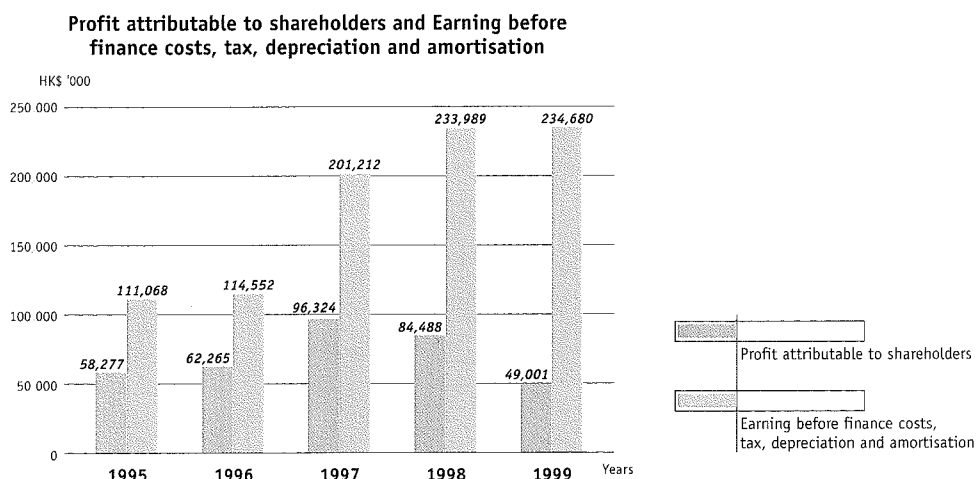
Price and Gross Profit Margin

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.

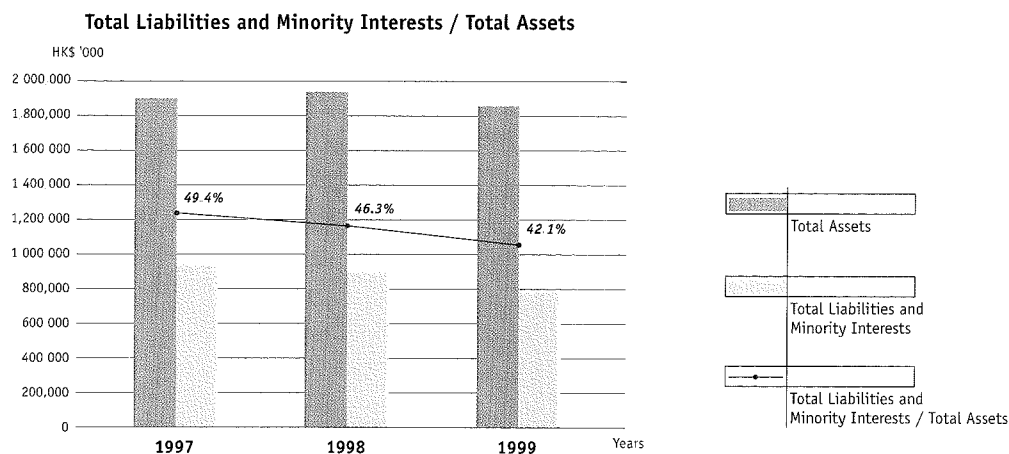
According to the prevailing tax regulations in the Shenzhen special economic zone, Kingway Plant No. 1 continues to entitle exemption of net output value-added tax on those beer products that are both produced and sold in Shenzhen. The total exemption of net output value-added tax entitled by Kingway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

Liquidity

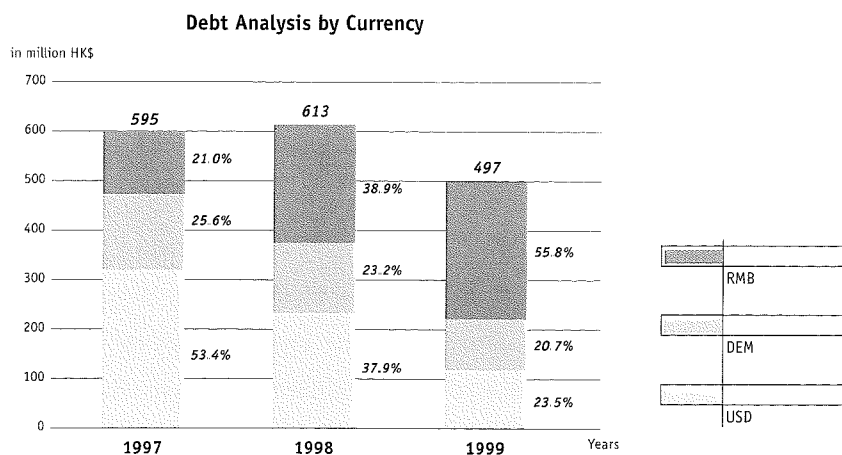
The liquidity position of the Group was strong and healthy as the cash and bank balances on hand at year ended 1999 was HK\$250 million and the net cash inflow from operating activities in 1999 amounted to HK\$280 million.

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.

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Guangdong Brewery Holdings Limited (the "Company") will be held at Galleria, 3rd Floor, The Wharney Hotel Hong Kong, No. 57-73 Lockhart Road, Wanchai, Hong Kong on 20 June 2000 (Tuesday) at 10:00 a.m. for the following purposes:

1. To receive and consider the audited Consolidated Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 December 1999.
2. To declare a final dividend for the year ended 31 December 1999.
3. To re-elect retiring Directors and to authorise the Board of Directors to fix the remuneration of the Directors.
4. To determine the maximum number of Directors and to authorise the appointment of additional directors.
5. To re-appoint Auditors and to authorise the Board of Directors to fix their remuneration.
6. As Special Business, to consider and if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

(A) "THAT:-

- (i) subject to sub-paragraph (ii) of this resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot and issue additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers either during or after the Relevant Period, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in sub-paragraph (i) of this resolution, other than pursuant to a Rights Issue (as hereinafter defined) or the exercise of subscription or conversion rights under any warrants, convertible bonds or other securities issued by the Company or any securities which are convertible into shares of the Company or any share option scheme or similar arrangement for the time being adopted for the grant or issue of officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares in the capital of the Company or any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, shall not exceed twenty percent of the aggregate nominal amount of the issued share capital of the Company on the date of this resolution and this approval shall be limited accordingly; and

(iii) for the purposes of this resolution;–

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:–

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; or
- (c) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restriction or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

(B) **“THAT:–**

- (i) subject to sub-paragraph (ii) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares in the capital of the Company (“Shares”) subject to and in accordance with all applicable laws and the Bye-laws of the Company, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of Shares which the Company is authorised to repurchase pursuant to the approval in sub-paragraph (i) of this resolution shall not exceed ten percent of the aggregate nominal amount of the Shares in issue as at the date of the passing of this resolution and the authority pursuant to sub-paragraph (i) of this resolution shall be limited accordingly; and
- (iii) for the purposes of this resolution:–

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;

- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; or
 - (c) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution in general meeting."
- (C) "THAT conditional upon resolution no. 6(B) above being passed, the aggregate nominal amount of the number of Shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors of the Company as mentioned in resolution no. 6(B) above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to resolution no. 6(A) above."

By Order of the Board

Lam Yee Mei, Katherine

Company Secretary

HONG KONG, 28 April 2000

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:-

- (i) A member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- (ii) In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be lodged with the Company's Branch Share Registrars in Hong Kong, Tengis Limited of 1601 Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting (or the adjourned meeting as the case may be).
- (iii) The Register of Members will be closed from Friday, 16 June 2000 to Tuesday, 20 June 2000, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and be eligible to attend and vote at the Annual General Meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Tengis Limited, of 1601 Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Thursday, 15 June 2000.
- (iv) A form of proxy for use at the meeting and an explanatory statement containing further details regarding resolution no. 6 above are enclosed.
- (v) In relation to resolution no. 6(A), approval is being sought from members of the Company for a general mandate to authorise the allotment of shares in the share capital of the Company. The Directors of the Company currently have no immediate plans to issue any new shares in the share capital of the Company pursuant to such general mandate.
- (vi) In relation to resolution no. 6(B), the Directors wish to state that they will exercise the powers conferred thereby to repurchase shares in circumstances which they deem appropriate.
- (vii) In relation to resolution no. 6(C), approval is being sought from members to extend the general mandate to allot shares by adding the repurchased shares to the 20 percent general mandate.

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 1999.

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

The Group's turnover and contribution to operating profit during the year were mainly derived from its operations in Mainland China.

An analysis of the Group's turnover and contribution to operating profit by principal activity for the year ended 31 December 1999 is as follows:

	Turnover HK\$'000	Contribution HK\$'000
By activity:		
Production and sale of beer	671,264	110,140
Rendering of services	11,190	1,232
	<u>682,454</u>	<u>111,372</u>

Results and Dividends

The Group's profit for the year ended 31 December 1999 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 70.

The Directors recommend the payment of a final dividend of 1.0 HK cent per share for the year ended 31 December 1999. 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 Tuesday, 20 June 2000, is expected to be paid on 5 July 2000 to shareholders whose names appear on the register of members of the Company on 20 June 2000.

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 and 1999, respectively.

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

Results

	Consolidated	Proforma combined results			
	Year ended 31 December				
	1999	1998	1997	1996	1995
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	682,454	618,641	525,069	446,701	364,655
Cost of sales	(456,477)	(380,537)	(345,817)	(288,984)	(227,546)
Gross profit	225,977	238,104	179,252	157,717	137,109
Other revenue	71,707	65,477	74,025	8,359	9,543
Selling expenses	(108,932)	(79,802)	(48,430)	(31,300)	(22,756)
Administrative expenses	(77,380)	(98,217)	(49,629)	(32,337)	(26,944)
Profit from operating activities	111,372	125,562	155,218	102,439	96,952
Finance costs	(45,250)	(30,275)	(22,829)	(12,315)	(13,265)
Share of results of an associate	(8,401)	1,398	-	-	-
Profit before tax	57,721	96,685	132,389	90,124	83,687
Tax	(9,991)	(12,772)	(10,217)	(7,104)	(5,985)
Profit before minority interests	47,730	83,913	122,172	83,020	77,702
Minority interests	1,271	575	(25,848)	(20,755)	(19,425)
Net profit attributable to shareholders	49,001	84,488	96,324	62,265	58,277

Assets and Liabilities

	Consolidated		
	Year ended 31 December		
	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Total assets	1,854,602	1,929,896	1,890,457
Total liabilities	(740,985)	(852,410)	(884,454)
Minority interests	(39,152)	(41,636)	(48,686)
Net assets	1,074,465	1,035,850	957,317

Fixed Assets

Movements in fixed assets of the Company and the Group during the year are set out in note 12 to the financial statements.

Subsidiaries

Particulars of the Company's subsidiaries are set out in note 13 to the financial statements.

Associate

Particulars of the Group's associate are set out in note 14 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, together with the reasons therefor, are set out in note 22 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 23 to the financial statements.

Distributable Reserve

At 31 December 1999, the Company's reserves available for distribution as calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$152,366,000.

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 notes 19 to note 21 to the financial statements.

Interest Capitalised

During the year, no interest (1998: HK\$24,561,000) was capitalised in respect of the Group's construction in progress.

Charitable Contributions

During the year, the Group made charitable contributions totalling HK\$253,000 (1998: HK\$726,000).

Directors

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

Michael WU	(Appointed on 7 March 2000)
CHENG Mo Chi, Moses*	
Alan Howard SMITH*	(Appointed on 16 January 1999)
V-nee YEH*	(Appointed on 16 January 1999)
REN Qihan	
CHEN Haotian	
YUAN Youjian	
ZHOU Dongxiang	
HOU Bojian	
TANG Zhen	
CHAU Kam Wing, Donald	
TENG William (Bill)*	(resigned on 15 January 1999)
DING Xun	(retired on 25 June 1999)
HUI Ho Ming, Herbert	(resigned on 15 January 2000)
AU Wai Ming	(resigned on 7 March 2000)

* Independent Non-Executive Director

Directors (cont'd)

In accordance with bye-law 87 of the Company's Bye-laws, Messrs. Cheng Mo Chi, Moses, Ren Qihan and Tang Zhen will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

The Independent 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' Remuneration

Directors' remuneration disclosed pursuant to the Rules Governing the Listing Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") was as follows:

	1999 HK\$'000	1998 HK\$'000
Fees:		
Executive	60	60
Non-executive	120	80
Other emoluments:		
Salaries, allowances and benefits in kind	2,062	1,588
Bonus paid and payable	180	78
Pension scheme contributions	68	52
	<u>2,490</u>	<u>1,858</u>

Fees include HK\$90,000 (1998: HK\$40,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (1998: Nil).

The remuneration of all fourteen Directors (1998: All twelve) fell within the band of "Not more than HK\$1,000,000" for the year ended 31 December 1999.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

Five Highest Paid Individuals

The five highest paid individuals of the Group included two Directors (1998: two), details of whose remuneration are set out in page 19. The remuneration of the other three individuals (1998: three) disclosed pursuant to the Listing Rules was as follows:

	1999 HK\$'000	1998 HK\$'000
Salaries, allowances and benefits in kind	1,242	1,257
Bonus paid and payable	-	-
Pension scheme contributions	37	39
	<u>1,279</u>	<u>1,296</u>

The remuneration of the three highest paid individuals, other than Directors, all fell within the band of "Not more than HK\$1,000,000" for the year ended 31 December 1999 (1998: three).

Directors' and Senior Management's Biographies

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

Directors

Mr. Michael Wu, aged 48, was appointed the Chairman and General Manager of the Company in March 2000. Mr. Wu joined Guangdong Investment Limited ("GDI"), the controlling shareholder of the Company, in 1992 and has been a Deputy General Manager of GDI since July 1996. Mr. Wu graduated from Zhongshan University and obtained a Bachelor's degree in Arts. In 1987, he obtained his Master's degree in Business Administration from the University of Texas in the United States.

Mr. Cheng Mo Chi, Moses, aged 50, was appointed an Independent Non-Executive Director of the Company in July 1997. He is also an independent non-executive director of GDI and Guangdong Building Industries Limited ("GBIL"), a subsidiary of GDI listed on the Hong Kong Stock Exchange and The Australian Stock Exchange Limited (the "Australian Stock Exchange"). 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.

Directors' and Senior Management's Biographies (cont'd)

Directors (cont'd)

Mr. Alan Howard Smith, aged 56, 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 41, 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.

Mr. Ren Qihan, aged 50, was appointed a Director of the Company in June 1997. He graduated from University of Zhongshan in the PRC in 1978. Mr. Ren joined Guangdong Enterprises (Holdings) Limited ("GDE") in 1993. He was a director of the Guangzhou office of Guangdong Light Industrial Products Company Limited from 1993 to 1996. Mr. Ren was appointed the deputy general manager of the Department of Planning and Development of GDE in 1996.

Mr. Chen Haotian, aged 54, was appointed a Director of the Company in June 1997. He graduated from Guangdong University of Science and Technology in the PRC. Mr. Chen joined GDE in 1990 and was an assistant director of Guangzhou office of GDE from 1990 and 1992. Mr. Chen was the chairman and general manager of Guangdong Enterprises (Shenzhen) Co. Limited from 1992 to 1995 and has been the deputy general manager of the Department of Planning and Development of GDE since 1995. Mr. Chen was the chairman of Shenzhen Kingway Brewery Co., Ltd. ("Kingway Plant No. 1") from 1992 to 1997 and he has been in charge of the development of Shenzhen Kingway Brewing Co., Ltd. ("Kingway Plant No. 2") since 1995.

Mr. Yuan Youjian, aged 62, was appointed a Director of the Company in June 1997. He graduated from Jinan University in the PRC in 1965. He has been the general manager of Kingway Plant No. 1 since 1989. Mr. Yuan is the vice chairman of Guangdong Beer Association, Guangdong Food Industry Association and Shenzhen Food Industry Association. Mr. Yuan has 30 years of experience in management, production and sales. He is a senior engineer in the PRC.

Directors' and Senior Management's Biographies (cont'd)

Directors (cont'd)

Mr. Zhou Dongxiang, aged 46, was appointed a Director of the Company in June 1997. 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 deputy plant manager of Jiamusi Winery, Heilongjiang Province from 1976 to 1983. From 1985 to 1990, he was the deputy plant manager of Jiamusi Brewery and was the plant manager of that brewery from 1990 to 1995. Mr. Zhou has over 17 years of experience in brewery industry.

Mr. Hou Bojian, aged 40, was appointed a Director of the Company in June 1997. He is an executive director, a deputy general manager and the financial controller of GDI. He is also a director of GBIL and Guangdong Tannery Limited ("GDT"), a subsidiary of GDI listed on the Hong Kong Stock Exchange. Mr. Hou graduated from Jinan University in the PRC and obtained a Master's degree in Economics. He is a certified accountant and a member of Guangdong Accounting Association and a council member of the Guangdong Provincial Accounting Society. Before joining GDI, he was a deputy general manager of the Finance Department of GDE.

Mr. Tang Zhen, aged 47, was appointed a Director of the Company in June 1997. He is also an executive director and a deputy general manager of GDI, a director of GBIL and GDT. Mr. Tang graduated from Jinan University in the PRC and subsequently obtained his Master's degree in Business Administration from the University of North Texas in the United States in 1991. In 1998, he graduated from the Advanced Management Program at the Harvard University Graduate School of Business Administration. He joined GDE in 1981 and was the deputy general manager of Guangdong Yuehai Import & Export Corporation from 1985 to 1988. Mr. Tang joined GDI in 1992.

Mr. Chau Kam Wing, Donald, aged 37, was appointed a Director of the Company in 1998 and is also the financial controller of the Company. He is responsible for financial control, treasury management and accounting functions of the Company. Mr. Chau is an associate member of The Hong Kong Society of Accountants and an associate member of The Association of Chartered Certified Accountants. He has over 15 years of experience in auditing, taxation and financial accounting.

Senior Management

During the year, Messrs. Au Wai Ming, Ren Qihan, Chen Haotian, Yuan Youjian, 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 Securities

As at 31 December 1999, 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
Chau Kam Wing, Donald	Personal	4,220,000

(ii) *Guangdong Investment Limited*

Name of Director	Type of interest	Number of shares held
Chen Haotian	Personal	100,000
Yuan Youjian	Personal	180,000
Zhou Dongxiang	Personal	40,000
Hou Bojian	Personal	150,000
Tang Zhen	Personal	666,000
Au Wai Ming	Personal	300,000

Directors' Interests in Securities (cont'd)

I. Shares (cont'd)

As at 31 December 1999, Mr. V-nee Yeh, a Director of the Company, held US\$450,000 in principal amount of the 1% convertible bonds due 2002 (the "2002 CBs") issued by Guangdong Investment Finance (Cayman) Limited and guaranteed by Guangdong Investment Limited ("GDI") and had more than 1/3 of the voting right in VP Private Equity Ltd., the fund manager to VP Special Situations I Limited ("VPSS") which held US\$4,320,000 in principal amount of the 2002 CBs. Mr. V-nee Yeh also had a 0.486% attributable interests in VPSS. The 2002 CBs are listed on the Luxembourg Stock Exchange and would be due on 7 July 2002. The 2002 CBs carry a right to be converted into fully-paid ordinary shares ("Ordinary Shares") with a par value of HK\$0.50 each of GDI at an initial conversion price of HK\$13.75 per Ordinary Share subject to adjustment.

II. Options

(i) The Company

Name of Director	Number of options held on 01/01/1999	Options granted during the year		Period during which options are exercisable	Price per share to be paid on exercise of options (HK\$)	Number of options exercised during the year	Number of options held on 31/12/1999
		Date granted	Number granted				
Ren Qihan	1,200,000	-	-	*20/02/1998-19/02/2003	2.10	-	1,200,000
Chen Haotian	1,200,000	-	-	*20/02/1998-19/02/2003	2.10	-	1,200,000
Yuan Youjian	1,200,000	-	-	*20/02/1998-19/02/2003	2.10	-	1,200,000
Zhou Dongxiang	1,200,000	-	-	*20/02/1998-19/02/2003	2.10	-	1,200,000
Chau Kam Wing, Donald	1,400,000	-	-	*20/02/1998-19/02/2003	2.10	-	1,400,000
Au Wai Ming	4,500,000	-	-	*20/02/1998-19/02/2003	2.10	-	4,500,000

* If 19/02/2003 is not a business day in Hong Kong, the option period shall end on the business day preceding that day.

No cash consideration has been paid by any of 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 01/01/1999	Options granted during the year		Period during which options are exercisable	Price per share to be paid on exercise of options (HK\$)	Number of options exercised during the year	Number of options held on 31/12/1999
		Date granted	Number granted				
Ren Qihan	150,000	-	-	*17/09/1998-16/09/2003	3.024	-	150,000
Chen Haotian	50,000	-	-	*10/06/1997-09/06/2002	4.536	-	50,000
	150,000	-	-	*17/09/1998-16/09/2003	3.024	-	150,000
Yuan Youjian	150,000	-	-	*17/09/1998-16/09/2003	3.024	-	150,000
Zhou Dongxiang	150,000	-	-	*17/09/1998-16/09/2003	3.024	-	150,000
Hou Bojian	500,000	-	-	*19/08/1998-18/08/2003	2.892	-	500,000
Tang Zhen	350,000	-	-	*10/06/1997-09/06/2002	4.536	-	350,000
	500,000	-	-	*19/08/1998-18/08/2003	2.892	-	500,000

Directors' Interests in Securities (cont'd)

II. Options (cont'd)

(ii) Guangdong Investment Limited (cont'd)

Name of Director	Number of options held on 01/01/1999	Options granted during the year		Period during which options are exercisable	Price per share to be paid on exercise of options (HK\$)	Number of options exercised during the year	Number of options held on 31/12/1999
		Date granted	Number granted				
Chau Kam Wing, Donald	150,000	-	-	*19/08/1998-18/08/2003	2.892	-	150,000
Hui Ho Ming, Herbert	6,000,000	-	-	*01/11/1997-31/10/2002	5.392	-	6,000,000
	6,000,000	-	-	*19/08/1998-18/08/2003	2.892	-	6,000,000
	-	01/04/1999	6,000,000	*02/10/1999-01/10/2004	0.92	-	6,000,000
Au Wai Ming	500,000	-	-	*19/08/1998-18/08/2003	2.892	-	500,000

* If the last day of any of the option period is not a business day in Hong Kong, the option period shall end on the business day preceding that day.

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

Directors' Interests in Securities (cont'd)

II. Options (cont'd)

(iii) Guangdong Building Industries Limited

Name of Director	Number of options held on 01/01/1999	Options granted during the year		Period during which options are exercisable	Price per share to be paid on exercise of options (HK\$)	Number of options exercised during the year	Number of options held on 31/12/1999
		Date granted	Number granted				
Hou Bojian	770,000	-	-	*11/09/1995-10/09/2000	2.25	-	770,000

* If 10/09/2000 is not a business day in Australia, the option period shall end on the business day preceding that day.

The cash consideration paid by the Directors for each option granted by Guangdong Building Industries Limited was HK\$0.005.

(iv) Guangdong Tannery Limited

Name of Director	Number of options held on 01/01/1999	Options granted during the year		Period during which options are exercisable	Price per share to be paid on exercise of options (HK\$)	Number of options exercised during the year	Number of options held on 31/12/1999
		Date granted	Number granted				
Hou Bojian	1,100,000	-	-	*15/07/1997-14/01/2002	1.3936	-	1,100,000
Tang Zhen	1,100,000	-	-	*15/07/1997-14/01/2002	1.3936	-	1,100,000

* If 14/01/2002 is not a business day in Hong Kong, the option period shall end on the business day preceding that day.

No cash consideration has been paid by any of the Directors for the options granted by Guangdong Tannery Limited.

Directors' Interests in Securities (cont'd)

Save as disclosed above, as at 31 December 1999, 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 1999, the Company had 14,850,000 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.

Directors' Rights to Acquire Shares (cont'd)

3. Pursuant to the resolutions passed by the shareholders of Guangdong Building Industries Limited ("GBIL"), a fellow subsidiary of the Company, on 8 May 1995, options were granted to certain Directors of the Company on 11 September 1995 to subscribe for shares of GBIL on or before 5:01 p.m. on the business day preceding the fifth anniversary of 11 September 1995, the expiry date of the said options.

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

4. Pursuant to the share option scheme of Guangdong Tannery Limited ("GDT"), a fellow subsidiary of the Company, adopted on 26 November 1996 and which will expire on 25 November 2006, options were granted to certain Directors of the Company to subscribe for shares of GDT at a price not less than the higher of (i) the nominal value of the shares of GDT; and (ii) 80 percent of the average of the closing prices of the shares of GDT recorded on the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer of the option.

Details of the share options of GDT 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 1999, 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
Guangdong Enterprises (Holdings) Limited*	937,500,000	75%
Guangdong Investment Limited	900,000,000	72%

* The shares beneficially held by Guangdong Enterprises (Holdings) Limited comprise the 900,000,000 shares held by Guangdong Investment Limited and 37,500,000 shares held directly by it.

Connected Transactions

Details of the connected transactions for the year are set out in note 28 to the financial statements. The Independent Non-Executive Directors of the Company had reviewed those connected transactions set out in note 28(i) and (ii) for which the Stock Exchange has granted a waiver from the relevant requirements of the Listing Rules and confirmed that:

- (a) each transaction was entered into by the Group in the ordinary and usual course of its business;
- (b) each 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) each transaction was entered into either (i) in accordance with 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.

Post Balance Sheet Events

Significant post balance sheet events are set out in note 29 to the financial statements.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for 34.3% of the total sales for the year and purchases from the Group's five largest suppliers accounted for 24.8% of the total purchases for the year.

Purchases from the largest supplier of the Group accounted for 12.6% of the Group's total purchases for the year.

Major Customers and Suppliers (cont'd)

Apart from Guangzhou Malting Co., Ltd., 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 suppliers 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 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

Michael Wu

Chairman

Hong Kong, 27 March 2000



To the members

Guangdong Brewery Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 33 to 70 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view, in all material respects, of the state of affairs of the Company and of the Group as at 31 December 1999 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

27 March 2000

Year ended 31 December 1999

		1999	1998
	Notes	HK\$'000	HK\$'000
TURNOVER	5	682,454	618,641
Cost of sales		(456,477)	(380,537)
Gross profit		225,977	238,104
Other revenue		71,707	65,477
Selling expenses		(108,932)	(79,802)
Administrative expenses		(77,380)	(98,217)
PROFIT FROM OPERATING ACTIVITIES	6	111,372	125,562
Finance costs	7	(45,250)	(30,275)
Share of results of an associate		(8,401)	1,398
PROFIT BEFORE TAX		57,721	96,685
Tax	8	(9,991)	(12,772)
PROFIT BEFORE MINORITY INTERESTS		47,730	83,913
Minority interests		1,271	575
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	9	49,001	84,488
Dividends	10	(12,500)	(6,250)
EARNINGS PER SHARE	11		
– BASIC		3.9 cents	6.8 cents
– DILUTED		N/A	N/A

Consolidated Statement of Recognised Gains and Losses

GD

Year ended 31 December 1999

		1999	1998
	Notes	HK\$'000	HK\$'000
Exchange differences on translation of the financial statements of subsidiaries and an associate in Mainland China	23	2,114	295
Net profit attributable to shareholders	23	49,001	84,488
Total recognised gains		51,115	84,783

31 December 1999

		1999	1998
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Fixed assets	12	1,309,044	1,375,063
Interest in an associate	14	108,533	80,251
Investment securities	15	5,611	5,611
Long term receivable	16	1,697	1,752
Other long term assets	17	33,294	43,053
		<u>1,458,179</u>	<u>1,505,730</u>
CURRENT ASSETS			
Inventories	18	98,384	112,899
Accounts receivable		33,219	34,109
Prepayments, deposits and other receivables		14,268	17,517
Current portion of loan to a director	16	54	48
Cash and bank balances		250,498	259,593
		<u>396,423</u>	<u>424,166</u>
CURRENT LIABILITIES			
Interest-bearing bank loans	19	201,935	228,126
Accounts payable		17,067	34,838
Other payables and accrued liabilities		88,967	67,739
Tax payable		3,769	4,350
VAT payable		13,631	9,138
Current portion of amounts due to the ultimate holding company	20	45,148	69,296
Current portion of amounts due to minority equityholders of subsidiaries	21	1,184	-
Amount due to a fellow subsidiary		2,679	3,105
Proposed final dividend		12,500	-
		<u>386,880</u>	<u>416,592</u>
NET CURRENT ASSETS		<u>9,543</u>	<u>7,574</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,467,722</u>	<u>1,513,304</u>

Consolidated Balance Sheet (cont'd)

GD

31 December 1999

		1999	1998
	Notes	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Long term interest-bearing bank loans	19	(75,139)	(102,967)
Long term portion of amounts due to the ultimate holding company	20	(176,155)	(234,807)
Long term portion of amounts due to minority equityholders of subsidiaries	21	(102,811)	(98,044)
		<u>1,113,617</u>	<u>1,077,486</u>
MINORITY INTERESTS			
		<u>(39,152)</u>	<u>(41,636)</u>
		<u>1,074,465</u>	<u>1,035,850</u>
SHARE CAPITAL			
	22	125,000	125,000
RESERVES			
	23	<u>949,465</u>	<u>910,850</u>
		<u>1,074,465</u>	<u>1,035,850</u>

Michael Wu
Director

Chau Kam Wing, Donald
Director

Year ended 31 December 1999

		1999	1998
	Note	HK\$'000	HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	24(a)	279,826	235,218
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		4,865	8,640
Interest paid		(46,100)	(41,137)
Dividend received from an associate		1,402	-
Dividend paid		-	(6,250)
Dividend paid to minority equityholders of subsidiaries		-	(16,853)
Net cash outflow from returns on investments and servicing of finance		(39,833)	(55,600)
TAXATION			
Tax paid in Mainland China		(10,587)	(11,540)
INVESTING ACTIVITIES			
Proceeds from the sale of fixed assets		522	211
Purchases of fixed assets		(39,892)	(72,794)
Repayment to an associate		(37,488)	(9,127)
Acquisition of other long term assets		(11,668)	(29,494)
Acquisition of investment securities		-	(5,611)
Net cash outflow from investing activities		(88,526)	(116,815)
NET CASH INFLOW BEFORE FINANCING		140,880	51,263

Consolidated Cash Flow Statement (cont'd)

GD

Year ended 31 December 1999

		1999	1998
	Note	HK\$'000	HK\$'000
FINANCING	24(b)		
New interest-bearing bank loans		140,885	178,377
Repayment of interest-bearing bank loans		(205,555)	(127,397)
Repayment to the ultimate holding company		(95,255)	(93,290)
Repayment to minority equityholders of subsidiaries		(156)	(5,171)
Net cash outflow from financing		(160,081)	(47,481)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(19,201)	3,782
Cash and cash equivalents at beginning of year		259,593	255,736
Effect of foreign exchange rate changes, net		714	75
CASH AND CASH EQUIVALENTS AT END OF YEAR		241,106	259,593
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		250,498	259,593
Interest-bearing bank loans with maturity less than three months from the date of the advance		(9,392)	-
		241,106	259,593

31 December 1999

		1999	1998
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Fixed assets	12	2,687	3,700
Interests in subsidiaries	13	1,319,171	1,358,828
Investment securities	15	5,611	5,611
		<u>1,327,469</u>	<u>1,368,139</u>
CURRENT ASSETS			
Prepayments, deposits and other receivables		830	1,151
Current portion of amounts due from subsidiaries		49,252	175,635
Cash and bank balances		19,961	46,933
		<u>70,043</u>	<u>223,719</u>
CURRENT LIABILITIES			
Interest-bearing bank loans	19	–	92,808
Other payables and accrued liabilities		6,526	6,980
Current portion of amounts due to the ultimate holding company	20	45,148	69,296
Amounts due to fellow subsidiaries		–	37,477
Proposed final dividend		12,500	–
		<u>64,174</u>	<u>206,561</u>
NET CURRENT ASSETS		<u>5,869</u>	<u>17,158</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,333,338	1,385,297
NON-CURRENT LIABILITY			
Long term portion of amounts due to the ultimate holding company	20	(176,155)	(234,807)
		<u>1,157,183</u>	<u>1,150,490</u>
SHARE CAPITAL	22	125,000	125,000
RESERVES	23	1,032,183	1,025,490
		<u>1,157,183</u>	<u>1,150,490</u>

Michael Wu
Director

Chau Kam Wing, Donald
Director

31 December 1999

1. CORPORATE INFORMATION

During the year, the Group was principally engaged in investment holding and the production, distribution and sale of beer.

In the opinion of the Directors, the ultimate holding company is Guangdong Investment Limited, which was incorporated and is publicly listed in Hong Kong.

2. IMPACT OF NEW OR REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following summarises the new or revised SSAPs that have been adopted in the preparation of the current year's consolidated financial statements, together with a summary of their major effects.

- SSAP 1: Presentation of Financial Statements
- SSAP 2: Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies
- SSAP 10: Accounting for Investments in Associates
- SSAP 24: Accounting for Investments

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The formats of the income statement and the balance sheets, as set out on pages 33, 35 to 36 and 39 respectively, have been revised in accordance with the SSAP, and a statement of recognised gains and losses, not previously required, is included on page 34. Additional disclosures as required are included in the supporting notes to the financial statements.

SSAP 2 prescribes the classification, disclosure and accounting treatment of certain items in the income statement, and specifies the accounting treatment for changes in accounting estimates, changes in accounting policies and the correction of fundamental errors. The principal impact of the SSAP on the preparation of these financial statements is that exceptional items, previously disclosed on the face of the profit and loss account, are now primarily disclosed by way of note and are no longer specifically referred to as "Exceptional items".

SSAP 10, which prescribes the accounting treatment for investments in associates, closely follows the previous SSAP 10, and accordingly has had no major impact for these financial statements. The terminology used and certain disclosures have been revised in line with the new requirements.

SSAP 24 prescribes the accounting treatment and disclosures for investments in debt and equity securities, including in certain circumstances alternative accounting treatments. For these financial statements, as further explained in the accounting policy note below, investments in long term non-trading unlisted equity securities are stated at their cost less provision for diminution in values other than temporary in nature. There are no prior period adjustments arising from the adoption of SSAP 24 in these financial statements.

3. CORPORATE UPDATE

In preparing the financial statements, the Directors have given careful consideration to the future liquidity of the Group in the light of its own resources and prospects, together with the current financial position of Guangdong Investment Limited ("GDI", and together with its subsidiaries referred to as the "GDI Group"), the Company's ultimate holding company, to whom the Group owes an aggregate amount of HK\$221,303,000 as at 31 December 1999 (the "Amount Due"), of which HK\$176,155,000 is long term. (See note 20 for further details concerning the Amount Due.)

The Group has reported a net profit attributable to shareholders of HK\$49,001,000 and a net cash inflow from operating activities of HK\$279,826,000 in respect of the year ended 31 December 1999. The Group also reported net current assets of HK\$9,543,000 at the same date, which included substantial unrestricted cash and bank balances of HK\$250,498,000. Having regard to these results, and the Group's expected results and cash flows, the Directors consider that, in its own light, the Group has adequate resources available and can, in the ordinary course of business, reasonably expect its bankers to renew existing lines of credit on the basis of the Group's performance and financial position.

Notwithstanding the foregoing, the Group is part of a larger publicly listed group, the GDI Group. The GDI Group is currently experiencing severe liquidity problems and is dependent upon the continuing support of its bankers, bond holders and floating rate note holders (collectively referred to as the "Financial Creditors"). GDI and the Financial Creditors are currently negotiating agreements relating to the rescheduling of the financial liabilities of the GDI Group, which is dependent on the acquisition of Dongshen Water Supply, as further explained below, being completed.

At the same time, Guangdong Enterprises (Holdings) Limited ("GDE", and together with its subsidiaries referred to as the "GDE Group"), a major shareholder of GDI which has guaranteed certain of the GDI Group's bank loans, is also experiencing severe liquidity problems. The Directors are aware that the viability of the GDE Group is currently dependent upon the support of the Guangdong Provincial Government (the "GPG") and of other parties currently providing finance to the GDE Group. The directors of GDI have publicly stated their opinion that the financial stability of the GDE Group will significantly affect the Financial Creditors' continuing support to the GDI Group.

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3. CORPORATE UPDATE (cont'd)

Against this background, with the support of the GPG, restructurings are planned for both the GDE Group and the GDI Group, under which the GDI Group will refocus on its core businesses of infrastructure, utilities, property and hotels. On 16 December 1999, GDI entered into an acquisition agreement pursuant to which, amongst other things, GDI agreed to acquire 81% in GH Water Supply (Holdings) Limited ("GH Holdings") which holds 99% interest in Dongshen Water Supply upon its corporatisation. The directors of GDI believe that GDI's financial position will improve with the acquisition of Dongshen Water Supply, which generates revenue from the provision of natural water to Hong Kong. The restructuring to focus on the core businesses of the GDI Group and the acquisition of GH Holdings are collectively referred to as the "Restructurings". Whilst the specific proposals and details of the Restructurings have yet to be finalised, the Directors have confirmed that, to date, no proposals have been put forward to cease permanently or curtail significantly the operations of the Group. In any event, the Directors consider that it is unlikely that any proposals which would impact on the Group as a going concern would emerge given its prospects and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

These financial statements have been prepared in accordance with SSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 1999. The results of subsidiaries and associate acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intra-group transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the Directors, there have been permanent diminutions in values, when they are written down to values determined by the Directors.

Associate

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Associate (cont'd)**

The Group's share of the post-acquisition results and reserves of the associate is included in the consolidated income statement and consolidated reserves, respectively. The Group's interest in the associate is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values, other than temporary in nature, deemed necessary by the Directors.

Joint venture companies established in the mainland of the People's Republic of China ("Mainland China")

Joint venture companies comprise companies operating, directly or indirectly, in Mainland China as independent business entities. The joint venture agreements with the venturers stipulate the operating and control rights of the joint venture parties, the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which assets are to be realised upon its dissolution. The profits and losses from operations and any distribution of surplus assets are shared by the joint venture parties either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreements.

A joint venture company is accounted for as:

- (a) a subsidiary, if the Group has effective control over the joint venture company; or
- (b) an associate, if the Group holds between 20% and 50% of the joint venture company's registered capital for the long term and is in a position to exercise significant influence in its management; or
- (c) investment securities, if the Group holds less than 20% of the joint venture company's registered capital.

Goodwill/capital reserve on consolidation

Goodwill arising on consolidation of subsidiaries and on acquisition of an associate represents the excess of the purchase consideration paid for the subsidiaries/associate over the fair values ascribed to the net underlying assets acquired at the date of acquisition and is eliminated against reserves in the year of acquisition.

Capital reserve on consolidation represents the excess of the fair values ascribed to the acquired net underlying assets of the subsidiaries and associate at the date of acquisition over the purchase consideration for such investments.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Goodwill/capital reserve on consolidation (cont'd)**

Upon disposal of subsidiaries or the associate, the attributable amount of purchased goodwill or capital reserve on consolidation previously dealt with in reserves is realised and taken into account in arriving at the gain or loss on disposal of the investments.

Deferred expenses

Deferred pre-operating expenses represent expenses incurred before the commencement of commercial operations of certain subsidiaries in Mainland China. These expenses are amortised on a straight-line basis over periods not exceeding five years starting from the commencement date of operations of these joint ventures.

Deferred expenses incurred in connection with reusable packaging materials currently in use are stated at cost and amortised on a straight-line basis over a period of three years.

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the tangible fixed asset, the expenditure is capitalised as an additional cost of the tangible fixed asset.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the financial statements and any gain or loss resulting from their disposal is included in the income statement.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life, after taking into account its estimated residual value. The principal annual rates used for this purpose are as follows:

Leasehold land in Mainland China	Over the shorter of the lease terms or the life of the joint ventures
Buildings	4.5% – 20%
Plant, machinery and equipment	4.5% – 20%
Furniture and fixtures	18% – 20%
Leasehold improvements	Over the lease terms
Motor vehicles	18% – 20%

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Construction in progress**

Construction in progress represents buildings, machinery and equipment under construction and is stated at cost. Cost comprises direct costs of construction as well as interest charges on related borrowed funds during the periods of construction, installation and testing. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

Capitalised borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets which took a substantial period of time to get ready for its intended use were capitalised until the construction/production of the relevant asset was completed, and was included in the carrying value of the asset. The capitalised interest rate represented the cost of capital from raising the related funds externally and varied from 4.1% to 11% per annum in the prior year.

Investment securities

Investment securities are non-trading investments in unlisted equity securities intended to be held on a long term basis.

Unlisted securities are included in the balance sheet at cost less provisions for diminutions in values which are other than temporary. Such provisions are determined for each investment individually and are recognised as an expense.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete or slow-moving items. Cost is determined on the weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an attributable proportion of production overheads.

Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Foreign currencies**

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries and the associate operating in Mainland China are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. All translation differences arising on consolidation are included in the exchange fluctuation reserve.

Pension costs

The Company and certain of its subsidiaries operate a defined contribution pension scheme for certain of their employees, the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the scheme. When an employee leaves the scheme before his/her interest in the employer contributions is fully vested, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

For certain subsidiaries of the Group in Mainland China, contributions to the government retirement benefit scheme are charged to the income statement as incurred.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) on the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) income from the operation of restaurants, pubs and other related services, based on the period in which such services are rendered; and
- (c) interest, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

5. TURNOVER AND REVENUE

Turnover represents the invoiced value of goods sold, net of discounts, returns, value-added tax and consumption tax; and income earned from the operation of restaurants, pubs and other related services, net of business tax, after elimination of all significant intercompany transactions.

Revenue from the following activities has been included in turnover:

	1999	1998
	HK\$'000	HK\$'000
Sale of goods	671,264	608,783
Operation of restaurants, pubs and other related services	11,190	9,858
	<u>682,454</u>	<u>618,641</u>

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6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	1999	1998
	HK\$'000	HK\$'000
Depreciation	109,694	88,001
Operating lease rentals in respect of land and buildings	1,265	1,762
Cost of inventories sold	456,477	380,537
Staff costs (excluding directors' remuneration):		
Wages and salaries	49,855	41,353
Pension contributions	3,109	1,789
Less: forfeited contributions	—	—
Net pension contributions	3,109	1,789
	52,964	43,142
Amortisation of deferred expenses	20,744	18,453
Auditors' remuneration	918	781
Loss on disposal of fixed assets	323	—
Exchange losses, net	—	2,770
Directors' remuneration:		
Fees	180	140
Other emoluments	2,310	1,718
	2,490	1,858
and after crediting:		
Gain on disposal of fixed assets	—	149
Interest income	4,865	8,640
Value-added tax exemption*	50,034	56,111
Exchange gains, net**	19,411	—

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6. PROFIT FROM OPERATING ACTIVITIES (cont'd)

No forfeited pension scheme contributions were available at the current year to reduce contributions in future years (1998: Nil).

* The balance represents the exemption of net output value-added tax on those beer products that are both produced and sold in Shenzhen entitled by Shenzhen Kingway Brewery Co., Ltd. ("Shenzhen Brewery").

** Included in exchange gains of HK\$16,864,000 (1998 : exchange loss of HK\$8,681,000) arising from the closing rate translation of DEM loans due to the ultimate holding company.

7. FINANCE COSTS

	1999	1998
	HK\$'000	HK\$'000
Interest on:		
Interest-bearing bank loans	26,696	26,114
Other loans wholly repayable:		
Within five years	1,511	5,444
Over five years	17,043	23,278
Less: interest capitalised as construction in progress	—	(24,561)
	<u>45,250</u>	<u>30,275</u>

8. TAX

	1999	1998
	HK\$'000	HK\$'000
Group:		
Hong Kong	—	—
Mainland China	9,991	12,772
	<u>9,991</u>	<u>12,772</u>
Tax charge for the year	<u>9,991</u>	<u>12,772</u>

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8. TAX (cont'd)

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year (1998: Nil)

Provision has been made for tax in Mainland China based on existing legislation, interpretations and practices in respect thereof.

The Group's subsidiary, Shenzhen Brewery, is a Sino-foreign equity joint venture established in one of the special economic zones of Mainland China. According to the tax regulations in Mainland China, the subsidiary is subject to a tax rate of 15% on the taxable profits for each year calculated on a calendar year basis.

Shenzhen Brewery is entitled to tax exemption for its first two profit-making years and a tax relief of 50% in the next six years. As 1999 is the eighth profitable year, the provision for enterprise income tax has been provided at the reduced rate of 7.5% on the profits for the year.

There were no material unprovided deferred tax liabilities at the year end (1998 : Nil).

9. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 December 1999 is HK\$19,193,000 (1998: HK\$129,396,000).

	1999	1998
	HK\$'000	HK\$'000
Profit/(loss) for the year retained /(accumulated) by:		
The Company and subsidiaries	57,402	83,090
Associate	(8,401)	1,398
	<u>49,001</u>	<u>84,488</u>

10. DIVIDENDS

	1999	1998
	HK\$'000	HK\$'000
Interim dividend – Nil (1998: 0.5 HK cent) per share	–	6,250
Final dividend – 1.0 HK cent (1998: Nil) per share	12,500	–
	<u>12,500</u>	<u>6,250</u>

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$49,001,000 (1998: HK\$84,488,000) and on the weighted average number of 1,250,000,000 (1998: 1,250,000,000) shares in issue during the year.

Diluted earnings per share for the year and prior year reflecting the exercise of all outstanding share options is not presented because the impact is anti-dilutive.

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12. FIXED ASSETS

Group

	Land and buildings	Plant, machinery and equipment	Furniture and fixtures	Leasehold improve- ments	Motor vehicles	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:							
At beginning of year	404,929	1,185,858	7,601	2,722	36,580	14,737	1,652,427
Additions	2,777	4,052	1,028	-	8,173	23,862	39,892
Disposals	-	(1,953)	-	-	(256)	-	(2,209)
Reclassifications	782	3,639	(811)	-	-	(3,610)	-
Exchange adjustments	1,348	4,023	18	-	123	50	5,562
At 31 December 1999	409,836	1,195,619	7,836	2,722	44,620	35,039	1,695,672
Accumulated depreciation:							
At beginning of year	34,967	228,918	3,345	679	9,455	-	277,364
Provided during the year	18,466	83,402	641	583	6,602	-	109,694
Disposals	-	(1,196)	-	-	(168)	-	(1,364)
Reclassifications	-	110	(110)	-	-	-	-
Exchange adjustments	118	774	10	-	32	-	934
At 31 December 1999	53,551	312,008	3,886	1,262	15,921	-	386,628
Net book value:							
At 31 December 1999	356,285	883,611	3,950	1,460	28,699	35,039	1,309,044
At 31 December 1998	369,962	956,940	4,256	2,043	27,125	14,737	1,375,063

12. FIXED ASSETS (cont'd)

Company

	Furniture and fixtures	Leasehold improvements	Total
	HK\$'000	HK\$'000	HK\$'000
Cost:			
At beginning of year and at			
31 December 1999	2,147	2,722	4,869
Accumulated depreciation:			
At beginning of year	491	678	1,169
Provided during the year	429	584	1,013
At 31 December 1999	920	1,262	2,182
Net book value:			
At 31 December 1999	1,227	1,460	2,687
At 31 December 1998	1,656	2,044	3,700

As at 31 December 1999, the net book values of the Group's leasehold land and buildings comprised:

	1999	1998
	HK\$'000	HK\$'000
Long term leases in Mainland China	35,291	37,665
Medium term leases in Mainland China	320,994	332,297
	356,285	369,962

Certain of the Group's land and buildings with an aggregate net book value of HK\$38,076,000 (1998: HK\$60,059,000) were pledged to secure interest-bearing bank loans granted to the Group (note 19).

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13. INTERESTS IN SUBSIDIARIES

	Company	
	1999	1998
	HK\$'000	HK\$'000
Unlisted shares/investments, at cost	261,816	261,816
Due from subsidiaries	1,057,355	1,097,012
	<u>1,319,171</u>	<u>1,358,828</u>

The amounts due from subsidiaries are unsecured, not repayable within one year from the balance sheet date, and except for the advances to Shenzhen Brewery which are interest-bearing and the details of which are set out in note 28(v) to the financial statements, are interest-free.

Particulars of the subsidiaries at 31 December 1999 were as follows:

Company	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered capital	Percentage of attributable equity interest		Principal activities
			Company	Group	
Baligold Developments Limited	British Virgin Islands	Ordinary US\$1	100%	100%	Investment holding
Central China (Asia) Investment Limited	Hong Kong	Ordinary HK\$10,000	-	100%	Investment holding
Crown Right Development Limited	Hong Kong	Ordinary HK\$2	100%	100%	Investment holding
Ease Court Investment Limited	Hong Kong	Ordinary HK\$100 Non-voting deferred HK\$2	-	100%	Investment holding

13. INTERESTS IN SUBSIDIARIES (cont'd)

Company	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered capital	Percentage of attributable equity interest held by		Principal activities
			Company	Group	
Guangdong Brewery (Nominees) Limited	Hong Kong	Ordinary HK\$2	100%	100%	Nominee services
Guangdong Kingway Sales Limited	Hong Kong	Ordinary HK\$2	100%	100%	Sale and marketing of beer
Harbour Bright Enterprises Limited	Hong Kong	Ordinary HK\$100 Non-voting deferred HK\$2	-	100%	Investment holding
Helmuth Enterprises Limited	British Virgin Islands	Ordinary US\$1	-	100%	Investment holding
Morefit Limited	British Virgin Islands	Ordinary US\$1	-	100%	Investment holding
Mountain View Developments Limited	British Virgin Islands	Ordinary US\$1	100%	100%	Investment holding
Shenzhen Kingway Brewery Co., Ltd.	Mainland China	US\$50,000,000	-	95%	Production, distribution and sale of beer and investment holding
Shenzhen Kingway Brewing Co., Ltd.	Mainland China	US\$12,000,000	-	87%	Production, distribution and sale of beer

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13. INTERESTS IN SUBSIDIARIES (cont'd)

Company	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered capital	Percentage of attributable equity interest held by		Principal activities
			Company	Group	
Shenzhen Kingway Packaging Co., Ltd.	Mainland China	US\$12,000,000	-	87%	Provision of bottling and packaging services
Shenzhen Kingway Utility Co., Ltd.	Mainland China	US\$12,000,000	-	87%	Provision of utilities services

14. INTEREST IN AN ASSOCIATE

	Group	
	1999 HK\$'000	1998 HK\$'000
Share of net assets	108,533	71,124
Net amount due from the associate	-	9,127
	<u>108,533</u>	<u>80,251</u>

The Group's share of the post-acquisition accumulated deficits, other than the exchange fluctuation reserve, of the associate at 31 December 1999 was HK\$7,003,000 (1998: share of the post-acquisition accumulated reserves of HK\$1,398,000).

The Group's share of the post-acquisition exchange fluctuation reserve surplus of the associate at 31 December 1999 was HK\$597,000 (1998: Nil).

Included in the net amount due from the associate in prior year was the amount of HK\$37,489,000 advanced by the associate to the Group, which was unsecured, bore interest at short term lending rate per annum announced by People's Bank of China and was fully repaid during the year. The remaining amount due from the associate was unsecured, interest-free and was capitalised as part of the share capital of the associate during the year.

14. INTEREST IN AN ASSOCIATE (cont'd)

Particulars of the associate were as follows:

Company	Business structure	Place of registration and operations	Percentage of ownership interest attributable to the Group		Principal activities
			1999	1998	
Shandong Huazhong Amber Brewery Co., Ltd.	Corporate	Mainland China	50%	50%	Production, distribution and sale of beer

15. INVESTMENT SECURITIES

	Group and Company	
	1999	1998
	HK\$'000	HK\$'000
Unlisted equity investment, at cost	5,611	5,611

The balance represents investment in a company which was incorporated in the Mainland China and is engaged in the distribution and sale of wine and beer in Mainland China.

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16. LONG TERM RECEIVABLE

The balance represents a loan to a Director, the particulars of which disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Group

Name of Director	31 December 1999	Maximum outstanding during the year	1 January 1999
	HK\$'000	HK\$'000	HK\$'000
Chau Kam Wing, Donald	1,751	1,800	1,800
Portion classified as current assets	(54)		(48)
Long term portion	1,697		1,752

The loan granted to the Director is secured by a residential property situated in Hong Kong, bears interest at Hong Kong best lending rate less 3% per annum and is repayable by 240 equal monthly instalments.

The purpose of the advance is to facilitate the purchase of the residential premises for Mr. Chau Kam Wing, Donald's main residence.

17. OTHER LONG TERM ASSETS

	Group	
	1999	1998
	HK\$'000	HK\$'000
Deferred VAT recoverable	—	819
Deferred pre-operating expenses	10,027	14,292
Deferred packaging materials expenses	23,267	27,942
	33,294	43,053

17. OTHER LONG TERM ASSETS (cont'd)

Pursuant to the directives issued by the Ministry of Finance and the State Tax Bureau in Mainland China, an amount of approximately HK\$4,083,000 (equivalent to RMB4,377,000) was transferred from the Group's inventories as at 1 January 1994 and recorded as deferred VAT recoverable under other long term assets. This amount has been approved by the relevant tax authority as being available to offset future output VAT payables over a period of five years ended 31 December 1999. The balance was fully offset at the year end.

18. INVENTORIES

	Group	
	1999	1998
	HK\$'000	HK\$'000
Raw materials	10,927	11,992
Spare parts and consumables	36,801	34,878
Packaging materials	22,641	28,558
Work in progress	17,210	22,840
Finished goods	10,805	14,631
	<u>98,384</u>	<u>112,899</u>

At 31 December 1999 and 1998, all of the inventories were carried at cost.

19. INTEREST-BEARING BANK LOANS

	Group		Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest-bearing bank loans:				
Secured	18,785	120,890	—	92,808
Unsecured	258,289	210,203	—	—
	<u>277,074</u>	<u>331,093</u>	<u>—</u>	<u>92,808</u>

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19. INTEREST-BEARING BANK LOANS (cont'd)

The maturities of the interest-bearing bank loans are as follows:

	Group		Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Repayable:				
Within one year or on demand	201,935	228,126	-	92,808
In the second year	75,139	102,967	-	-
	<u>277,074</u>	<u>331,093</u>	<u>-</u>	<u>92,808</u>
Portion classified as current liabilities	(201,935)	(228,126)	-	(92,808)
Long term portion	<u>75,139</u>	<u>102,967</u>	<u>-</u>	<u>-</u>

The secured interest-bearing bank loans were secured by certain land and buildings of the Group with an aggregate net book value of HK\$38,076,000 (1998: HK\$60,059,000) (note 12).

20. AMOUNTS DUE TO THE ULTIMATE HOLDING COMPANY

The maturities of the amounts due to the ultimate holding company are as follows:

	Group and Company	
	1999	1998
	HK\$'000	HK\$'000
Repayable:		
Within one year or with no fixed terms of repayment	45,148	69,296
In the second to fifth years, inclusive	176,155	187,846
Over five years	-	46,961
	<u>221,303</u>	<u>304,103</u>
Portion classified as current liabilities	(45,148)	(69,296)
Long term portion	<u>176,155</u>	<u>234,807</u>

20. AMOUNTS DUE TO THE ULTIMATE HOLDING COMPANY (cont'd)

The amounts due to the ultimate holding company are unsecured, and of which HK\$117,025,000 and HK\$103,168,000 bear interests at 6 months' LIBOR plus 0.65% per annum and 6 months' FIBOR plus 0.65% per annum, respectively. The remaining balance of HK\$1,110,000 is interest-free.

21. AMOUNTS DUE TO MINORITY EQUITYHOLDERS OF SUBSIDIARIES

The maturities of the amounts due to the minority equityholders of subsidiaries are as follows:

	Group	
	1999	1998
	HK\$'000	HK\$'000
Repayable:		
Within one year	1,184	-
No fixed terms of repayment, but not to be repaid within one year	102,811	98,044
	103,995	98,044
Portion classified as current liabilities	(1,184)	-
Long term portion	102,811	98,044

The amounts due to the minority equityholders of subsidiaries are unsecured, and of which HK\$65,200,000 bears interest at long term lending rate per annum announced by People's Bank of China and the remaining portion of the balance is interest-free.

22. SHARE CAPITAL

	Company	
	1999	1998
	HK\$'000	HK\$'000
Authorised:		
2,000,000,000 shares of HK\$0.10 each	200,000	200,000
Issued and fully paid:		
1,250,000,000 shares of HK\$0.10 each	125,000	125,000

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22. SHARE CAPITAL (cont'd)**Share options**

On 20 August 1997, pursuant to the share option scheme of the Company, options were granted to subscribe for 15,050,000 shares of the Company to certain employees and Directors of the Group at nil cash consideration. The share options can be exercised during the period commencing on the first business day after six months from the date of grant at a subscription price of HK\$2.1 each, and expiring at the close of business on the business day preceding the fifth anniversary thereof. During the year, 200,000 options were cancelled upon the resignation of employee. The exercise in full of the outstanding options would result in the issue of an additional 14,850,000 shares of HK\$0.10 each and cash proceeds, before the related issue expenses, of approximately HK\$31,185,000.

There was no option granted to or exercised by the executives and/or employees of the Company and its subsidiaries during the year.

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23. RESERVES

Group

	Share premium	Capital reserve	Exchange fluctuation reserve	Enterprise development fund#	Reserve fund#	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 1998	879,817	(98,265)	-	24	-	50,741	832,317
Net profit for the year	-	-	-	-	-	84,488	84,488
Dividends	-	-	-	-	-	(6,250)	(6,250)
Transfer	(140,234)*	140,234*	-	-	-	-	-
Transfer from income statement	-	-	-	96	6,611	(6,707)	-
Exchange adjustments on retranslation of subsidiaries and an associate in Mainland China	-	-	295	-	-	-	295
At 31 December 1998 and 1 January 1999	739,583	41,969	295	120	6,611	122,272	910,850
Net profit for the year	-	-	-	-	-	49,001	49,001
Dividends	-	-	-	-	-	(12,500)	(12,500)
Transfer from income statement	-	-	-	96	8,635	(8,731)	-
Exchange adjustments on retranslation of subsidiaries and an associate in Mainland China	-	-	2,114	-	-	-	2,114
At 31 December 1999	739,583	41,969	2,409	216	15,246	150,042	949,465

Pursuant to the relevant laws and regulations for sino-foreign joint venture enterprises, a portion of the profits of the Company's subsidiary operating in Mainland China has been transferred to reserve fund and enterprise development fund which are restricted as to use. The amounts transferred from the income statement are determined by the board of directors of a subsidiary. These funds are not available for distribution.

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23. RESERVES (cont'd)

Company

	Share premium	Capital reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 1998	879,817	–	22,527	902,344
Net profit for the year	–	–	129,396	129,396
Dividends	–	–	(6,250)	(6,250)
Transfer	(140,234)*	140,234*	–	–
At 31 December 1998				
and 1 January 1999	739,583	140,234	145,673	1,025,490
Net profit for the year	–	–	19,193	19,193
Dividends	–	–	(12,500)	(12,500)
At 31 December 1999	739,583	140,234	152,366	1,032,183

* On 23 April 1998, a special resolution was passed in a special general meeting of the Company for a reduction of its share premium account in the amount of HK\$140,234,000 for the purpose of transferring such amount to the credit of the capital reserve account against which goodwill arising on the acquisition of subsidiaries and the increase in the Group's equity interest in a subsidiary were eliminated

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	1999	1998
	HK\$'000	HK\$'000
Profit from operating activities	111,372	125,562
Interest income	(4,865)	(8,640)
Depreciation	109,694	88,001
Amortisation of deferred expenses	20,744	18,453
Loss/(gain) on disposal of fixed assets	323	(149)
Provision for deferred packaging materials expenses	–	2,129
Decrease in accounts receivable	890	8,583
Decrease in prepayments, deposits and other receivables	3,249	12,146
Decrease/(increase) in inventories	14,515	(19,971)
Decrease/(increase) in loan to a director	49	(1,800)
Increase/(decrease) in accounts payable	(18,881)	16,849
Increase in other payables and accrued liabilities	37,888	2,763
Increase in VAT payable	5,284	1,864
Decrease in amounts due to fellow subsidiaries	(436)	(10,572)
Net cash inflow from operating activities	279,826	235,218

(b) Analysis of changes in financing during the year

	Minority interests	
	1999	1998
	HK\$'000	HK\$'000
At 1 January	41,636	48,686
Share of loss for the year	(1,271)	(575)
Dividend payable to minority equityholders	(1,174)	(6,506)
Exchange adjustments	(39)	31
At 31 December	39,152	41,636

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24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(b) Analysis of changes in financing during the year (cont'd)

	Interest-bearing bank loans	
	1999	1998
	HK\$'000	HK\$'000
At 1 January	331,093	280,031
Net cash inflow/(outflow) from financing	(64,670)	50,980
Interest-bearing bank loans with maturity less than three months from the date of the advance	9,392	-
Exchange adjustments	1,259	82
At 31 December	277,074	331,093

	Amounts due to the ultimate holding company	
	1999	1998
	HK\$'000	HK\$'000
At 1 January	304,103	391,986
Net cash outflow from financing	(95,255)	(93,290)
Interest payable	12,455	5,407
At 31 December	221,303	304,103

	Amounts due to minority equityholders of subsidiaries	
	1999	1998
	HK\$'000	HK\$'000
At 1 January	98,044	106,226
Net cash outflow from financing	(156)	(5,171)
Interest payable	4,602	7,276
Dividend paid to minority equityholders	-	(16,853)
Dividend payable to minority equityholders	1,174	6,506
Exchange adjustments	331	60
At 31 December	103,995	98,044

25. COMMITMENTS

	Group		Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital commitments in respect of property, plant and equipment:				
Contracted for	3,182	2,638	-	-
Authorised, but not contracted for	-	3,193	-	-
	<u>3,182</u>	<u>5,831</u>	<u>-</u>	<u>-</u>

Annual commitments payable in the following year under non-cancellable operating leases in respect of land and buildings expiring:

Within one year	582	-	582	-
In the second to fifth years, inclusive	-	1,164	-	1,164
	<u>582</u>	<u>1,164</u>	<u>582</u>	<u>1,164</u>

26. CONTINGENT LIABILITIES

At the balance sheet date, the contingent liabilities of the Company in respect of guarantees given to banks to secure banking facilities granted and utilised by the Group's non-wholly-owned subsidiaries amounted to HK\$108,012,000 (1998: HK\$102,967,000).

Save as disclosed above, neither the Company nor the Group had any significant contingent liabilities at the balance sheet date.

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27. PLEDGE OF ASSETS

At 31 December 1999, certain of the Group's fixed assets with an aggregate net book value of HK\$38,076,000 (1998: HK\$60,059,000) were pledged to secure interest-bearing bank loans granted to the Group. The investments in Shenzhen Brewery held by a subsidiary of the Group were pledged to secure an interest-bearing bank loan granted to the Company in 1998. Such bank loan was fully repaid during the year and the pledge was subsequently released.

28. CONNECTED AND RELATED PARTY TRANSACTIONS

Listed below are connected transactions disclosed in accordance with the Rules Governing the Listing of Securities of the Hong Kong Stock Exchange and related party transactions disclosed in accordance with SSAP 20 "Related Party Disclosures" issued in August 1997.

The transactions referred to in items (i), (ii), (iii), (vii) and (viii) below constitute related party transactions and those referred to in items (i) to (vi) below constitute connected transactions disclosed under the Listing Rules.

- (i) During the year, the Group purchased malt from Guangzhou Malting Co., Ltd., which is a 51.6% owned subsidiary of GDI, on what the Directors believe to be terms similar to those offered to other customers unrelated to GDI. For the year ended 31 December 1999, the aggregate amount purchased by the Group was approximately RMB49.4 million (1998 : approximately RMB63.1 million).
- (ii) The Company entered into a tenancy agreement on 22 July 1997 with Bateson Developments Limited ("BDT"), a wholly-owned subsidiary of GDI, whereby the Company agreed to lease a leasehold property owned by BDT as office premises at a monthly rental of HK\$97,000 for a term of three years commencing from 1 July 1997 and expiring on 30 June 2000, with an option on the Company's part to renew for a further two years at the then prevailing open market rent to be agreed between the two parties.
- (iii) As at 31 December 1999, advances made by GDI were outstanding in the aggregate amount of HK\$220,193,000 (1998 : HK\$291,225,000). The loans were being used to finance the construction of a plant and purchases of machinery and equipment for the Group's operations. The balances (1998 : HK\$281,768,000) are unsecured, bear interest ranging from 6 months' FIBOR plus 0.65% to 6 months' LIBOR plus 0.65% per annum and are fully repayable within five years from the balance sheet date. During the year, HK\$9,457,000 which was unsecured and bore interest at 11% per annum, was fully repaid. The interest expenses arose during the year from the above mentioned loans was HK\$12,455,000 (1998 : HK\$21,400,000).

28. CONNECTED AND RELATED PARTY TRANSACTIONS (cont'd)

- (iv) As at 31 December 1999, advances made by the Group's wholly-owned subsidiary, Morefit Limited, to the Group's non-wholly-owned subsidiary, Shenzhen Kingway Brewing Co., Ltd., in which the Group holds 87% equity interest, were outstanding in the amount of HK\$227,801,000 (1998: HK\$248,581,000). The loans were used to finance the construction of the plant in Bao An, Mainland China. The loans are unsecured, bear interest at 6 months' LIBOR plus 2% per annum (1998: 8.5% per annum) and of which HK\$22,780,000 (1998: Nil) is repayable within 2000 and the remaining balance of HK\$205,021,000 (1998: HK\$248,581,000) is not repayable within one year from the balance sheet date.
- (v) As at 31 December 1999, advances made by the Company to the Group's non-wholly-owned subsidiary, Shenzhen Brewery in which the Group has a 95% equity interest, were outstanding in the aggregate amount of HK\$265,621,000 (1998: HK\$298,049,000). The loans are being used to finance its expansion plan and the construction of the plant in Bao An, Mainland China. The outstanding loan balance of HK\$108,738,000 (1998: HK\$108,418,000) is unsecured, bears interest at long term lending rate per annum announced by People's Bank of China (1998: 11% per annum) and is not repayable within one year. The remaining outstanding loan balance of HK\$156,883,000 (1998: HK\$189,631,000) is unsecured, bears interest at 6 months' LIBOR plus 0.75% per annum and is repayable within five years from the balance sheet date.
- (vi) The Company executed certain guarantees for banking facilities granted to the Group's non-wholly-owned subsidiary, Shenzhen Brewery, for its operations. As at 31 December 1999, the guarantees given totalled HK\$108,012,000 (1998: HK\$102,967,000).
- (vii) As at 31 December 1998, an advance of HK\$37,489,000 made by the Group's associate, Shandong Huazhong Amber Brewery Co., Ltd. ("Shandong Amber Brewery") to the Group's wholly-owned subsidiary, Central China (Asia) Investment Limited ("Central China"), was outstanding. The advance was unsecured, bore interest at short term lending rate per annum announced by People's Bank of China and was fully repaid during the year. During the year, the interest expense arose from the above loan was HK\$1,497,000 (1998: HK\$46,000). As at 31 December 1998, the amount of HK\$46,616,000 due from Shandong Amber Brewery to Central China was unsecured, interest-free and was capitalised as part of the share capital of Shandong Amber Brewery during the year.
- (viii) During the year, interest expense arose from funds advanced by minority equityholders of the Company's subsidiaries was HK\$4,602,000 (1998: HK\$7,276,000), details of which, including the terms, are disclosed in note 21 to the financial statements.

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29. POST BALANCE SHEET EVENTS

Significant post balance sheet events have occurred as described in note 3 to the financial statements "CORPORATE UPDATE".

30. COMPARATIVE AMOUNTS

As explained in note 2 to the financial statements, due to the adoption of new or revised SSAPs during the current year, the presentation of the income statement, the balance sheets and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 27 March 2000.