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CORPORATE INFORMATION

Board of Directors

JIANG Guoqiang (*Chairman*)
ZHOU Dongxiang (*General Manager*)
CHENG Mo Chi, Moses*
Alan Howard SMITH*
V-nee YEH*
ZHANG Yaping
WANG Man Kwan, Paul
HO LAM Lai Ping, Theresa

* *Independent Non-Executive Directors*

Company Secretary

LAM Yee Mei, Katherine

Auditors

Ernst & Young

Solicitors

Charltons

Principal Bankers

Standard Chartered Bank
The Hongkong and Shanghai Banking
Corporation Limited

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office & Principal Place of Business

Office A1, 19th Floor
Guangdong Investment Tower
148 Connaught Road Central
Hong Kong
Telephone: (852) 2165 6262
Facsimile: (852) 2815 2822

Principal Share Registrars

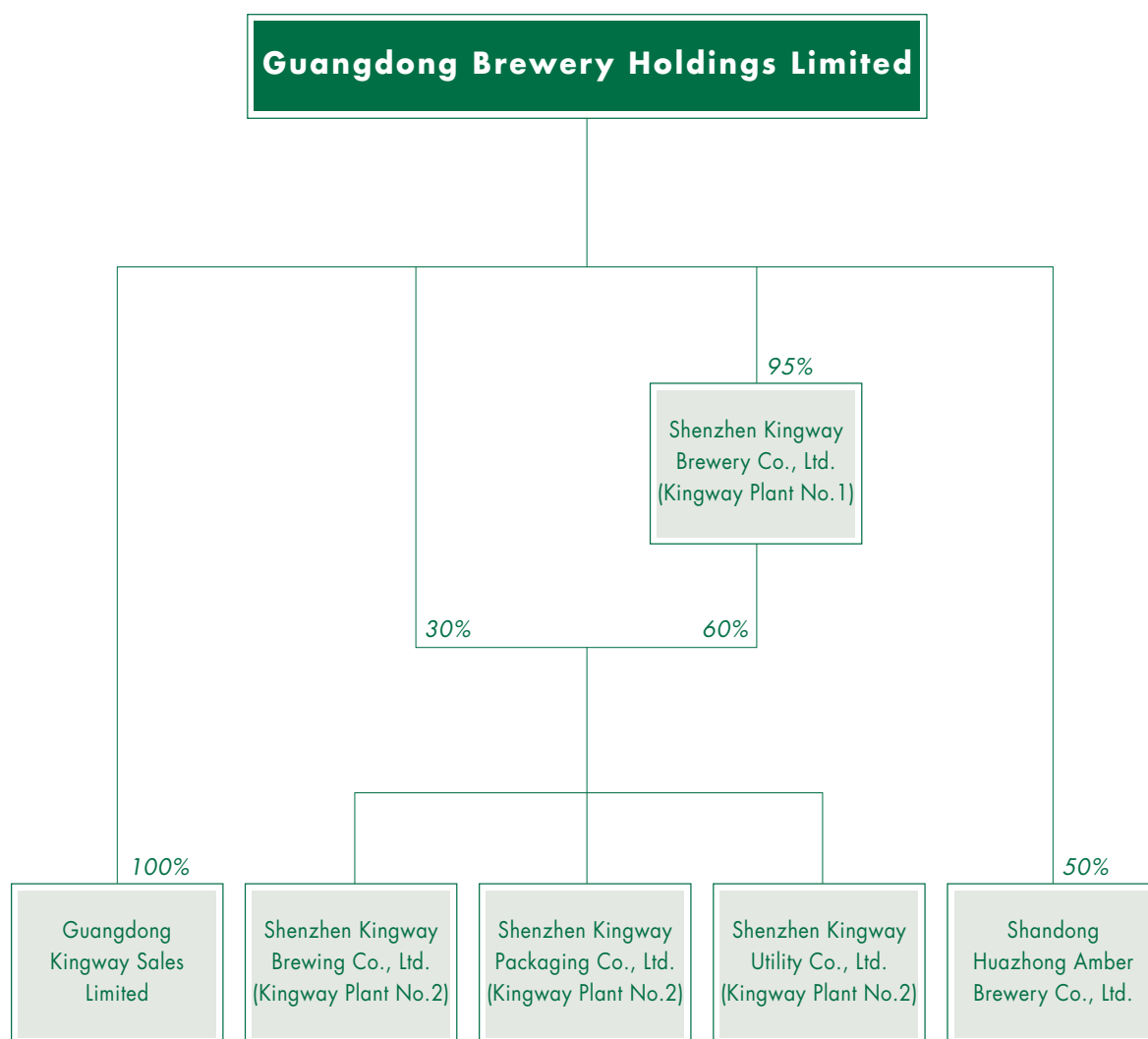
Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Branch Share Registrars in Hong Kong

Tengis Limited
4th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

Information as at 20 April 2001

SIMPLIFIED CORPORATE STRUCTURE CHART



Note:

The percentages shown represent the attributable interest of the Company or its subsidiaries as of 20 April 2001.

THE YEAR'S HIGHLIGHTS

	2000	1999	Change (%)
OPERATION			
Beer sales volume, in tons	171,000	182,000	-6.0%
Beer production volume, in tons	168,000	184,000	-8.7%
FINANCIAL RESULTS			
Turnover, in thousand dollars	613,892	682,454	-10.0%
Earnings before finance costs, tax, depreciation and amortisation (EBITDA), in thousand dollars	186,252	233,368	-20.2%
Net profit attributable to shareholders, in thousand dollars	10,242	52,712	-80.6%
SHAREHOLDERS			
Issued shares, in thousand shares	1,250,000	1,250,000	–
Shareholders' equity, in thousand dollars	1,074,955	1,065,741	+0.9%
Earnings per share, in cents	0.8	4.2	-81.0%
Shareholders' equity per share, in cents	86	85	+1.2%

RESULTS OF THE YEAR

Year 2000 is a year full of challenges to the Group. During the year, competition in the Mainland beer industry remained intense, especially in those regions and cities with more developed economies and higher consuming power. Facing the difficult market conditions, the Group actively strengthened its existing markets and developed new markets. The sales volume of Kingway beer for the year amounted to 171,000 tons, decreased by 6.0% as compared to last year. Due to changes in product mix, the consolidated turnover was HK\$614 million, representing a decrease of 10.0% from last year. Although there was a decrease in turnover, effective cost control had increased the gross profit margin from 33.1% of last year to 37.1% which was a satisfactory improvement. The consolidated net profit attributable to shareholders was HK\$10,242,000, representing a decrease of 80.6% from last year. Earnings per share were 0.8 cents, representing a decrease of 81.0% from last year. During the year, a provision of HK\$41,502,000 has been made on the investment in Shandong Huazhong Amber Brewery Co., Ltd. ("Amber Brewery"), which is intended to be disposed of by the Group. If such non-recurrent provision is excluded, the profit before tax increased by 12.4% from last year to HK\$69,688,000. The Group's cash inflow from operations was still satisfactory and the financial position of the Group remains stable. The non-current liabilities to equity ratio as at the year end was 22.5%, reducing from that of 33.2% as at the end of last year. The financial position of the Group had been further strengthened.

BUSINESS REVIEW

Kingway beer continues to focus on brand promotion and market development. During the year, the Group further increased its strength in advertising and promotion planning. The quality of the launched advertisement and promotional campaign was greatly improved which enhanced the Kingway brand in the market. The sales volume of Shenzhen market was successfully maintained while sales volume in the neighbouring provinces achieved satisfactory growth. However, sales volume in other geographical areas of Guangdong province decreased slightly. In the Hong Kong market, Kingway beer achieved outstanding results again in which sales volume increased substantially by 1.7 times as compared with that of last year to 2,423 tons.

The Group continued to strengthen its internal management with an ultimate aim of achieving further cost reduction. During the year, costs of sales of each ton of beer were reduced by 10.4% as compared to last year. As a result, the gross profit margin improved by 4.0%. Due to modification of internal structure and reduction of surplus staff, selling expenses and administrative expenses were decreased by 9.9% and 5.9% respectively. Interest expenses were reduced by 32.6% after continuously servicing debts.

AMBER BREWERY

The sales volume of beer products sold by Amber Brewery amounted to 168,000 tons in 2000, approximately the same as 1999. Owing to the keen competition in the Shandong beer market, the losses of Amber Brewery had increased to HK\$28,992,000. After a prudent evaluation, the Group had intended to dispose of its interest in Amber Brewery and to make a provision of HK\$41,502,000 for impairment in value of investment.

BUSINESS PROSPECTS

The Board is cautiously optimistic about the economic growth and consumer market of Mainland. The beer industry will remain competitive. At the beginning of the year, the Group retained a renowned international management consultant firm to give advice on sales channel re-organisation, brand enhancing as well as operation and management rationalization. The Group has been pursuing the corporate culture of achieving excellent results. The Board of Directors believes that, upon the implementation of proposals for improving sales channel, enhancing brand and strengthening internal management, it is expected the market share and profitability of Kingway beer will be further enhanced. Withdrawal from Amber Brewery will facilitate the improvement of the consolidated earnings level of the Group. Moreover, the controlling shareholder, Guangdong Investment Limited, announced that the restructuring arrangements with its financial creditors was completed on 22 December 2000. The Board is confident of the business prospects of the Group.

Jiang Guoqiang*Chairman*

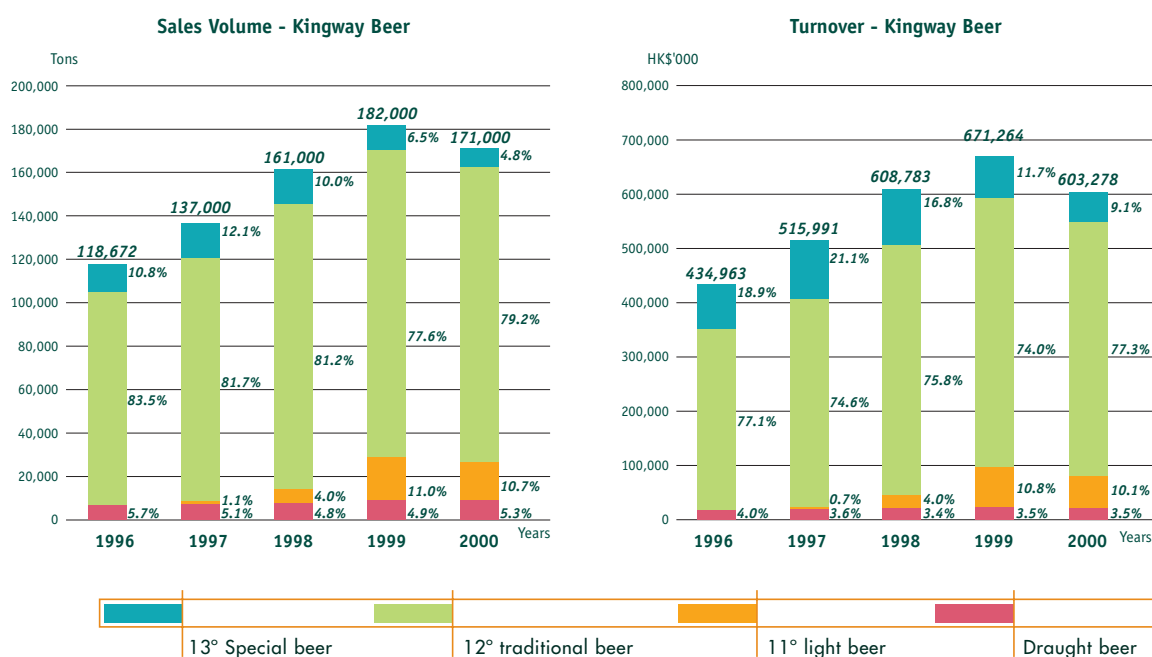
Hong Kong, 20 April 2001

ANALYSIS OF OPERATIONS

Sales Volume and Turnover

In 2000, production and sales of Kingway beer continued to be the Group's main business. The total sales volume of Kingway beer in 2000 amounted to 171,000 tons, representing a decrease of 6.0% over 1999. The sales volume of Kingway Plant No. 1, Kingway Plant No. 2 and Guangdong Kingway Sales Limited in Hong Kong were 135,600 tons, 33,000 tons and 2,400 tons respectively. 12° traditional beer remained the best selling product and accounted for 79.2% of total sales volume. The sales of 13° special beer has dropped slightly and accounted for 4.8% of total sales volume. 11° light beer has accounted for 10.7% of total sales volume and draught beer accounted for 5.3% of total sales volume.

Turnover of Kingway beer for 2000 amounted to HK\$603 million, representing a decrease of 10.1% over 1999. Kingway Plant No. 1 contributed HK\$489 million, Kingway Plant No. 2 contributed HK\$96 million and Guangdong Kingway Sales Limited contributed HK\$18 million which representing an increase of more than 200% over 1999. In terms of product mix, 12° traditional beer accounted for 77.3%; 13° special beer accounted for 9.1%; 11° light beer accounted for 10.1% and draught beer accounted for 3.5%.



Price and Gross Profit Margin

The competition of the beer market was intense during 2000, the average price level of different products of Kingway beer has dropped by 4.4% compared with 1999.

With the implementation of costs cutting program, the costs of beer production has decreased significantly by 10.4% compared with 1999. The resulting overall gross profit margin for 2000 was 37.1%, which was improved over 1999 by 4.0%. The management will continue to take active measures to increase sales and to further enhance the costs control processes in order to improve the gross profit margin of the Group.

Operating Expenses

With the successful results in achieving the costs control measures of the Group, selling expenses for 2000 amounted to HK\$98 million, representing a decrease of 9.9% as compared to last year. Administrative expenses decreased by 5.9% as compared to last year to HK\$69 million in 2000. As the Group continued to reduce its debts during 2000, interest expenses has dropped by approximately HK\$15 million or 32.6% in 2000 as compared to that of 1999. The management has confidence that interest expenses for the Group will drop further during 2001 as the amount of debt will decrease continuously.

Taxation and Tax Exemption

As Kingway Plant No. 1 had fully utilised the enterprise income tax concession granted, the effective tax rate applicable in 2000 was 15.0%. 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 2000, no exemption benefit was being utilised.

According to the prevailing tax regulations in the Shenzhen special economic zone, Kingway Plant No. 1 continues to entitle to 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 was HK\$38 million.

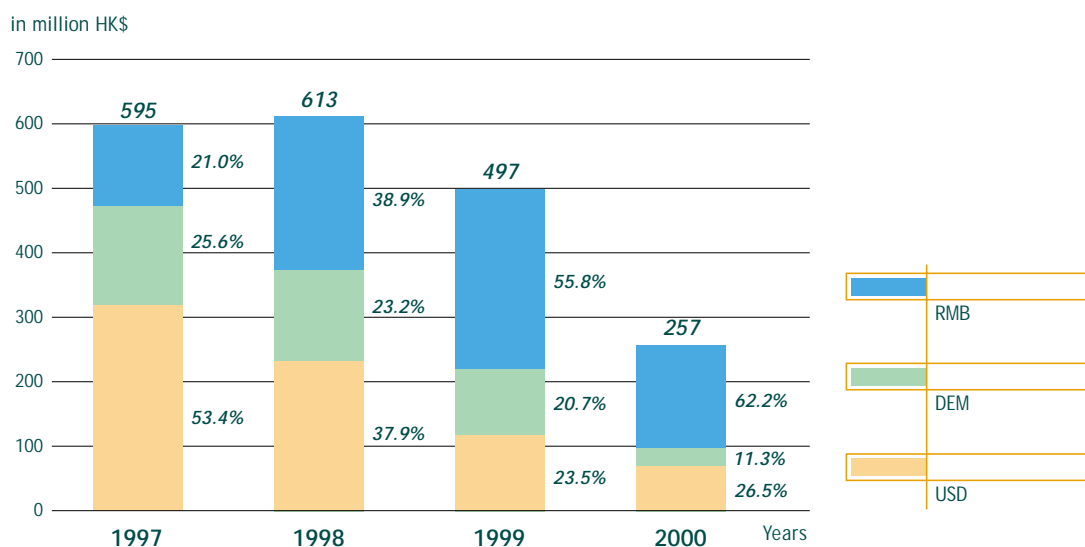
CASH POSITION

The cash position of the Group was strong and healthy as the cash and bank balances on hand at year ended 2000 was HK\$176 million which can be broken down into 48.7% in USD, 1.3% in HKD and 50% in RMB. The net cash inflow from operating activities in 2000 amounted to HK\$255 million.

DEBT ANALYSIS

Total bank loans and the export bank loans arranged by the immediate holding company and re-lent to the Group (the "Bank Loans") dropped from HK\$497 million in 1999 to HK\$257 million in 2000, representing a decrease of 48.3%. The Bank Loans comprised short-term portion of HK\$118 million and long-term portion of HK\$139 million, and can be broken down into 26.5% in USD, 11.3% in DEM and 62.2% in RMB. The drop in DEM loan reduced the risk of exchange rate fluctuation of the Group.

Debt Analysis by Currency



Further, the ratio of total liabilities and minority interests to total assets has decreased from 42.2% at the end of 1999 to 33.1% at the end of 2000. The financial position of the Group grows stronger.

Total Liabilities and Minority Interests / Total Assets



HUMAN RESOURCES

The Group places strong emphasis on raising the quality of its staff and their productivity. The Group organises regular internal training programs to its staff and also encourages them to attend training programs organised by external professional bodies. The Group provides all the basic benefits to its staff and the year-end bonus scheme is directly linked to the Group's results.

NOTICE OF ANNUAL GENERAL MEETING

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 15 June 2001 (Friday) 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 2000.
2. To declare a final dividend for the year ended 31 December 2000.
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, 20 April 2001

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

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 4th Floor, 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 Tuesday, 12 June 2001 to Friday, 15 June 2001, both days inclusive, during such 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 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Monday, 11 June 2001.
- (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 2000.

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

An analysis of the Group's turnover and contribution to operating profit by principal activity and geographical location for the year ended 31 December 2000 are set out in note 5 and note 6, respectively, to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 31 to 68.

The Directors recommend the payment of a final dividend of 1.0 HK cent per share for the year ended 31 December 2000. 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 Friday, 15 June 2001, is expected to be paid on 10 July 2001 to shareholders whose names appear on the register of members of the Company on 15 June 2001.

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, 1999 and 2000, respectively.

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

FINANCIAL SUMMARY (cont'd)

The results, assets and liabilities of the Group for the three years ended 31 December 1999 are restated as the Group changed its accounting policy with respect to the treatment of pre-operating expenses in order to conform with the provisions of Statement of Standard Accounting Practice No. 1, "Presentation of Financial Statements" as subsequently confirmed by Interpretation 9 "Accounting for Pre-operating Costs" issued by the Hong Kong Society of Accountants in April 2000, further details of which are set out in note 4 to the financial statements.

RESULTS

		Consolidated		Proforma combined	
		Year Ended 31 December			
	2000	1999	1998	1997	1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	613,892	682,454	618,641	525,069	446,701
Cost of sales	(386,172)	(456,477)	(380,537)	(345,817)	(288,984)
Gross profit	227,720	225,977	238,104	179,252	157,717
Other revenue	53,872	71,707	65,477	74,025	8,359
Selling expenses	(98,151)	(108,932)	(79,802)	(48,430)	(31,300)
Administrative expenses	(68,774)	(73,114)	(98,488)	(63,651)	(32,337)
Provision for impairment in value of investment in an associate	(32,367)	–	–	–	–
Release of goodwill in respect of impairment in value of investment in an associate	(9,135)	–	–	–	–
Profit from operating activities	73,165	115,638	125,291	141,196	102,439
Finance costs	(30,483)	(45,250)	(30,275)	(22,829)	(12,315)
Share of results of an associate	(14,496)	(8,401)	1,398	–	–
Profit before tax	28,186	61,987	96,414	118,367	90,124
Tax	(19,042)	(9,991)	(12,772)	(10,217)	(7,104)
Profit before minority interests	9,144	51,996	83,642	108,150	83,020
Minority interests	1,098	716	610	(24,025)	(20,755)
Net profit attributable to shareholders	10,242	52,712	84,252	84,125	62,265

ASSETS AND LIABILITIES

		Consolidated		
		As at 31 December		
	2000	1999	1998	1997
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	1,605,929	1,844,575	1,915,603	1,876,435
Total liabilities	(499,108)	(740,985)	(852,410)	(884,454)
Minority interests	(31,866)	(37,849)	(39,778)	(46,863)
Net assets	<u>1,074,955</u>	<u>1,065,741</u>	<u>1,023,415</u>	<u>945,118</u>

FIXED ASSETS

Movements in fixed assets of the Company and the Group during the year are set out in note 14 to the financial statements.

SUBSIDIARIES AND ASSOCIATE

Particulars of the Company's subsidiaries and the Group's associate are set out in note 15 and note 16, respectively, 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 are set out in note 25 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 26 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2000, the Company's reserves available for distribution as calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$114,743,000.

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 note 21, note 23 and note 24 to the financial statements.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Company are set out in note 29 to the financial statements.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$41,000 (1999: HK\$253,000).

DIRECTORS

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

JIANG Guoqiang	(Appointed on 9 March 2001)
ZHOU Dongxiang	
CHENG Mo Chi, Moses*	
Alan Howard SMITH*	
V-nee YEH*	
ZHANG Yaping	(Appointed on 17 August 2000)
WANG Man Kwan, Paul	(Appointed on 17 August 2000)
HO LAM Lai Ping, Theresa	(Appointed on 17 August 2000)
HUI Ho Ming, Herbert	(Resigned on 15 January 2000)
AU Wai Ming	(Resigned on 7 March 2000)
YUAN Youjian	(Retired on 6 April 2000)
REN Qihan	(Resigned on 17 August 2000)
CHEN Haotian	(Resigned on 17 August 2000)
HOU Bojian	(Resigned on 17 August 2000)
TANG Zhen	(Resigned on 17 August 2000)
Michael WU	(Resigned on 9 March 2001)
CHAU Kam Wing, Donald	(Resigned on 5 April 2001)

* *Independent Non-Executive Directors*

DIRECTORS (cont'd)

In accordance with bye-law 86(2) of the Company's Bye-laws, Messrs. Zhang Yaping, Wang Man Kwan, Paul and Ho Lam Lai Ping, Theresa who were appointed Directors of the Company after the last annual general meeting of the Company will hold office until the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the meeting.

In accordance with bye-law 87 of the Company's Bye-laws, Mr. Alan Howard Smith shall retire by rotation and, being eligible, offer himself for re-election at the forthcoming Annual General Meeting.

The 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' AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

Details of the Directors' and the five highest paid individuals' remuneration, as per the disclosure requirements pursuant to Section 161 of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), are set out in note 8 and note 9, respectively, to the financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

Directors

Mr. Jiang Guoqiang, aged 48, was appointed the Chairman of the Company in March 2001. He is a deputy general manager of Guangdong Investment Limited ("GDI"). Mr. Jiang is also the Chairman of Guangzhou Malting Co., Ltd. and Ningbo Malting Co., Ltd., subsidiaries of GDI. Mr. Jiang graduated from Shanghai Metallurgical Machinery School where he majored in metallurgical machinery. He is an engineer. In 1976 to 1988, Mr. Jiang worked for First Metallurgy Construction Company of the Ministry of Metallurgy. In 1988, he joined Zhongshan Zhongyue Tin-Plate Industrial Company Limited and 中山市山海實業有限公司 and he became a director and deputy general manager of both companies in 1991. Mr. Jiang was a director and the general manager of both companies from 1995 to March 2001. He was a deputy general manager of the strategic development department of GDH Limited from April 2000 to January 2001.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES (cont'd)**Directors (cont'd)**

Mr. Zhou Dongxiang, aged 48, was appointed a Director of the Company in June 1997. He was appointed the general manager of the Company in August 2000. 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 general manager of Shenzhen Kingway Brewing Co., Ltd. from August 1997 to October 1998. He was the first deputy general manager of Shenzhen Kingway Brewery Co., Ltd. and Shenzhen Kingway Brewing Co., Ltd from 1998 to 2000. He has been the general manager of Shenzhen Kingway Brewery Co., Ltd. and Shenzhen Kingway Brewing Co., Ltd. since April 2000. He was the deputy factory director of Jiamusi Winery, Heilongjiang Province and the factory director of Winery from 1976 to 1983. From 1985 to 1990, he was the deputy plant manager of Jiamusi Brewery and was the factory director of that brewery from 1990 to 1995. Mr. Zhou has over 17 years of experience in brewery industry.

Mr. Cheng Mo Chi, Moses, JP aged 51, was appointed an Independent Non-Executive Director of the Company in July 1997. He is also an independent non-executive director of GDI. 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.

Mr. Alan Howard Smith, aged 57, 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 42, 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.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES (cont'd)**Directors (cont'd)**

Mr. Zhang Yaping, aged 48, was appointed a Director of the Company in August 2000. He is also the Managing Director of GDI. He was appointed a director of GDH Limited since September 2000 and Deputy General Manager of GDI in June 2000. Mr. Zhang graduated from the Professional Finance Program in Jilin College of Finance and Trading and the Senior Management Program in the Economic Management College of Tianjin Nankai University. He has more than 20 years working experience in the banking and securities industries. Between 1990 and 1997, he had worked in the Bank of China Group. Prior to joining GDI, he was Deputy Commissioner in the Shenzhen Regulatory Commissioner's Office of the China Securities Regulatory Commission. He is now a Senior Economist in the PRC.

Mr. Wang Man Kwan, Paul, aged 44, was appointed a Director of the Company in August 2000. He is a Director of GDI (GDI, together with its subsidiaries the "GDI Group") and the Chief Financial Officer of the GDI Group. Mr. Wang is a Certified Public Accountant in Hong Kong, a fellow of The Association of Chartered Certified Accountants and Hong Kong Society of Accountants. He is also an associate of Certified General Accountants of Canada, The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Company Secretaries and Hong Kong Institute of Taxation.

Mrs. Ho Lam Lai Ping, Theresa, aged 45, was appointed a Director of the Company in August 2000. She has been the Company Secretary of GDI since December 1992. She graduated from The Hong Kong Polytechnic and is an associate of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries ("HKICS"). She is also a member of the HKICS Company Secretaries Panel.

Senior Management

During the year, Messrs. Michael Wu, 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 COMPETING BUSINESS

Mr. Zhang Yaping, a Director of the Company, is also a director of GDH Limited ("GDH"). GDH engages in a wide range of business including brewing. However the Directors do not believe that the brewing business of GDH competes either directly or indirectly in any material respect with those of the Group.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2000, 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
Ho Lam Lai Ping, Theresa	Personal	80,000
Michael Wu	Personal	14,000
Chau Kam Wing, Donald	Personal	4,220,000

DIRECTORS' INTERESTS IN SECURITIES (cont'd)**I. Shares (cont'd)***(ii) Guangdong Investment Limited*

Name of Director	Type of interest	Number of shares held
Zhou Dongxiang	Personal	40,000
Ho Lam Lai Ping, Theresa	Personal	250,000
Michael Wu	Personal	54,000
	Family	18,000

As at 31 December 2000, Mr. V-nee Yeh, a Director of the Company, held US\$450,000 in principal amount of the Guaranteed Floating Rate Bonds due 2005 (the "2005 Guaranteed Bonds"), formerly the 1% convertible bonds due 2002, issued by Guangdong Investment Finance (Cayman) Limited and guaranteed by Guangdong Investment Limited. The 2005 Guaranteed Bonds are listed on the Luxembourg Stock Exchange and would be due in 2005.

DIRECTORS' INTERESTS IN SECURITIES (cont'd)
II. Options

(i) *The Company*

Name of Director	Number of options held on 01/01/2000	Options granted during the year	Date granted	Number granted	Period during which option is exercisable	Price per share to be paid on exercise of option (HK\$)	Number of options exercised during the year	Number of options held on 31/12/2000
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

* If the last day of the option period is not a business day in Hong Kong, the option period expires at 5:01 p.m. on the business day preceding that day (Hong Kong time).

No consideration has been paid by 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 01/01/2000	Options granted during the year	Date granted	Number granted	Period during which option is exercisable	Price per share to be paid on exercise of option (HK\$)	Number of options exercised during the year	Number of options held on 31/12/2000
Zhou Dongxiang	150,000	-	-	-	*17/09/1998-16/09/2003	3.024	-	150,000
Ho Lam Lai Ping, Theresa	200,000	-	-	-	*10/06/1997-09/06/2002	4.536	-	200,000
	500,000	-	-	-	*19/08/1998-18/08/2003	2.892	-	500,000
Michael Wu	250,000	-	-	-	*10/06/1997-09/06/2002	4.536	-	250,000
	350,000	-	-	-	*19/08/1998-18/08/2003	2.892	-	350,000
Chau Kam Wing, Donald	150,000	-	-	-	*19/08/1998-18/08/2003	2.892	-	150,000

* If the last day of the option period is not a business day in Hong Kong, the option period expires at 5:01 p.m. on the business day preceding that day (Hong Kong time).

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

Save as disclosed above, as at 31 December 2000, 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 2000, the Company had 9,450,000 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.

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 2000, 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
廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited)	900,000,000	72%
GDH Limited ("GDH")	900,000,000	72%
Guangdong Investment Limited ("GDI")	900,000,000	72%

Notes:

1. The attributable interest which 廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited) has in the Company is held through its 100% direct interests in GDH.
2. The attributable interest which GDH has in the Company is held through its subsidiary, GDI.

CONNECTED TRANSACTIONS

Details of the connected transactions for the year are set out in note 31 to the financial statements. The Independent Non-Executive Directors of the Company had reviewed the connected transaction set out in note 31(i) for which the Stock Exchange has granted a waiver from the relevant requirements of the Listing Rules and confirmed that:

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 66.4% of the total sales for the year and purchases from the Group's five largest suppliers accounted for 28.6% of the total purchases for the year.

Turnover from the largest customer of the Group accounted for 19.1% of the Group's total turnover for the year.

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 customers 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 1999 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

Jiang Guoqiang

Chairman

Hong Kong, 20 April 2001

REPORT OF THE AUDITORS



To the members

Guangdong Brewery Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 31 to 68 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 of the state of affairs of the Company and of the Group as at 31 December 2000 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

20 April 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2000			
	Notes	2000 HK\$'000	1999 HK\$'000 (Restated)
TURNOVER	5	613,892	682,454
Cost of sales		<u>(386,172)</u>	<u>(456,477)</u>
Gross profit		227,720	225,977
Other revenue		53,872	71,707
Selling expenses		(98,151)	(108,932)
Administrative expenses		(68,774)	(73,114)
Provision for impairment in value of investment in an associate		(32,367)	–
Release of goodwill in respect of impairment in value of investment in an associate		<u>(9,135)</u>	<u>–</u>
PROFIT FROM OPERATING ACTIVITIES	6	73,165	115,638
Finance costs	7	(30,483)	(45,250)
Share of losses of an associate		<u>(14,496)</u>	<u>(8,401)</u>
PROFIT BEFORE TAX		28,186	61,987
Tax	10	<u>(19,042)</u>	<u>(9,991)</u>
PROFIT BEFORE MINORITY INTERESTS		9,144	51,996
Minority interests		<u>1,098</u>	<u>716</u>
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	11	<u><u>10,242</u></u>	<u><u>52,712</u></u>
Dividends	12	<u><u>(12,500)</u></u>	<u><u>(12,500)</u></u>
EARNINGS PER SHARE – BASIC	13	<u><u>0.8 cents</u></u>	<u><u>4.2 cents</u></u>
– DILUTED		<u><u>N/A</u></u>	<u><u>N/A</u></u>

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

Year ended 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
Exchange differences on translation of the financial statements of subsidiaries and an associate in Mainland China	26	2,337	2,114
Net profit attributable to shareholders			
– current year/prior year as previously stated		10,242	49,001
– effect of retrospective change in accounting policy	4	<u>–</u>	<u>3,711</u>
	26	<u>10,242</u>	<u>52,712</u>
Total recognised gains related to the current year		<u>12,579</u>	<u>54,826</u>
<i>Note on prior year adjustment</i>			
Total recognised gains related to the current year as above		12,579	
Prior year adjustment	4		
– given effect as to restatement of reserves brought forward at 1 January 1999		(12,435)	
– given effect as to restatement of 1999 profit and loss account		<u>3,711</u>	
		<u>(8,724)</u>	
Total recognised gains since the last annual report		<u>3,855</u>	

CONSOLIDATED BALANCE SHEET

31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000 (Restated)
NON-CURRENT ASSETS			
Fixed assets	14	1,221,788	1,309,044
Interest in an associate	16	62,079	108,533
Investment securities	17	4,611	5,611
Long term receivable	18	1,649	1,697
Reusable packaging materials		12,025	23,267
		<u>1,302,152</u>	<u>1,448,152</u>
CURRENT ASSETS			
Inventories	19	79,212	98,384
Accounts receivable	20	37,689	33,219
Prepayments, deposits and other receivables		10,766	14,268
Current portion of loan to a director	18	51	54
Cash and bank balances		176,059	250,498
		<u>303,777</u>	<u>396,423</u>
CURRENT LIABILITIES			
Interest-bearing bank loans	21	(94,277)	(201,935)
Accounts payable	22	(36,526)	(17,067)
Other payables and accrued liabilities		(61,469)	(88,967)
Tax payable		(4,360)	(3,769)
VAT payable		(19,142)	(13,631)
Current portion of amounts due to immediate holding company	23	(25,325)	(45,148)
Current portion of amounts due to minority equityholders of subsidiaries	24	-	(1,184)
Amount due to a fellow subsidiary	31(i)	(3,649)	(2,679)
Proposed final dividend		(12,500)	(12,500)
		<u>(257,248)</u>	<u>(386,880)</u>
NET CURRENT ASSETS		<u>46,529</u>	<u>9,543</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,348,681</u>	<u>1,457,695</u>

CONSOLIDATED BALANCE SHEET (cont'd)

31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000 (Restated)
NON-CURRENT LIABILITIES			
Long term interest-bearing bank loans	21	(65,994)	(75,139)
Long term portion of amounts due to immediate holding company	23	(72,531)	(176,155)
Long term portion of amounts due to minority equityholders of subsidiaries	24	(103,335)	(102,811)
		1,106,821	1,103,590
MINORITY INTERESTS			
		(31,866)	(37,849)
		1,074,955	1,065,741
SHARE CAPITAL			
	25	125,000	125,000
RESERVES			
	26	949,955	940,741
		1,074,955	1,065,741

Jiang Guoqiang
Director

Zhou Dongxiang
Director

CONSOLIDATED CASHFLOW STATEMENT

		Year ended 31 December 2000	
	Notes	2000 HK\$'000	1999 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	27(a)	255,048	279,826
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		3,698	4,865
Interest paid		(26,350)	(46,100)
Dividend received from an associate		-	1,402
Dividend paid		(12,500)	-
Dividend paid to minority equityholders of subsidiaries		(5,185)	-
Net cash outflow from returns on investments and servicing of finance		(40,337)	(39,833)
TAX			
Tax paid in Mainland China		(18,451)	(10,587)
INVESTING ACTIVITIES			
Proceeds from the sale of fixed assets		2,848	522
Purchases of fixed assets		(23,747)	(39,892)
Repayment to an associate		-	(37,488)
Purchases of reusable packaging materials		(3,892)	(11,668)
Net cash outflow from investing activities		(24,791)	(88,526)
NET CASH INFLOW BEFORE FINANCING		171,469	140,880
FINANCING	27(b)		
New interest-bearing bank loans		141,416	140,885
Repayment of interest-bearing bank loans		(249,871)	(205,555)
Repayment to immediate holding company		(124,178)	(95,255)
Repayment to minority equityholders of subsidiaries		(4,714)	(156)
Net cash outflow from financing		(237,347)	(160,081)
DECREASE IN CASH AND CASH EQUIVALENTS		(65,878)	(19,201)
Cash and cash equivalents at beginning of year		241,106	259,593
Effect of foreign exchange rate changes, net		831	714
CASH AND CASH EQUIVALENTS AT END OF YEAR		176,059	241,106
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		176,059	250,498
Interest-bearing bank loans with maturity of less than three months from the date of the advance		-	(9,392)
		176,059	241,106

BALANCE SHEET

31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	14	736	2,687
Interests in subsidiaries	15	1,099,056	1,319,171
Investment securities	17	4,611	5,611
		<u>1,104,403</u>	<u>1,327,469</u>
CURRENT ASSETS			
Prepayments, deposits and other receivables		1,609	830
Current portion of amounts due from subsidiaries		92,497	49,252
Cash and bank balances		40,213	19,961
		<u>134,319</u>	<u>70,043</u>
CURRENT LIABILITIES			
Other payables and accrued liabilities		(7,108)	(6,526)
Amount due to a subsidiary		(1,698)	–
Current portion of amounts due to immediate holding company	23	(25,325)	(45,148)
Proposed final dividend		(12,500)	(12,500)
		<u>(46,631)</u>	<u>(64,174)</u>
NET CURRENT ASSETS		<u>87,688</u>	<u>5,869</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,192,091	1,333,338
NON-CURRENT LIABILITIES			
Long term portion of amounts due to immediate holding company	23	(72,531)	(176,155)
		<u>1,119,560</u>	<u>1,157,183</u>
SHARE CAPITAL	25	125,000	125,000
RESERVES	26	994,560	1,032,183
		<u>1,119,560</u>	<u>1,157,183</u>

Jiang Guoqiang
Director

Zhou Dongxiang
Director

1. CORPORATE INFORMATION

During the year, the Group was principally engaged in investment holding, the production, distribution and sale of beer and the operation of restaurants, pubs and other related services. There were no changes in the nature of the Group's activities during the year.

As at 1 January 2000, the Company was a 72%-owned subsidiary of Guangdong Investment Limited ("GDI"), a company incorporated and publicly listed in Hong Kong which, in the opinion of the Directors, was the ultimate holding company of the Company until 22 December 2000. As a result of the GDE Restructuring of GDI which took place during the year, further details of which are set out in note 2 "CORPORATE UPDATE" below, the ultimate holding company of the Company was changed to Guangdong Yue Gang Investment Holdings Company Limited, a company established by the Guangdong Provincial Government in Mainland China, with effect from 22 December 2000.

2. 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 GDI (together with its subsidiaries referred to as the "GDI Group"), the Company's immediate holding company, to whom the Group owes an aggregate amount of HK\$97,856,000 as at 31 December 2000, of which HK\$72,531,000 is long term.

The Group has reported a net profit attributable to shareholders of HK\$10,242,000 and a net cash inflow from operating activities of HK\$255,048,000 in respect of the year ended 31 December 2000. The Group also reported net current assets of HK\$46,529,000 at the same date, which included substantial unrestricted cash and bank balances of HK\$176,059,000. Having regard to these results and financial position, and the Group's expected results and cash flows, the Directors consider that, in its own right, 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. As has been publicised in a number of GDI's official announcements in 1999 and 2000, the GDI Group, excluding the Group, underwent a restructuring of the GDI Group's financial borrowings (excluding those of the Group and loans owing to any banks or financial institutions established in Mainland China by the GDI Group companies that were established in Mainland China) (the "Debts Restructuring"). A bankers' steering group was formed to negotiate with GDI Group, excluding the Group, for the terms of formal agreements relating to the Debts Restructuring, which was dependent on the completion of GDI's acquisition of Dongshen Water Supply Project as further explained below.

Year ended 31 December 2000

2. CORPORATE UPDATE (cont'd)

As part of the restructuring of Guangdong Enterprises (Holdings) Limited ("GDE", the then substantial shareholders of GDI) and its subsidiaries (the "GDE Group") (the "GDE Restructuring"), on 22 December 2000, GDI completed an acquisition of 81% equity interest in GH Water Supply (Holdings) Limited ("GH Water") (the "Acquisition") from GDH Limited which is a wholly owned subsidiary of Guangdong Yue Gang Investment Holdings Company Limited ("GDYG"), a company established by the Guangdong Provincial Government in Mainland China. GH Water holds 99% interest in the Dongshen Water Supply Project which generates revenue mainly from the provision of natural water supply to Hong Kong.

Upon GDI's completion of the Acquisition, GDI became a subsidiary of GDYG and the GDI Group's Debts Restructuring was completed. The GDE Restructuring was also completed on 22 December 2000.

In light of the completion of the GDE Restructuring, the Debts Restructuring (excluding the Group) and the Acquisition by GDI, the Directors believe that the Group's operations will be further enhanced as the increased stability and improved prospects of the GDI Group following the completion of the Restructurings are likely to be positive for the Group.

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

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("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 2000. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of the associate is included in the consolidated profit and loss account 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.

Year ended 31 December 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Joint venture companies established in the mainland of the People's Republic of China ("Mainland China") (cont'd)**

A joint venture company is accounted for as:

- (a) a subsidiary, if the Group has effective control over the joint venture company; or
- (b) a jointly controlled entity, if neither the Group, nor its venture partners is in a position to exercise unilateral control over the economic activity of the joint venture company; or
- (c) 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
- (d) 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/associate at the date of acquisition over the purchase consideration for such investments.

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. Where there is an impairment in value of goodwill, the balance is written down in the profit and loss account to its recoverable amount as estimated by the Directors.

Reusable packaging materials

Reusable packaging materials are stated at cost and amortised on a straight-line basis over a period of three years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account 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 fixed asset, the expenditure is capitalised as an additional cost of that 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 profit and loss account.

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%

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 period 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.

Year ended 31 December 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**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 impairments 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.

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 profit and loss account.

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.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Staff retirement scheme**

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees in Hong Kong. The Scheme became effective from 1 December 2000. Contributions are made based on a percentage of the employees' relevant income and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

Prior to the Scheme being effective, the Group operated a defined contributions retirement benefits scheme for certain of their employees. This scheme operated in a similar way to the Mandatory Provident Fund retirement benefits scheme, except that when an employee left the scheme prior to his/her interest in the Group's employee contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions. With effect from 1 December 2000 this scheme was terminated.

For certain subsidiaries of the Group in Mainland China, contributions to the government retirement benefit scheme are charged to the profit and loss account 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) 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;
- (c) interest, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (d) value-added tax refund, when the right to receive the refund is established.

Year ended 31 December 2000

3. 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

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.

4. PRIOR YEAR ADJUSTMENT

During the year, the Group changed its accounting policy with respect to the treatment of pre-operating expenses which represent expenses incurred before the commencement of commercial operations of a subsidiary in Mainland China. In order to conform with the provisions of SSAP 1, "Presentation of Financial Statements" as subsequently confirmed by Interpretation 9 "Accounting for Pre-operating Costs" issued by the Hong Kong Society of Accountants in April 2000, the Group now expenses rather than capitalises and amortises such pre-operating expenses.

This change in accounting policy has been made retrospectively and, accordingly, the comparative amounts for the year ended 31 December 1999, including earnings per share and retained profits brought forward as at 1 January 1999, have been restated. The effect of the change in respect of the year ended 31 December 1999 is a decrease in administrative expenses of HK\$4,266,000 and minority interests of HK\$555,000, and an increase in the net profit attributable to shareholders of HK\$3,711,000. The retained profits brought forward as at 1 January 1999 have been reduced by HK\$12,435,000 which is the amount of the adjustment in respect of the Group's share of pre-operating expenses capitalised relating to the years prior to 1 January 1999. There is no attributable tax effect in respect of the prior year adjustment.

Year ended 31 December 2000

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:

	2000	1999
	HK\$'000	HK\$'000
Sale of goods	603,278	671,264
Operation of restaurants, pubs and other related services	10,614	11,190
	<u>613,892</u>	<u>682,454</u>

An analysis of the Group's turnover by geographical location disclosed pursuant to the requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") is as follows:

	2000	1999
	HK\$'000	HK\$'000
In Mainland China	595,802	676,453
In Hong Kong	18,090	6,001
	<u>613,892</u>	<u>682,454</u>

NOTES TO FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2000

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities, mainly derived from the production, distribution and sale of beer, is analysed by geographical location pursuant to the disclosure requirements of the Listing Rules on the Stock Exchange as follows:

	2000 HK\$'000	1999 HK\$'000
In Mainland China	100,484	116,635
In Hong Kong	(27,319)	(997)
	<u>73,165</u>	<u>115,638</u>

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

	2000 HK\$'000	1999 HK\$'000
Depreciation	112,361	109,694
Operating lease rentals in respect of land and buildings	1,992	1,265
Staff costs (excluding directors' remuneration):		
Wages and salaries	49,517	49,855
Pension contributions	3,723	3,109
Less: forfeited contributions	-	-
Net pension contributions	<u>3,723</u>	<u>3,109</u>
	<u>53,240</u>	<u>52,964</u>
Provision for impairment in value of investment securities	1,000	-
Amortisation of reusable packaging materials	15,222	16,437
Auditors' remuneration	1,062	918
Loss on disposal of fixed assets	<u>112</u>	<u>323</u>

and after crediting:

Interest income	3,698	4,865
Value-added tax exemption*	38,489	50,034
Exchange gains, net**	<u>12,234</u>	<u>19,411</u>

No forfeited pension scheme contributions were available at the current year to reduce contributions in future years (1999: Nil).

* The amount 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 is an amount of HK\$10,937,000 (1999: HK\$16,864,000) arising from the closing rate translation of DEM loans due to GDI.

NOTES TO FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2000

7. FINANCE COSTS

	2000 HK\$'000	1999 HK\$'000
Interest on:		
Interest-bearing bank loans	14,754	26,696
Other loans wholly repayable:		
Within five years	15,729	1,511
Over five years	-	17,043
	<u>30,483</u>	<u>45,250</u>

8. DIRECTORS' REMUNERATION

Details of Directors' remuneration charged to the Group's profit and loss account are set out below:

	2000 HK\$'000	1999 HK\$'000
Fees:		
Executive	11	60
Non-executive	90	120
Other emoluments:		
Salaries, allowances and benefits in kind	1,499	2,062
Bonus paid and payable	32	180
Pension scheme contributions	49	68
	<u>1,681</u>	<u>2,490</u>

Fees include HK\$90,000 (1999: HK\$90,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (1999: Nil).

The remuneration of all sixteen (1999: all fourteen) Directors fell within the band of "Not more than HK\$1,000,000" for the year ended 31 December 2000.

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2000

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group included two (1999: two) Directors, details of whose remuneration are set out in note 8 to the financial statements. The remuneration of the other three (1999: three) individuals was as follows:

	2000 HK\$'000	1999 HK\$'000
Salaries, allowances and benefits in kind	1,113	1,242
Bonus paid and payable	82	–
Pension scheme contributions	44	37
	<u>1,239</u>	<u>1,279</u>

The remuneration of the three (1999: 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 2000.

10. TAX

	2000 HK\$'000	1999 HK\$'000
Group:		
Hong Kong	198	–
Mainland China	<u>18,844</u>	<u>9,991</u>
Tax charge for the year	<u>19,042</u>	<u>9,991</u>

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax was made in the prior year as the Group had no estimated assessable profits derived from or earned in Hong Kong during that year.

Provision has been made for tax in Mainland China based on existing legislation, interpretations and practices at the prevailing rates of tax.

Year ended 31 December 2000

10. TAX (cont'd)

A Group 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, enterprise income tax was provided at the reduced rate of 7.5% on the profits for that year. Starting from the year 2000, enterprise income tax is provided at the standard rate of 15% on the profits for the year.

All the other subsidiaries of the Group established in Mainland China have not generated any assessable profits for the year (1999: Nil).

No provision for tax is required for the associate as no assessable profits was earned by the associate during the year.

There were no material unprovided deferred tax liabilities at the year end (1999: Nil).

11. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 December 2000 is HK\$25,123,000 (1999: profit of HK\$19,193,000).

	2000 HK\$'000	1999 HK\$'000
Profit/(loss) for the year attributable to:		
The Company and subsidiaries	24,738	61,113
Associate	(14,496)	(8,401)
	<u>10,242</u>	<u>52,712</u>

12. DIVIDENDS

	2000 HK\$'000	1999 HK\$'000
Final dividend – 1.0 (1999: 1.0) HK cent per share	<u>12,500</u>	<u>12,500</u>

NOTES TO FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2000

13. 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\$10,242,000 (1999: HK\$52,712,000) and on the weighted average number of 1,250,000,000 (1999: 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.

14. FIXED ASSETS

Group

	Land and buildings HK\$'000	Plant, machinery and equipment HK\$'000	Furniture and fixtures HK\$'000	Leasehold improve- ments HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost:							
At beginning of year	409,836	1,195,619	7,836	2,722	44,620	35,039	1,695,672
Additions	3,578	1,530	648	-	2,895	15,096	23,747
Disposals	-	(1,041)	(1,789)	(2,722)	(4,209)	-	(9,761)
Reclassifications	24,639	6,129	-	-	-	(30,768)	-
Exchange adjustments	1,522	4,524	21	-	168	132	6,367
At 31 December 2000	439,575	1,206,761	6,716	-	43,474	19,499	1,716,025
Accumulated depreciation:							
At beginning of year	53,551	312,008	3,886	1,262	15,921	-	386,628
Provided during the year	18,669	85,624	554	438	7,076	-	112,361
Disposals	-	(462)	(1,039)	(1,700)	(3,000)	-	(6,201)
Exchange adjustments	198	1,180	11	-	60	-	1,449
At 31 December 2000	72,418	398,350	3,412	-	20,057	-	494,237
Net book value:							
At 31 December 2000	367,157	808,411	3,304	-	23,417	19,499	1,221,788
At 31 December 1999	356,285	883,611	3,950	1,460	28,699	35,039	1,309,044

NOTES TO FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2000

14. FIXED ASSETS (cont'd)

Company

	Furniture and fixtures	Leasehold improvements	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:			
At beginning of year	2,147	2,722	4,869
Additions	625	–	625
Disposals	(1,789)	(2,722)	(4,511)
	<u>983</u>	<u>–</u>	<u>983</u>
At 31 December 2000			
Accumulated depreciation:			
At beginning of year	920	1,262	2,182
Provided during the year	366	438	804
Disposals	(1,039)	(1,700)	(2,739)
	<u>247</u>	<u>–</u>	<u>247</u>
At 31 December 2000			
Net book value:			
At 31 December 2000	<u>736</u>	<u>–</u>	<u>736</u>
At 31 December 1999	<u>1,227</u>	<u>1,460</u>	<u>2,687</u>

As at 31 December 2000, the net book values of the Group's leasehold land and buildings comprised:

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Long term leases in Mainland China	33,228	35,291
Medium term leases in Mainland China	333,929	320,994
	<u>367,157</u>	<u>356,285</u>

As at 31 December 1999, certain of the Group's land and buildings with an aggregate net book value of HK\$38,076,000 were pledged to secure certain interest-bearing bank loans granted to the Group (note 21). During the year, the aforesaid bank loans were fully repaid and the legal charge over the Group's land and buildings was released accordingly.

NOTES TO FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2000

15. INTERESTS IN SUBSIDIARIES

	Company	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares/investments, at cost	261,816	261,816
Due from subsidiaries	874,515	1,057,355
	1,136,331	1,319,171
Provisions for diminutions in values	(37,275)	—
	1,099,056	1,319,171

The amounts due from subsidiaries are unsecured and not repayable within one year from the balance sheet date. Except for the amount due from Shenzhen Brewery which is interest-bearing the details of which are set out in note 31(vi) to the financial statements; and the amount due from Morefit Limited, a wholly-owned subsidiary, of HK\$273,669,000 (1999: HK\$307,814,000) which bears interest ranging from 6 months' FIBOR plus 0.65% to 6 months' LIBOR plus 0.65% per annum, the balances with the other subsidiaries are interest-free.

Particulars of the subsidiaries at 31 December 2000 were as follows:

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	
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

NOTES TO FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2000

15. 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
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

* These subsidiaries are established as Sino-foreign equity joint venture companies.

NOTES TO FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2000

16. INTEREST IN AN ASSOCIATE

	Group	
	2000	1999
	HK\$'000	HK\$'000
Share of net assets	94,446	108,533
Less: Provision for impairment in value	(32,367)	—
	<u>62,079</u>	<u>108,533</u>

The Group's share of the post-acquisition accumulated deficits, other than the exchange fluctuation reserve, of the associate at 31 December 2000 was HK\$21,499,000 (1999: HK\$7,003,000).

The Group's share of the post-acquisition exchange fluctuation reserve surplus of the associate at 31 December 2000 was HK\$1,006,000 (1999: HK\$597,000).

Particulars of the associate were as follows:

Company	Business structure	Place of registration and operation	Percentage of ownership interest attributable to the Group		Principal activities
			2000	1999	
Shandong Huazhong Amber Brewery Co., Ltd.	Corporate	Mainland China	50%	50%	Production, distribution and sale of beer

17. INVESTMENT SECURITIES

	Group and Company	
	2000	1999
	HK\$'000	HK\$'000
Unlisted equity investment, at cost	5,611	5,611
Less: Provision for impairment in value	(1,000)	—
	<u>4,611</u>	<u>5,611</u>

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

Year ended 31 December 2000

18. 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 2000 HK\$'000	Maximum outstanding during the year HK\$'000	1 January 2000 HK\$'000
Chau Kam Wing, Donald ("Mr. Chau")	1,700	1,751	1,751
Portion classified as current assets	(51)		(54)
Long term portion	1,649		1,697

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's main residence.

Subsequent to the balance sheet date, the loan was fully settled upon the resignation of Mr. Chau as a Director of the Company.

19. INVENTORIES

	2000 HK\$'000	Group 1999 HK\$'000
Raw materials	6,140	10,927
Spare parts and consumables	32,093	36,801
Packaging materials	14,926	22,641
Work in progress	12,610	17,210
Finished goods	13,443	10,805
	79,212	98,384

At 31 December 2000 and 1999, all of the inventories were carried at cost.

NOTES TO FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2000

20. ACCOUNTS RECEIVABLE

The ageing analysis of accounts receivable is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Outstanding balances with ages:		
Within 3 months	16,851	21,935
Between 4 to 6 months	18,574	8,204
Between 7 to 12 months	2,057	2,885
Over 1 year	207	195
	37,689	33,219

Credit terms

Trading terms with customers are either on cash basis or on credit. For those customers who trade on credit, invoices are normally payable within 30-180 days of issuance. Credit limit has been set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management.

Year ended 31 December 2000

21. INTEREST-BEARING BANK LOANS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Interest-bearing bank loans:		
Secured	-	18,785
Unsecured	160,271	258,289
	160,271	277,074
The maturities of the interest-bearing bank loans are as follows:		
Repayable:		
Within one year or on demand	94,277	201,935
In the second year	65,994	75,139
	160,271	277,074
Portion classified as current liabilities	(94,277)	(201,935)
Long term portion	65,994	75,139

The secured bank loans in the prior year, which were pledged by certain land and buildings of the Group with an aggregate net book value of HK\$38,076,000 as at 31 December 1999, were fully repaid during the year (note 14).

NOTES TO FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2000

22. ACCOUNTS PAYABLE

The ageing analysis of accounts payable is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Outstanding balances with ages:		
Within 3 months	30,012	14,348
Between 4 to 6 months	2,237	2
Between 7 to 12 months	4,219	2,717
Over 1 year	58	–
	<u>36,526</u>	<u>17,067</u>

23. AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY

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

	Group and Company	
	2000	1999
	HK\$'000	HK\$'000
Repayable:		
Within one year or with no fixed terms of repayment	25,325	45,148
In the second to fifth years, inclusive	72,531	176,155
	97,856	221,303
Portion classified as current liabilities	(25,325)	(45,148)
Long term portion	<u>72,531</u>	<u>176,155</u>

The amounts due to immediate holding company are unsecured. Of the total amounts, HK\$67,434,000 (1999: HK\$117,025,000) and HK\$29,274,000 (1999: 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\$1,148,000 (1999: HK\$1,110,000) is interest-free.

Year ended 31 December 2000

24. AMOUNTS DUE TO MINORITY EQUITYHOLDERS OF SUBSIDIARIES

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

	Group	
	2000	1999
	HK\$'000	HK\$'000
Repayable:		
Within one year	-	1,184
No fixed terms of repayment, but not to be repaid within one year	103,335	102,811
	103,335	103,995
Portion classified as current liabilities	-	(1,184)
Long term portion	103,335	102,811

The amounts due to minority equityholders of subsidiaries are unsecured, HK\$60,732,000 (1999: HK\$65,200,000) of the total amounts 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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2000

25. SHARE CAPITAL

	Company	
	2000	1999
	HK\$'000	HK\$'000
<i>Authorised:</i>		
2,000,000,000 shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
1,250,000,000 shares of HK\$0.10 each	<u>125,000</u>	<u>125,000</u>

Share options

On 20 August 1997, pursuant to the share option scheme (the "Scheme") of the Company, options were granted to subscribe for shares of the Company to certain Directors and employees 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\$2.10 each, and expiring at the close of business on the business day preceding the fifth anniversary thereof. As at 1 January 2000, certain Directors and employees of the Group held a total of 14,850,000 share options under the Scheme. During the year, 5,400,000 options were cancelled upon the resignation of certain Directors and employees. The exercise in full of the outstanding options would result in the issue of an additional 9,450,000 shares of HK\$0.10 each and cash proceeds, before the related issue expenses, of approximately HK\$19,845,000.

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2000

26. RESERVES

Group

	Share premium HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Enterprise development fund# HK\$'000	Reserve fund# HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 1999:							
As previously stated	739,583	41,969	295	120	6,611	122,272	910,850
Prior year adjustment (note 4)	-	-	-	-	-	(12,435)	(12,435)
As restated	739,583	41,969	295	120	6,611	109,837	898,415
Net profit for the year	-	-	-	-	-	52,712	52,712
Dividends	-	-	-	-	-	(12,500)	(12,500)
Transfer from retained profits	-	-	-	96	8,635	(8,731)	-
Exchange adjustments on retranslation of subsidiaries and an associate in Mainland China	-	-	2,114	-	-	-	2,114
	<u>739,583</u>	<u>41,969</u>	<u>2,409</u>	<u>216</u>	<u>15,246</u>	<u>141,318</u>	<u>940,741</u>
At 1 January 2000:							
As previously stated	739,583	41,969	2,409	216	15,246	150,042	949,465
Prior year adjustment (note 4)	-	-	-	-	-	(8,724)	(8,724)
As restated	739,583	41,969	2,409	216	15,246	141,318	940,741
Net profit for the year	-	-	-	-	-	10,242	10,242
Dividends	-	-	-	-	-	(12,500)	(12,500)
Write off of goodwill in respect of impairment in an associate	-	9,135	-	-	-	-	9,135
Exchange adjustments on retranslation of subsidiaries and associate in Mainland China	-	-	2,337	-	-	-	2,337
At 31 December 2000	<u>739,583</u>	<u>51,104</u>	<u>4,746</u>	<u>216</u>	<u>15,246</u>	<u>139,060</u>	<u>949,955</u>

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

NOTES TO FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2000

26. RESERVES (cont'd)

Company

	Share premium HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 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 and 1 January 2000	739,583	140,234	152,366	1,032,183
Net loss for the year	–	–	(25,123)	(25,123)
Dividends	–	–	(12,500)	(12,500)
At 31 December 2000	<u>739,583</u>	<u>140,234</u>	<u>114,743</u>	<u>994,560</u>

Year ended 31 December 2000

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2000 HK\$'000	1999 HK\$'000 (Restated)
Profit from operating activities	73,165	115,638
Interest income	(3,698)	(4,865)
Depreciation	112,361	109,694
Amortisation of reusable packaging materials	15,222	16,437
Loss on disposal of fixed assets	112	323
Provision for impairment in value of investment securities	1,000	–
Provision for impairment in value of investment in an associate	32,367	–
Release of goodwill in respect of impairment in value of investment in an associate	9,135	–
Decrease/(increase) in accounts receivable	(4,647)	890
Decrease in prepayments, deposits and other receivables	4,102	3,249
Decrease in inventories	19,172	14,515
Decrease in loan to a director	51	49
Increase/(decrease) in accounts payable	19,459	(18,881)
Increase/(decrease) in other payables and accrued liabilities	(29,183)	37,929
Increase in VAT payable	5,460	5,284
Increase/(decrease) in amounts due to a fellow subsidiary	970	(436)
Net cash inflow from operating activities	<u>255,048</u>	<u>279,826</u>

NOTES TO FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2000

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

(b) Analysis of changes in financing during the year

	Minority interests	
	2000	1999
	HK\$'000	HK\$'000
		(Restated)
At 1 January	37,849	39,778
Share of loss for the year	(1,098)	(716)
Dividend payable to minority equityholders	(4,714)	(1,174)
Exchange adjustments	(171)	(39)
	<u>31,866</u>	<u>37,849</u>
At 31 December	<u>31,866</u>	<u>37,849</u>

	Interest-bearing bank loans	
	2000	1999
	HK\$'000	HK\$'000
At 1 January	277,074	331,093
Net cash outflow from financing	(108,455)	(64,670)
Interest-bearing bank loans with maturity of less than three months from the date of the advance	(9,392)	9,392
Exchange adjustments	1,044	1,259
	<u>160,271</u>	<u>277,074</u>
At 31 December	<u>160,271</u>	<u>277,074</u>

	Amounts due to immediate holding company	
	2000	1999
	HK\$'000	HK\$'000
At 1 January	221,303	304,103
Net cash outflow from financing	(124,178)	(95,255)
Interest payable	731	12,455
	<u>97,856</u>	<u>221,303</u>
At 31 December	<u>97,856</u>	<u>221,303</u>

NOTES TO FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2000

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

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

	Amounts due to minority equityholders of subsidiaries	
	2000	1999
	HK\$'000	HK\$'000
At 1 January	103,995	98,044
Net cash outflow from financing	(4,714)	(156)
Interest payable	4,133	4,602
Dividend paid to minority equityholders	(5,185)	–
Dividend payable to minority equityholders	4,714	1,174
Exchange adjustments	392	331
	<u>103,335</u>	<u>103,995</u>
At 31 December	<u>103,335</u>	<u>103,995</u>

28. COMMITMENTS

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital commitments in respect of property, plant and equipment:				
Contracted for	<u>1,480</u>	<u>3,182</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	456	582	–	582
In the second to fifth years, inclusive	<u>532</u>	<u>–</u>	<u>532</u>	<u>–</u>
	<u>988</u>	<u>582</u>	<u>532</u>	<u>582</u>

Year ended 31 December 2000

29. 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\$28,283,000 (1999: HK\$108,012,000).

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

30. 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 were pledged to secure interest-bearing bank loans granted to the Group. Such bank loans were fully repaid during the year and the security was released accordingly.

31. CONNECTED AND RELATED PARTY TRANSACTIONS

Listed below are connected transactions disclosed in accordance with the Listing Rules and related party transactions disclosed in accordance with SSAP20 "Related Party Disclosures".

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

- (i) During the year, the Group purchased malt from Guangzhou Malting Co., Ltd. ("GMCL") 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 2000, the aggregate amount purchased by the Group was RMB37,609,000 (1999: RMB49,400,000). The balance due to GMCL is unsecured, interest-free and has no fixed terms of repayment.
- (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 (the "Property") owned by BDT as office premises at a monthly rental of HK\$97,000 for a term of three years from 1 July 1997 to 30 June 2000.

From 1 July 2000 to 31 August 2000, the Company paid a monthly rental of HK\$65,079 to BDT to rent the Property at the then prevailing open market rent agreed between the two parties.

Subsequent to the balance sheet date, on 2 February 2001, the Company entered into a new tenancy agreement with BDT to rent another leasehold property as office premises at a monthly rental of HK\$44,370 for a term of two years commencing from 1 September 2000 and expiring on 31 August 2002, 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.

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

- (iii) The Company entered into an agreement with Guangnan Holdings Limited ("Guangnan") on 21 August 2000 for the transfer of certain chattels and equipment to Guangnan. Upon completion of the GDE Restructuring in December 2000, Guangnan became a fellow subsidiary of the Company. Subsequent to the balance sheet date, the aforesaid agreement was terminated by the Company and Guangnan by mutual agreement and the chattels and equipment in question was repossessed by the Company. The Company is in the course of implementing alternative disposition arrangements for such chattels and equipment.
- (iv) As at 31 December 2000, there were loan advances made by GDI in the aggregate amount of HK\$96,708,000 (1999: HK\$220,193,000). The loans have been used to finance the construction of a plant and purchases of machinery and equipment for the Group's operations. The balances 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. The interest expenses arose during the year from the aforementioned loans were HK\$11,596,000 (1999: HK\$12,455,000).
- (v) As at 31 December 2000, there were loan 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, in the amount of HK\$193,373,000 (1999: HK\$227,801,000). The loans were used to finance the construction of the plant in Bao An, Mainland China. The balances are unsecured, bear interest at 6 months' LIBOR plus 2% per annum and of which HK\$50,136,000 (1999: HK\$22,780,000) is repayable within 2001 and the remaining balance of HK\$143,237,000 (1999: HK\$205,021,000) is repayable within five years from the balance sheet date.
- (vi) As at 31 December 2000, there were loan advances made by the Company to the Group's non-wholly-owned subsidiary, Shenzhen Kingway Brewery Co., Ltd., in which the Group has a 95% equity interest, in the aggregate amount of HK\$232,747,000 (1999: HK\$265,621,000). The loans were used to finance its expansion plan and the construction of the plant in Bao An, Mainland China. The outstanding loan balance of HK\$109,102,000 (1999: HK\$108,738,000) is unsecured, bears interest at long term lending rate per annum announced by People's Bank of China and is not repayable within one year. The remaining outstanding loan balance of HK\$123,645,000 (1999: HK\$156,883,000) is unsecured, bears interest at 6 months' LIBOR plus 0.75% per annum and is repayable within five years from the balance sheet date.

NOTES TO FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2000

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

- (vii) The Company executed a guarantee for banking facilities granted to the Group's non-wholly-owned subsidiary, Shenzhen Kingway Brewery Co., Ltd., for its operations. As at 31 December 2000, the guarantee given was HK\$28,283,000 (1999: HK\$108,012,000).
- (viii) During the year, interest expenses were incurred on funds advanced by minority equityholders of the Company's subsidiaries aggregating HK\$4,133,000 (1999: HK\$4,602,000), further details of which, including the terms, are disclosed in note 24 to the financial statements.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 20 April 2001.