

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2003.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the production and distribution of beer. There were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The Group's profit for the year ended 31 December 2003 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 84.

An interim dividend of HK1.4 cents per ordinary share was paid on 8 October 2003. The directors recommend a final dividend of HK2.1 cents per ordinary share in respect of the year, to shareholders on the register of members of the Company as at the close of business on 25 June 2004. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

Summary financial information

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 85 to 86. This summary does not form part of the audited financial statements.

Fixed assets

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

Share capital and share options

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 28 and 29 to the financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, redemption or sale of listed securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Report of the Directors

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

At 31 December 2003, the Company's reserves available for distribution amounted to HK\$787,416,000, of which HK\$21,060,000 has been proposed as a final dividend for the year. Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account of the Company of approximately HK\$408,199,000 as at 31 December 2003 is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the total sales and purchases for the year, respectively.

Directors

The directors of the Company during the year were:

Executive directors:

Mr. Li Wentao
Mr. Lo Peter
Mr. Fu Hui
Mr. Au Peter Jeva
Mr. Bao Liusuo
Mr. Lee Kong Leong (retired on 22 May 2003)

Non-executive directors:

Dr. Tong Kay Tak Tom
Dr. Sit Fung Shuen Victor*
Mr. Sam Zuchowski* (appointed on 22 May 2003)
Mr. Zhu Wenwei (appointed on 22 May 2003)
Mr. Louis William Moelchert, Jr. (appointed on 22 May 2003 and resigned on 28 July 2003)
Mr. Martin Alex Murbach (appointed on 22 May 2003 and resigned on 28 July 2003)
Mr. Roy Enzo Bagattini (appointed on 28 July 2003)
Mr. Jonathan Frederick Solesbury (appointed on 28 July 2003)
Mr. Chen Zhixiong (retired on 22 May 2003)
Mr. Tse Kwok Lam (retired on 22 May 2003)
Mr. Chong Tao Boon* (retired on 22 May 2003)

* Independent non-executive directors

In accordance with article 86(3) of the Company's articles of association, Mr. Sam Zuchowski, Mr. Zhu Wenwei, Mr. Roy Enzo Bagattini, and Mr. Jonathan Frederick Solesbury will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with article 87(1) of the Company's articles of association, one third of the directors will retire from office by rotation, except for the chairman of the board of directors, Mr. Li Wentao and the chief executive officer of the Company, Mr. Lo Peter. Therefore, Dr. Tong Kay Tak Tom will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 22 to 24 of the annual report.

Directors' service contracts

Each of Mr. Li Wentao, Mr. Lo Peter, Mr. Fu Hui and Mr. Bao Liusuo has entered into a service contract with the Company on 3 June 2002 for an initial term of three years commencing from 1 June 2002, unless and until terminated by the Company or by the relevant director (as the case may be) by giving to the other party twelve or six months' prior notice in writing, which notice period shall not expire at any time during the first year.

Under the service contracts, there are sign-off payments for the respective directors. The sign-off payments refer to gratuity payments that will be paid to the relevant directors by the Company when the service contracts are terminated. The aggregate sign-off payments amount to approximately HK\$9 million.

Each of the executive directors will be entitled to a discretionary bonus provided that the total amount of bonuses payable to all the directors for such year shall not exceed 10% of the audited consolidated net profit after tax but before extraordinary and exceptional items of the Group (the "Profit") and provided further that the profit before payment of the total discretionary bonuses payable to all the executive directors shall exceed HK\$80 million. Each of the executive directors will also be entitled to all reasonable expenses properly incurred in the course of his employment or in connection with the business of the Company.

Apart from the foregoing, no director 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

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Report of the Directors

Directors' interests and short positions in shares and underlying shares

The interests of the directors in the share options of the Company are separately disclosed in note 29 to the financial statements.

As at 31 December 2003, none of the directors and chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Directors' rights to acquire shares or debentures

Save as disclosed in the share option scheme disclosures in note 29 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Share option schemes

The detailed disclosures relating to the Company's share option schemes are set out in note 29 to the financial statements.

Substantial shareholders' and other persons' interests in shares and underlying shares

At 31 December 2003, the following interests of 5% 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 336 of the SFO:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of share options held
SABMiller Holdings Limited	(1)	Through a controlled corporation	295,000,000	29.41	—
Gardwell Limited	(1)	Directly beneficially owned	295,000,000	29.41	—
Kwok Nea Development Limited	(2)	Through a controlled corporation	291,500,000	29.07	—
Harbin Brewery Factory (BVI) Limited	(2)	Directly beneficially owned	291,500,000	29.07	—

Notes:

- (1) Gardwell Limited is owned as to 95% by SABMiller Holdings Limited and 5% by Advent Strategic Limited.
- (2) Harbin Brewery Factory (BVI) Limited is a wholly-owned subsidiary of Kwok Nea Development Limited.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement and re-election at the general meeting of the Company in accordance with the Company's articles of association.

Audit committee

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

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

Li Wentao

Chairman

Hong Kong
22 April 2004