

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 2002.

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.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 29 to 74.

An interim dividend of 1.0 HK cent per share was paid on 18 October 2002. The Directors recommend the payment of a final dividend of 1.0 HK cent per share for the year ended 31 December 2002. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within the capital and reserves section of the balance sheet.

The proposed final dividend, if approved at the forthcoming Annual General Meeting of the Company to be held on Wednesday, 18 June 2003, is expected to be paid on 8 July 2003 to shareholders whose names appear on the register of members of the Company on 18 June 2003.

FINANCIAL SUMMARY

A summary of the published results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

RESULTS

	Year Ended 31 December				
	2002	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	593,052	543,922	613,892	682,454	618,641
Cost of sales	(351,680)	(332,691)	(386,172)	(456,477)	(380,537)
Gross profit	241,372	211,231	227,720	225,977	238,104
Other revenue and gains	34,034	43,880	53,872	71,707	65,477
Selling and distribution expenses	(133,960)	(133,586)	(98,151)	(108,932)	(79,802)
Administrative expenses	(36,504)	(45,537)	(68,774)	(73,114)	(98,488)
Impairment of investment in an associate	-	(5,600)	(31,367)	-	-
Impairment of an investment security	(4,611)	-	(1,000)	-	-
Impairment of goodwill arising from an acquisition of an associate previously dealt with in reserves	-	-	(9,135)	-	-
PROFIT FROM OPERATING ACTIVITIES	100,331	70,388	73,165	115,638	125,291
Finance costs	-	(7,857)	(30,483)	(45,250)	(30,275)
Share of results of an associate	(4,437)	(13,424)	(14,496)	(8,401)	1,398
PROFIT BEFORE TAX	95,894	49,107	28,186	61,987	96,414
Tax	(11,329)	(12,067)	(19,042)	(9,991)	(12,772)
PROFIT BEFORE MINORITY INTERESTS	84,565	37,040	9,144	51,996	83,642
Minority interests	(6,562)	(2,606)	1,098	716	610
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	78,003	34,434	10,242	52,712	84,252

ASSETS AND LIABILITIES

	As at 31 December				
	2002	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	1,422,273	1,360,661	1,605,929	1,844,575	1,915,603
Total liabilities	(220,349)	(217,115)	(486,608)	(728,485)	(852,410)
Minority interests	(41,076)	(34,496)	(31,866)	(37,849)	(39,778)
Net assets	<u>1,160,848</u>	<u>1,109,050</u>	<u>1,087,455</u>	<u>1,078,241</u>	<u>1,023,415</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.

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 notes 22 and 23 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 24 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2002, the Company's reserves available for distribution as calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$50,336,000, of which HK\$12,500,000 has been proposed as a final dividend for the year.

In addition, the Company's share premium of HK\$739,583,000 may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$437,000 (2001: HK\$1,400).

DIRECTORS

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

YE Xuquan	(appointed on 14 January 2002)
JIANG Guoqiang	
CHENG Mo Chi, Moses*	
Alan Howard SMITH*	
V-nee YEH*	
ZHANG Yaping	
LI Wai Keung	(appointed on 12 November 2002)
WANG Man Kwan, Paul	
HO LAM Lai Ping, Theresa	
FUNG Sing Hong, Stephen	(appointed on 6 December 2002)
ZHOU Dongxiang	(resigned on 14 January 2002)

* *Independent Non-Executive Director*

In accordance with bye-law 86(2) of the Company's Bye-laws, Messrs. Li Wai Keung and Fung Sing Hong, Stephen, who were appointed as 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, Messrs. Ye Xuquan and Jiang Guoqiang will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

Directors

Mr. Ye Xuquan, aged 47, was appointed a Director and the Chairman of the Company in January 2002. Mr. Ye graduated from the Department of Chinese Language and Literature and the Institute of Economy Research, South China Normal University and obtained a Master's degree of Economics from South China Normal University. Mr. Ye joined the Guangdong Province Dongshen Water Supply Management Bureau (the "Dongshen Water Bureau") in 1978 and has 23 years' experience in the management and operation of water supply. Mr. Ye was a section chief of the Dongshen Water Bureau in 1984, promoted as Vice Director in 1987, acted as Deputy Director in 1995 and acted as Director from 1997 to 2000. He was Chairman of Guangnan (Holdings) Limited from November 2000 to January 2002. He is Director and Deputy General Manager of both 廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited) and GDH Limited. He is a Director of Guangdong Investment Limited ("GDI") and Chairman of 廣東粵港供水有限公司 (Guangdong Yue Gang Water Supply Company Limited). He is also Vice President of both Entrepreneur Association for Water Consultative Conference of China and Shenzhen Chinese and Foreign Entrepreneur Association.

Mr. Jiang Guoqiang, aged 50, was appointed the Managing Director of the Company in January 2002 and previously was appointed a Director and the Chairman of the Company in March 2001. He is a Deputy General Manager of GDI. Mr. Jiang graduated from Shanghai Metallurgical Machinery School where he majored in metallurgical machinery. He is an engineer. From 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 Shanghai Industrial Co., Ltd. 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.

Mr. Cheng Mo Chi, Moses, JP, aged 53, 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 and the Committee on the Promotion of Civic Education. He also serves on the boards of many other listed companies as independent non-executive director.

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

Directors (cont'd)

Mr. Alan Howard Smith, aged 59, was appointed an Independent Non-Executive Director of the Company in January 1999. Mr. Smith was Vice Chairman in the Pacific Region, of Credit Suisse First Boston ("CSFB"), a leading global investment bank from 1997 to 2001. 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 Stock Exchange of Hong Kong Limited on two occasions. He was a member of the Hong Kong Special Administrative Region Government's Economic Advisory Committee from 1994 to 2001, and was for 10 years a member of the Hong Kong Government's Standing Committee on Company Law Reform.

Mr. V-nee Yeh, aged 44, was appointed an Independent Non-Executive Director of the Company in January 1999. He is the Chairman of Hsin Chong Construction Group Ltd.; co-founder of Value Partners Limited and VP Private Equity Limited. Mr. Yeh was also a council member of The Stock Exchange of Hong Kong Limited until its merger into the Hong Kong Exchanges and Clearing Ltd. He remains a member of the Listing Committee. He also sits on the Takeovers and Mergers Panel and the Takeovers Appeals Committee of the Securities and Futures Commission.

Mr. Zhang Yaping, aged 50, was appointed a Director of the Company in August 2000. Mr. Zhang was appointed a Director of GDI in March 2001 and Managing Director of GDI from March 2001 to December 2002. He was appointed Chairman of 深圳市東深投資控股有限公司 (Shenzhen Dongshen Investment Holding Co. Ltd.) in July 2002. He was appointed a Director of GDH Limited and Deputy General Manager of GDI in September 2000 and June 2000 respectively. Mr. Zhang completed 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 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 a Senior Economist in the PRC.

Mr. Li Wai Keung, aged 46, was appointed a Director of the Company in November 2002. Mr. Li is currently a Director and the Financial Controller of GDH Limited. He is also a Director of GDI. Mr. Li graduated from Hong Kong Polytechnic and holds a Master's degree in Business Administration from the University of East Asia. He is a fellow member of The Association of Chartered Certified Accountants and Hong Kong Society of Accountants. Mr. Li had held a number of positions with companies including Sino Land Company Limited and Henderson Land Development Company Limited.

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

Directors (cont'd)

Mr. Wang Man Kwan, Paul, aged 46, 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 the Hong Kong Institute of Taxation.

Mrs. Ho Lam Lai Ping, Theresa, aged 47, was appointed a Director of the Company in August 2000. She is also a Director of Guangdong Tannery Limited. 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.

Mr. Fung Sing Hong, Stephen, aged 38, was appointed a Director and the Chief Financial Officer of the Company in December 2002. Mr. Fung holds a Master's degree of Business Administration from the University of Wales, United Kingdom. Mr. Fung is a Certified Public Accountant of the United States. He has extensive experience in mergers and acquisitions, capital market financing, corporate restructuring and financial management. Currently, Mr. Fung is a Deputy General Manager of the Finance Department of GDH Limited and a Director of Guangdong Asset Management Limited. He is also Director and Chief Financial Officer of both Guangdong (H.K.) Tours Company Limited and Guangdong (Macau) Tours Company Limited.

Senior Management

During the year, Messrs. Ye Xuquan, Jiang Guoqiang and Fung Sing Hong, Stephen 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

None of the Directors had a beneficial interest in any contract of significance to the business of the Group, whether directly or indirectly, to which the Company, any of its holding companies, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Ye Xuquan, Zhang Yaping and Li Wai Keung, Directors of the Company, are also Directors of GDH Limited ("GDH") as at the balance sheet date. 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 SHARES

As at 31 December 2002, the interests of the Directors in the share capital of the Company or its associated corporations, as 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 Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Director of Listed Companies under the Rules Governing the Listing of Securities on the Stock Exchange (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	180,000
Fung Sing Hong, Stephen	Personal	24,000

(ii) Guangdong Investment Limited

Name of Director	Type of interest	Number of ordinary shares held
Wang Man Kwan, Paul	Personal	500,000
Ho Lam Lai Ping, Theresa	Personal	250,000

As at 31 December 2002, Mr. V-nee Yeh, a Director of the Company, held US\$450,000 in principal amount of the Guaranteed Floating Rate Bonds due in 2005 (the "2005 Guaranteed Bonds"), 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 are due in 2005.

DIRECTORS' INTERESTS IN SHARES (cont'd)
I. SHARES (cont'd)

(iii) *Guangdong Tannery Limited*

Name of Director	Type of interest	Number of shares held
Fung Sing Hong, Stephen	Personal	226,000

(iv) *Guangnan (Holdings) Limited*

Name of Director	Type of interest	Number of shares held
Fung Sing Hong, Stephen	Personal	500,000

II. Options

(i) *The Company*

Name of Director	Number of options held on 01/01/2002	Options granted during the year		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 31/12/2002
		Date granted	Number granted				
Jiang Guoqiang	10,000,000	-	-	11/04/2002-10/04/2007	0.383	-	10,000,000

* *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 proceeding that day (Hong Kong time).*

DIRECTORS' INTERESTS IN SHARES (cont'd)
II. Options (cont'd)
(ii) Guangdong Investment Limited

Name of Director	Number of options held on 01/01/2002	Options granted during the year		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 31/12/2002
		Date granted	Number granted				
Ye Xuquan	12,000,000	-	-	11/02/2002-10/02/2007	0.5312	-	12,000,000
	-	07/05/2002	9,000,000	08/11/2002-07/11/2007	0.814	-	9,000,000
	-	04/12/2002	6,000,000 **	05/03/2003-04/03/2008	0.96	-	6,000,000
Jiang Guoqiang	1,500,000	-	-	11/02/2002-10/02/2007	0.5312	1,500,000	-
Cheng Mo Chi, Moses	1,000,000	-	-	02/05/2002-01/05/2007	0.74	-	1,000,000
	-	07/05/2002	1,000,000	08/11/2002-07/11/2007	0.814	-	1,000,000
	-	04/12/2002	1,000,000 **	05/03/2003-04/03/2008	0.96	-	1,000,000
Zhang Yaping	12,000,000	-	-	11/02/2002-10/02/2007	0.5312	-	12,000,000
	-	07/05/2002	9,000,000	08/11/2002-07/11/2007	0.814	-	9,000,000
	-	04/12/2002	6,000,000 **	05/03/2003-04/03/2008	0.96	-	6,000,000
Li Wai Keung	1,500,000	-	-	02/05/2002-01/05/2007	0.74	-	1,500,000
	-	07/05/2002	1,500,000	08/11/2002-07/11/2007	0.814	-	1,500,000
	-	04/12/2002	1,500,000 **	05/03/2003-04/03/2008	0.96	-	1,500,000
Wang Man Kwan, Paul	1,500,000	-	-	11/02/2002-10/02/2007	0.5312	500,000	1,000,000
	-	07/05/2002	1,500,000	08/11/2002-07/11/2007	0.814	-	1,500,000
	-	04/12/2002	1,500,000 **	05/03/2003-04/03/2008	0.96	-	1,500,000

DIRECTORS' INTERESTS IN SHARES (cont'd)
II. Options (cont'd)
(ii) Guangdong Investment Limited (cont'd)

Name of Director	Number of options held on 01/01/2002	Options granted during the year		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 31/12/2002
		Date granted	Number granted				
Ho Lam Lai Ping, Theresa	500,000	-	-	19/08/1998- 18/08/2003	2.892	-	500,000
	1,200,000	-	-	11/02/2002- 10/02/2007	0.5312	-	1,200,000
	-	07/05/2002	1,200,000	08/11/2002- 07/11/2007	0.814	-	1,200,000
	-	04/12/2002	1,200,000**	05/03/2003- 04/03/2008	0.96	-	1,200,000
Fung Sing Hong, Stephen	-	04/12/2002	400,000**	05/03/2003- 04/03/2008	0.96	-	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).

** HK\$1.00 is payable by the grantee on acceptance of the offer in respect of the option.

Save as disclosed above, as at 31 December 2002, 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 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 Stock Exchange pursuant to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Other than "Directors' Interests in Securities" above and "Share Options of the Company and Associated Corporation" below, at no time during the year was the Company, its holding companies or any of its subsidiaries or associated corporation a party to any arrangements to enable the Directors of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTIONS OF THE COMPANY AND ASSOCIATED CORPORATION

Due to the adoption during the year of Statement of Standard Accounting Practice No. 34 "Employee benefit", most of the detailed disclosure relating to the Company's share option scheme have been moved to note 23 to the financial statements.

There were no share options granted to or exercised by the Directors of the Company under the Company's share option schemes during the year.

Details of the options of the Company and GDI held by the Directors of the Company are set out in the section headed "Directors' Interest in Securities" of this report.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, 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 29 to the financial statements. The Independent Non-Executive Directors of the Company reviewed the connected transaction set out in note 29(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 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 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 immediate holding company during the year, 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

Purchases from the largest supplier and the five largest suppliers represent 18.8% and 40.2% of the Group's total purchases for the year, respectively.

Sales attributable to the five largest customers are less than 30% of the Group's total sales for the year.

Apart from Guangzhou Malting Co., Ltd., none of the Directors, their respective associates or shareholders (which to the best knowledge of the Directors) owning more than 5% of the issued share capital of the Company, has any interests in the five largest suppliers of the Group.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 28 to the financial statements.

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 Stock Exchange.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the Code of Best Practice. The Audit Committee comprises three independent non-executive directors and a non-executive director of the Company. 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

Ye Xuquan

Chairman

Hong Kong, 11 April 2003