

主席報告

Chairman's Statement



宋林
Song Lin

在國民收入日益增加、追求生活時尚的改變下，中國大陸的消費市場尚處孩提時期，增長空間廣闊。憑著本集團發展成熟的市場地位、獨特的業務模式和穩健的財務狀況，本集團日後勢必有進一步的增長。

Chinese Mainland's economic growth remains strong and vibrant on the back of rising incomes and changing lifestyle, its consumer market is in the infancy of development with plentiful opportunities.

With our established market presence, unique business model and strong financial position, the Group is poised for further growth.

末期業績

在大致平穩的經營環境下，本集團在二零零四年表現理想。截至二零零四年十二月三十一日止年度的綜合營業額較二零零三年上升35.8%至港幣47,078,100,000元的歷史新高。股東應佔溢利為港幣1,603,200,000元，較去年高出10.2%。按加權平均基準計算，每股盈利為港幣0.76元，而二零零三年為港幣0.70元。

股息

董事局建議於二零零五年六月十七日或前後，向於二零零五年五月三十日名列本公司股東名冊的股東派發二零零四年年度末期股息，每股港幣0.16元（二零零三年：每股港幣0.14元），連同中期股息每股港幣0.11元，二零零四年的派息總額將達每股港幣0.27元（二零零三年：每股港幣0.24元）。不計算於二零零三年七月以實物分派形式派發的華潤水泥控股有限公司股份作為特別中期股息，則較二零零三年增加13%。

暫停辦理股份過戶登記手續

本公司將於二零零五年五月三十日至二零零五年六月二日（包括首尾兩天）暫停辦理股份過戶登記。為符合獲派末期股息的資格，所有填妥的過戶表格連同有關股票，必須於二零零五年五月二十七日下午四時三十分前送達本公司的股份過戶處——標準證券登記有限公司，地址為香港灣仔告士打道56號東亞銀行港灣中心地下。

策略施行

企業策略

為了帶動企業發展，以及把握中國大陸蓬勃增長的消費市場，本集團現時採納獨特的零售帶動分銷模式。過去幾年，本集團已重組其非核心業務，將重心轉移至核心消費業務。二零零三年，本集團成功重組水泥業務，並以實物分派方式向股東分派股息。此外，本公司已出售其透過一間共同控制實體持有於香港國際機場的航空燃油設施的權益。二零零四年，本公司亦已出售其於青島齊潤石油化工有限公司（擁有及經營青島若干儲油設施）的股權。

FINAL RESULTS

Against a broadly steady operating environment, the Group reported solid performance in 2004. Consolidated turnover for the year ended 31 December 2004 rose by 35.8% over 2003 to a record HK\$47,078.1million. Profit attributable to shareholders was HK\$1,603.2million, 10.2% higher than in the previous year. Earnings per share, on a weighted average basis, was HK\$0.76 compared to HK\$0.70 in 2003.

DIVIDENDS

The Board recommends a final dividend of HK\$0.16 per share for 2004 (2003: HK\$0.14 per share) payable on or about 17 June 2005 to shareholders whose names appear on the Register of Members of the Company on 30 May 2005. Together with the interim dividend of HK\$0.11 per share, the total distribution for 2004 will amount to HK\$0.27 per share (2003: HK\$0.24 per share). This represents 13% growth over 2003, excluding the payment of a special interim dividend of shares in China Resources Cement Holdings Limited by way of a distribution in specie in July 2003.

CLOSURE OF REGISTER

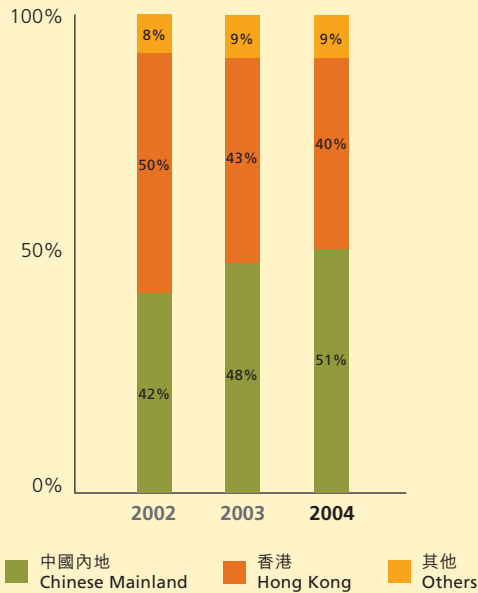
The Register of Members will be closed from 30 May 2005 to 2 June 2005, both days inclusive. In order to be eligible for the final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrars of the Company, Standard Registrars Limited of Ground floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on 27 May 2005.

STRATEGY IMPLEMENTATION

Corporate strategy

To lead corporate development and to capitalize on the booming consumer market in the Chinese Mainland, the Group is adopting a unique retail-led distribution model. Over the past several years, the Group has been restructuring its non-core businesses so as to shift its focus to the core consumer businesses. In 2003, the Group successfully reorganized the concrete business and distributed the interest to our shareholders in the form of a dividend in specie. We also sold our interest in the aviation fuel facility at the Hong Kong International Airport held through a jointly controlled entity. In 2004, our equity interest in Qingdao Qirun Petrochemical Co., Ltd, which owns and operates some oil storage facilities in Qingdao, was also disposed.

營業額地區分佈
Turnover by geographic region



除稅前溢利地區分佈
Profit before tax by geographic region



同時，本集團一直投資於核心消費業務。截至二零零四年十二月三十一日止年度，本集團產生資本開支港幣4,989,100,000元，較二零零三年增加一倍，主要投放於零售、飲品及食品業務。藉著將更多資源分配到核心業務及撤出非核心業務，將可為股東創造更大價值。

本集團已按計劃加快於中國大陸投資。在回顧年度內，約51.1%營業額及44.7%除稅前溢利乃來自大陸，截至二零零三年十二月三十一日止年度則分別為47.5%及25.8%。

此外，儘管零售帶動分銷策略仍未成熟，推行此策略時仍取得理想進展。本集團的食品、飲品及紡織業務已開始成為超市業務供應鏈的一部分。尤其是食品業務，長久以來為香港超市供應新鮮肉類、蔬菜、稻米及其他食品產品，乃香港超市的最大供應商。本公司的中藥連鎖店「華潤堂」亦開始在本公司的超市內經營其櫃台。

At the same time, the Group has been investing in the core consumer businesses. For the year ended 31 December 2004, the Group incurred HK\$4,989.1 million on capital expenditure, a double from 2003, with a majority on retail, beverage and food businesses. By allocating more resources to the core businesses and divesting from the non-core businesses, this will derive higher value for our shareholders.

The Group has accelerated its investments in the Chinese Mainland as planned. For the year under review, about 51.1% of turnover and 44.7% of profit before tax was from the mainland, compared with 47.5% and 25.8% respectively in the year ended 31 December 2003.

On the other hand, satisfactory progress has been made in the implementation of the retail-led distribution strategy, though it is still at an early stage. The Group's food, beverage and textile operations have started to form part of the supply chain for our supermarket business. In particular, the food operation, which has a long history of supplying fresh meat, vegetables, rice and other food products to our supermarkets in Hong Kong, is their largest supplier. Our Chinese medicine store chain, CR Care, has also started to operate its counters in our supermarket stores.

業務策略

本集團一直著重品牌發展，而去年的力度尤大。二零零四年七月，本公司的釀酒業務就「雪花」展開針對新一代的新宣傳活動。「雪花」被宣傳為與「成長」有關的品牌，故與個人成長的喜樂及成就息息相關。在此感情牽動之下，預期可進一步建立「雪花」的獨特品牌地位。此外，於二零零四年十月，本公司的啤酒業務投資控股公司——華潤啤酒有限公司易名為華潤雪花啤酒有限公司，藉此聯繫全國性之「雪花」品牌與公司稱號。

超級市場業務亦已由本年年初開始，為其香港超級市場重新塑造品牌，採用與內地一致的新徽號設計。預期進行內部粉飾和增加新鮮食品比例後，可以擴大顧客層面。在中國大陸，本集團於去年下半年推出兩個自有品牌，分別為「Premium Plus」和「簡約組合」，主要用於華南地區的大型超市和超級廣場。在去年年底，此兩個自有品牌約有62個SKU，主要用於紙品、清潔用品、洗衣用品和保健美容護理品。初步銷售成績不俗。

超級市場業務持續進行改進模式的活動，以改善其業態的核心實力。去年，本集團竭力改進超級廣場的模式，華南和華北地區新開設的超級廣場表現非常理想。今年，本集團將會試行一個名為Olé的新業態，Olé屬較高級生活時尚專門店，主攻高檔次消費者，所售賣的是緊貼潮流、以價值為本的商品，集中於服飾、家居用品和食品。另外亦有較高比例的自有品牌。

除塑造品牌外，亦在不同層面實行了其他業務策略。本集團的超級市場業務現正整合其於非全資附屬公司的股權，以發展較為有效率的供應鏈，促使進一步減省成本。本集團的超級市場業務把握內地經濟降溫措施之形勢，審慎收購若干現有的店舖物業，皆因預計長遠而言此等物業的租金和資本值將會穩步上升。此外，本集團的食品分銷業務已進入中國大陸的肉食市場，以主要城市為目標。紡織業務的技術改造計劃將可提升本集團的營運效率，及增加高檔產品的比例，提高整體邊際利潤。儘管石油及化學品經銷業務並不屬於核心業務模式以內，但也正在尋求管道燃氣市場的增長機會。

BUSINESS STRATEGY

The Group has put a heavy emphasis on branding and last year was particularly momentous. In July 2004, our brewery operation started a new advertising campaign on "Snow" targeting the new generation. "Snow" is being marketed as the brand associating with "life's progression" and, hence, linking with the joy and achievements as one grows up. With this sentimental attachment, it is expected to further differentiate the brand positioning of "Snow". In addition, in October 2004 the beer investment holding company, China Resources Breweries Ltd., was renamed as China Resources Snow Breweries Ltd. to create an integrated identification of the national brand "Snow" with the company name.

The supermarket operation has also embarked on a re-branding exercise since the beginning of this year for the supermarkets in Hong Kong with a new logo design consistent with that adopted in the Chinese Mainland. Coupled with internal renovation and increase in fresh food proportion, the customer base is expected to become broader. In the Chinese Mainland, two private labels, "Premium Plus" and "簡約組合" were introduced in the second half of last year, mainly in the hypermarkets and superstores in the southern region. At the end of last year, there were about 62 SKUs in these two private labels mainly in paper products, cleansing products, laundry and other health and beauty care products. The initial sales results were encouraging.

The supermarket operation has an ongoing re-modeling exercise so as to improve the core competence of its store formats. Last year, strenuous efforts were put in modeling superstore, and the new superstores opened in southern and northern China reported very satisfactory performance. This year, the Group will test a new format called Olé, which is a higher-end lifestyle concept specialty store targeting the upscale consumers. Merchandise will be fashionable, value-oriented and concentrate on apparel, household and food. There will also be a higher proportion of private labels.

Apart from branding, other business strategies have also been implemented at different levels. Our supermarket operation is consolidating its shareholdings in the non-wholly owned subsidiaries to develop a more efficient supply chain and enable further cost savings. Taking advantage of the tightening measures to slow down the mainland economy, the supermarket operation is also prudently purchasing some existing store properties as their rental and capital value are expected to rise steadily in the long term. In addition, our food distribution business has entered the Chinese Mainland meat market with a target on the major cities. The technology upgrade program of our textile business will enhance our operational efficiency and increase the proportion of high end products, boosting the overall margins. Our petroleum and chemical distribution business, though falls outside the core business model, is also looking for growth opportunities in the piped gas market.

經營環境

本集團的經營環境充滿競爭，但增長迅速。中國大陸二零零四年零售額增長13.3%至約人民幣54,000億元，市場整合亦已加快。三十大零售商佔總體零售額約7.1%，在二零零三年則佔5.7%。在三十大零售商所產生的人民幣3,850億元總銷售中，超市經營商已佔當中約53%，反映此一現代購物模式繼續發展迅速。根據中國商務部編製的「二零零四年全國前三十家商業連鎖企業」資料，本集團的超級市場業務按營業額計算，位列本土超級市場經營商第二位。

去年，大陸釀酒市場的總產量亦增加約15%至2,880萬千升，為過去十年最大升幅。於二零零四年，三大市場參與者佔市場份額約33%，相比之下二零零零年則僅約為19%。本集團的釀酒業務去年約佔11%市場份額。

於二零零四年，中國大陸的紗線和布匹產量較上一年度增加18%和22%。本集團的紗線和布匹產量比同期分別增加34%和0.6%。技術改造和產品組合調整對山東省布匹生產造成了一定干擾。

中國大陸的肉類行業增長穩定，消耗量平均每年增長約6%。中國人均豬肉消耗量以國際標準而言仍然低企。隨著中國的生活水平日益改善，家庭收入日益提升，將有助帶動豬肉消耗量增長，拉近與較發達國家的距離。

香港經濟繼二零零三年年底復甦之後，去年續見改善，隨著消費者信心加強，旅遊業興旺，零售額增加10.8%。超市銷售及百貨銷售於二零零四年分別較上一年度增加3.0%及12.3%。就活畜消耗而言，本地出產及入口的生豬及牛隻於二零零四年已分別約達2,248,000頭和47,700頭，較二零零三年分別增長4%及5%。

OPERATING ENVIRONMENT

The Group operates in a competitive yet fast growing environment. Retail sales in the Chinese Mainland grew 13.3% in 2004 to about RMB5,400 billion and market consolidation had accelerated. The top 30 retailers constituted approximately 7.1% of the total retail sales, compared with 5.7% in 2003. Among the total sales of RMB385 billion generated by the top 30 retailers, supermarket operators represented around 53%, reflecting the continued rapid development of this modern format of shopping. Based on the 2004 Ranking of 30 Largest PRC Retail Chain Enterprises (二零零四年全國前三十家商業連鎖企業) compiled by the Ministry of Commerce of the PRC, the Group's supermarket operation ranked second among the local supermarket operators in turnover.

Total production volume of the mainland brewery market also increased by about 15% last year to 28.8 million kilolitres. This is the largest increase in the past ten years. In 2004, the top three players accounted for approximately 33% of the market, compared with about 19% in 2000. The Group's brewery operation enjoyed a market share of about 11% last year.

In 2004, the production of cotton yarns and fabrics in the Chinese Mainland increased by 18% and 22% respectively over the previous year. Our yarns and fabrics production increased by 34% and 0.6% respectively over the same period. Technology upgrade and product mix adjustment have caused some disruption in the production of fabrics in Shandong province.

There has been a stable growth in the mainland meat industry, with an average annual increase of approximately 6% in consumption. Pork consumption per capita in China is still very low on international scale. Improving living standards and rising household income in China will boost pork consumption and narrow the gap with more developed countries.

The Hong Kong economy continued to improve last year following a recovery towards the end of 2003. Retail sales increased by 10.8% alongside strong consumer confidence and buoyant tourism. Supermarket sales and department store sales increased by 3.0% and 12.3% respectively in 2004 over the previous year. For livestock consumption, locally produced and imported live pigs and cattle amounted to about 2,248,000 heads and 47,700 heads respectively in 2004. This represents respective growth of 4% and 5% over 2003.

企業管治

本集團堅信，實施良好企業管治實務及作出公允披露，是加強向股東負責的要素。本集團的企業目標之一，是維持良好和穩固的企業管治架構。

於二零零四年十一月，香港聯交所發佈企業管治常規守則及企業管治報告徵求意見草擬本總結。企業管治常規守則（「企業管治守則」）將對二零零五年一月一日或其後開始的會計期間生效（不包括對二零零五年七月一日開始的會計期間實施的內部監控環節）。本集團決意提升本身的企業管治水平，有鑑於此，董事局參考了企業管治守則，就其二零零四年的企業管治常規，自行編製本集團首份企業管治報告以供年報轉載。自願轉載企業管治報告，乃本集團不斷致力增加透明度的實際例子。

CORPORATE GOVERNANCE

The Group strongly believes that good corporate governance practices together with fair disclosure is essential to enhance its accountability to shareholders. It has been one of the Group's corporate objectives to maintain a good and solid corporate governance framework.

In November 2004, the Hong Kong Stock Exchange published the conclusions on the exposure of draft Code on Corporate Governance Practices and Corporate Governance Report. The Code on Corporate Governance Practices ("CG Code") will become effective for accounting periods commencing on or after 1 January 2005 (save for the internal control section which will be implemented for accounting periods commencing 1 July 2005). As part of the Group's determination to enhance its corporate governance standard, the Board has, on its own initiative, compiled the Group's first corporate governance report on its corporate governance practices for 2004 with reference to the CG Code for inclusion in this Annual Report. The voluntary inclusion of the corporate governance report serves as an example of the Group's continuous commitment to enhance its transparency.



左起：閻鵬，劉百成，陳樹林，宋林，喬世波，鄺文謙，姜智宏，王群
from the left: Yan Biao, Lau Pak Shing, Chen Shulin, Song Lin, Qiao Shibo, Kwong Man Him, Keung Chi Wang, Wang Qun

自二零零二年十一月起，本集團已自願公佈季度財務和業務回顧，為恒生指數成份股當中首家主動公佈季度業績的綜合企業，遠早於香港聯交所將此列為主板發行人的建議最佳應用守則。於二零零四年內，上市規則經過修訂後，修改了關連交易和關連人士的定義。為確保本集團的管理人員對於新規則、披露規定和公司間交易所受影響有深入了解，本集團於去年九月舉辦了密集式工作坊。

本集團在不斷提升企業管治水平方面的努力，獲得投資界肯定。於二零零四年，本集團獲亞洲金融雜誌四月號評為中國「最佳管理公司」之一。在歐洲貨幣雜誌於二零零四年九月進行的企業管治調查中，本集團名列綜合企業第一位以及新興市場公司第六位。此外，在亞洲貨幣雜誌二零零四年十二月／二零零五年一月號進行的「最佳管理公司」調查中，本集團獲評為最致力加強內部監控和風險管理的公司之一。另外，在香港董事學會企業管治水準報告中，本集團在五項最佳企業管治常規準則評分中，位列最佳25%之內。

本集團將會不斷參考通行的監管規定和國際標準，時加檢討企業管治常規是否充足和有效。

內部監控

本集團的內部監控制度對風險管理以及達成業務目標起著重要的作用。本集團的內部監控制度是為維護股東投資、保障本集團資產以及確保財務報表並無重大財務虛假陳述而設的。董事局有責任透過審核委員會，從整體業務層面維持充份的內部監控制度並定期檢討制度的效能。

根據截至二零零四年十二月三十一日止十二個月的評估，董事局已審閱並信納本集團的風險管理職能和內部監控制度之效能。董事局信納內部監控制度之設計是為給予合理保證，確保能夠鑑別並監察與本集團有關的業務風險，並確保在現時環境下，本集團的資產已獲保障，不會在未經授權的情況下被使用或出售，並確保本集團已設置適當的會計記錄，以及財務報表乃充份及恰當。

Since November 2002, the Group has been voluntarily producing quarterly financial and operational review. We are the first conglomerate company among the constituent stocks in the Hang Seng Index to initiate such a move, well before the Hong Kong Stock Exchange making it a recommended best practice for main board issuers. During 2004, the definitions of connected transactions and parties were amended under the revised listing rules. To ensure that managers of the Group have an in-depth understanding of the new rules, disclosure requirements and the impact on inter-company transactions, an intensive workshop was organized in September last year.

The Group's continuous effort to improve its corporate governance standard has been recognised by the investment community. In 2004, the Group was rated one of the "Best Managed Companies" in China by FinanceAsia Magazine in its April issue. On a Corporate Governance poll conducted by Euromoney Magazine in September 2004, the Group ranked the first among conglomerates and the sixth among companies in the emerging markets. In addition, the Group was named one of most committed companies to strengthening internal controls and risk management at a "Best Managed Companies" poll organized by Asiamoney Magazine in its December 2004/January 2005 issue. The Group was also placed in the first quartile according to the Hong Kong Institute of Directors Corporate Governance Scorecard based on five major criteria of best corporate governance practice.

The Group will continue to review the adequacy and effectiveness of its corporate governance practices from time to time, with reference to the prevailing regulatory requirements and international standards.

INTERNAL CONTROL

The Group's internal controls system plays a key role in the management of risks that are significant to the fulfillment of business objectives. The Group's internal controls system has been designed to safeguarding shareholders' investments, protecting the Group's assets and assuring against material financial misstatements. The Board has the overall responsibility for maintaining an adequate system of internal controls and conducting regular review of its effectiveness through the Audit Committee.

Based on the assessment for the twelve months ended 31 December 2004, the Board has reviewed and is satisfied with the effectiveness of Group's risk management function and internal controls system. The Board is satisfied that the internal controls system is designed to provide reasonable assurance that business risks attributable to the Group are identified and monitored, assets are safeguarded against unauthorized use or disposition, proper accounting records are maintained and financial statements are adequate and appropriate under the current environment.

社會責任

除對股東負責外，本集團相信對於普羅社群，本身亦肩負社會責任。去年，本集團參與一系列贊助及慈善活動，包括聯同義務工作發展局合辦的愛心傳城義賣大行動，向長者和弱勢社群派發逾萬套基本用品。本集團亦於二零零五年一月初，協助聯合國兒童基金會進行海嘯賑災活動。此外，本集團亦曾擔任二零零四年六月中國管理研究國際學會創會會議的主要贊助商，推動和促進學者進行中國管理研究。同時，本集團亦分別在香港金融分析師學會以及香港中文大學行政人員工商管理碩士課程的座談會之場合，分享本集團作為具領導地位的綜合企業的管理經驗。

投資者關係

本集團明白投資者以至市場人士的見解和觀感之重要性。於二零零四年四月，本集團完成全球非融資路演，與歐洲、美國和亞洲的投資者會面，而超市業務的管理層亦有參與其中。於二零零四年，公司高層連同不同業務單位的高級管理人員，透過單獨會議、考察本集團業務以及參與由金融機構安排的會議，與約400個基金經理和145個分析員進行會面。

本集團認為，上述活動不單讓投資者了解本集團的業務發展，集團本身亦有所得益。亞洲金融雜誌四月號讚譽本集團在投資者溝通方面所作出的努力，並評價本集團內負責投資者關係的執行董事為中國最佳投資者關係代表。

SOCIAL RESPONSIBILITY

In addition to its responsibility to its shareholders, the Group believes that it also bears social responsibility for the wider community. Last year, we participated in a number of sponsorships and charity events, including a charity sales campaign (愛心傳城義賣大行動), jointly held with the Agency for Volunteer Service, where over ten thousand packs of staples were given out to the elderly and the under-privileged. The Group also aided the UNICEF in their Tsunami relief efforts in early January 2005. Moreover, to promote and facilitate scholars in the field of Chinese management research, the Group was the main sponsor at the International Association for Chinese Management Research Inaugural Conference in June 2004. At the same time, we also shared our management experience as a leading conglomerate with the Hong Kong Society of Financial Analysts and at a seminar of the EMBA programme by the Chinese University of Hong Kong.

INVESTOR RELATIONS

The Group recognizes the importance of the views and perception of its investors and the market as a whole. In April 2004, the Group, with the participation of our supermarket management, completed a global non-deal roadshow to meet investors in Europe, the United States and Asia. During 2004, top management along with senior management of different business units met with around 400 fund managers and 145 analysts via one-on-one meetings, visits to our operations as well as conferences arranged by financial institutions.

While investors were able to keep a good track of our business development, we also found the experience rewarding. The Group's commitment in maintaining an open dialogue with investors was recognized by the FinanceAsia Magazine in its April 2004 issue in which our executive director responsible for IR was also rated the Best IR Representative for China.

前景

本公司去年進行主席交替，此乃本集團內部任命事宜，將會延續本集團銳意成為區內具領導地位的消費品公司之決心。本集團目前的管理團隊同樣全情投入，鬥心比前更強。本集團新任董事總經理陳樹林先生服務本集團多年，本人有信心陳先生將繼續帶領集團鞏固實力，不斷向前邁進。

國家對外商投資零售業的限制已於二零零四年十二月十一日解除，預料競爭將會加劇。超市經營商將會重新部署，務求以獨特姿態屹立於競爭之中。對於超市業務而言，去年在引進多項優化和理順業務的措施下，盈利能力有相當程度的改善。今年的目標是透過重塑業態、發展自有品牌和增進營運效率，進一步提升競爭力。鑑於香港目前市況良好，加上繼停止在中國大陸分銷利潤較低的品牌後，品牌時尚產品經銷業務回復較佳表現，本集團更有信心旗下的零售業務表現會繼續改善。

中國大陸啤酒市場在過去二十年迅速發展，市場整合的益處現在已逐漸浮現。本集團過往率先進軍啤酒市場，至今已在多個營運地區建立獨佔鰲頭的市場份額。本集團將繼續鞏固目前在東北、華北、西南、華中和華東地區的地位。在華南地區方面，本集團將審慎拓展，先在東莞新建釀酒廠，該廠房將於二零零六年初投產。本集團的全國性品牌「雪花」增長理想，是中國大陸增長最為迅速的品牌之一。雖然原材料成本上漲潛藏考驗，但啤酒已於去年開始漲價，理應可舒緩原材料成本增加之影響。

PROSPECTS

The change in chairmanship last year is an internal appointment and will further the Group's determination to become a leading consumer company in the region. Now, we have the same dedicated management team with even larger commitment to succeed. Mr. Chen Shulin, the Group's new Managing Director, has been with the Group for many years, and I am confident that he will continue to strengthen our position and lead the Group for further growth.

Restrictions on foreign investment in retailing were removed on 11 December 2004 and competition is expected to step up. Supermarket operators will be repositioned to distinguish themselves from the competition. For our supermarket operation, there was a major improvement in profitability last year following the introduction of various measures to optimize and rationalize the business. The target this year is to further boost competitiveness through format re-modeling, development of private labels and operational efficiency enhancement. Together with the favorable market environment in Hong Kong and a revived brand-fashion distribution business in the Chinese Mainland after terminating distribution of some low profitability brands, the Group is optimistic that its retail business would continue to show improvement.

The mainland beer market has grown rapidly over the last two decades and now the benefits of market consolidation are gradually being realized. The Group entered the beer market early and has built up leading market share in many of its operating districts. The Group will continue to strengthen its existing presence in the North Eastern, Northern, South Western, Central and Eastern region of the Chinese Mainland. Expansion into the Southern region will be cautious by constructing a new brewery in Dongguan, which will be operational in early 2006. The growth of "Snow", our national brand for beer, has been encouraging, being one of the fastest growing brands in the mainland. Rising raw material costs is potentially a challenge but the impact should be mitigated by the increase in beer prices, which already started last year.

繼於上海和深圳投資發展兩個肉類加工項目後，本集團的食品加工及經銷業務將繼續開拓中國大陸肉類市場的商機。預料中國的活畜消耗量會繼續上升。近年，公眾對食品安全的意識逐漸提高，政府已頒佈規定，屠宰活畜必須在政府指定的屠房進行，這將進一步為本集團的食品業務開拓商機。紡織業務方面，技術改造計劃使效率得以改進，加上棉價已趨穩定，本集團對於此業務的長遠前景抱持樂觀態度。石油及化學品經銷業務在上年度雖面對全球油價高企，但亦有不俗表現。至於穩健的對沖和存貨控制慣例將會維持。

儘管國家實施宏觀政策令經濟降溫，至今已緩和通脹壓力和對付市場失衡情況，但中國大陸的經濟增長仍然保持相當的強勁和動力。在國民收入日益增加、追求生活時尚的改變下，中國大陸的消費市場尚處孩提時期，增長空間廣闊。香港方面，自二零零三年年中以來，隨著地產市場復甦，消費者開支攀升，經濟已經全面向好。儘管預測經濟增長將於年內偏軟，但預料創造就業數字以及更緊密經貿關係安排第二期帶來的經貿活動，兩者均會保持升勢。

本集團的核心業務包括超級市場、釀酒、食品及紡織，在各自業務領域上均已具備相當領導地位，行業專長深厚。本集團將繼續探索機會，以求擴展和改善盈利能力。憑著本集團發展成熟的市場地位、獨特的業務模式和穩健的財務狀況，本集團日後勢必有進一步的增長。

致謝

本人謹代表董事局，對全體員工過去一年來克盡己責、努力不懈致以衷心謝意，並謹借此機會，向前任主席寧高寧先生致以由衷謝忱，謝其多年以來對本集團作出的寶貴貢獻。

主席

宋林

香港，二零零五年四月八日

Our food processing and distribution operation will continue to exploit the opportunities in the Chinese Mainland meat market following the investment in the two meat processing projects in Shanghai and Shenzhen. China's consumption of livestock is expected to continue rising. In recent years, public awareness of food safety has become more acute and slaughtering in registered slaughterhouses designated by the government has been promulgated, further opening opportunities for our food division. With the efficiency improvement under our technology upgrade program and more stable cotton prices, the Group is positive about the long term prospects of the textile operation. The petroleum and chemical distribution business performed well last year amidst volatile world oil prices. Sound hedging and inventory control practices will remain to be emphasized.

Despite the macroeconomic policies to slow down the economy, which so far have been effective in easing the inflationary pressure and addressing market imbalances, Chinese Mainland's economic growth remains strong and vibrant. With rising incomes and changing lifestyle, its consumer market is in the infancy of development with plentiful opportunities. In Hong Kong, the economy has demonstrated a solid upturn since mid-2003 resulting from the recovery of the property market and an upsurge of consumer spending. Though economic growth is forecast to decline this year, steady job creation and further trade benefits from the second phase of Closer Economic Partnership Arrangement (CEPA II) are expected to sustain an upward growth trend.

Our core businesses, including supermarket, brewery, food and textile, are now among the leading players in the respective markets with deep industry expertise. The Group will continue to explore opportunities to expand and improve its profitability. With our established market presence, unique business model and strong financial position, the Group is poised for further growth.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all our staff for their commitment and hard work throughout last year. Apart from that, I believe much of the thanks should go to Mr. Ning Gaoning, our former Chairman, who has made a lot of valuable contributions to the Group.

SONG LIN

Chairman

Hong Kong, 8 April 2005