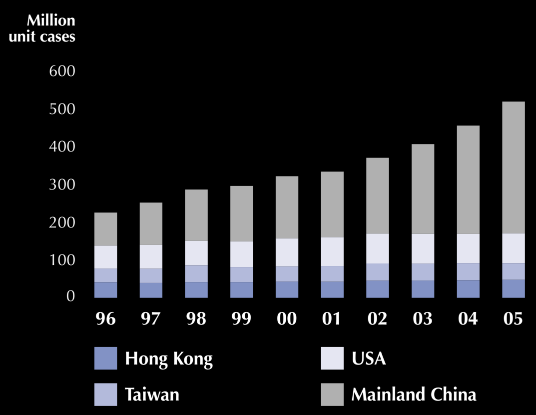
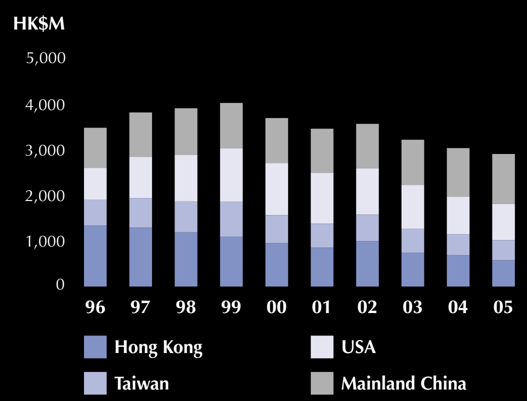
“2005 saw volume growth of 14% and with it a new sales record of 519 million unit cases.”

Sales volume in million unit cases



Net assets employed



Net assets employed comprise total equity (including minority interests) and net borrowings of group companies, which include the share of net assets in jointly controlled companies in Mainland China.

The Beverages Division has the right to manufacture, market and distribute the products of The Coca-Cola Company in Hong Kong, Taiwan, seven provinces in Mainland China and in an extensive area in the western USA.

Beverages Division

	2005 HK$M	2004 HK$M
Turnover*	**5,187**	4,978
Operating profit	**408**	380
Share of post-tax profits from jointly controlled companies	**214**	215
Attributable profit	**474**	385

* Turnover does not include the Mainland China operations which are all jointly controlled companies. Total turnover from Mainland China operations was HK$5,502 million in 2005 (2004: HK$4,496 million).

Segment information

	Turnover		Attributable profit	
	2005 HK$M	2004 HK$M	**2005 HK$M**	2004 HK$M
Hong Kong	**1,358**	1,358	**121**	119
Taiwan	**1,046**	1,029	**52**	50
USA	**2,783**	2,591	**203**	122
Mainland China	**–**	–	**127**	124
Head office – costs	**–**	–	**(29)**	(30)
	5,187	4,978	**474**	385

	Hong Kong	Taiwan	USA	Mainland China	2005 Total	2004 Total
Sales volume (million cases)	47.6	44.2	78.8	348.5	**519.1**	455.6
Net assets employed (HK$M)	578	446	805	1,101	**2,930**	2,936
Capital expenditure (HK$M)	44.5	39.6	89.3	265.1	**438.5**	375

2005 OVERVIEW

Total sales volume grew 14%, passing a new milestone of 500 million unit cases. Some price increases were achieved although not in all territories and the higher cost of materials and fuel related operating costs eroded net margins.

Attributable profit for the Beverages Division rose 23% to HK$474 million helped by lower tax charges in the USA operations.

Hong Kong

Sales volume in Hong Kong grew by 2%, with strong growth in the second half (7%) offsetting the slow start to the year. However, the consistent pressure on pricing and a shift in mix resulted in an unchanged turnover.

The non-carbonated beverages ("NCBs") portfolio continues to outperform, driven by the growth of Nestea, the successful launch of Bonactive (sports drink) and the introduction of the Healthworks brand. Overall, NCBs grew by 10% and now account for 44% of the sales mix (2004: 41%).

Effective control over operating costs countered the effects of higher material and distribution costs. Overall, profits were slightly up against last year.

Taiwan

Sales volume in Taiwan grew by 3% in the second half of 2005, although overall volume experienced a 3% decline. Pricing remains the key focus especially in supermarkets and convenience stores. However, some channel specific price increases and an improved mix helped lift turnover.

The carbonated soft drinks ("CSDs") portfolio remains strong with a market share of more than 40%, while the relaunch of Aquarius (sports drink) and the growth in Bonaqua and Nestea bolstered NCB sales.

Good control over operating costs and lower financing charges helped generate an increase in overall attributable profit to HK$52 million.

USA

Sales volumes grew 2% against 2004, a trend consistent with the rest of the country. An improved product mix and sustained price increases resulted in an 8% rise in turnover.

The shift in consumer preferences towards NCBs continued and helped drive strong sales growth from Powerade of 32% and Dasani mineral water of 22%. Sales of CSDs were buoyed by the continued growth in the 'diet' category and a strong portfolio of 'energy' drinks.

The impact of higher material and fuel costs were offset by a combination of price increases and effective cost control, resulting in good growth in operating profit of 31%.

Attributable profit was further enhanced by lower tax charges.

Mainland China

The division's jointly controlled operating companies hold bottling and distribution franchises for Henan, Fujian, Anhui and Shaanxi provinces and most of Zhejiang, Jiangsu and Guangdong provinces.

Beverages Division

The attributable profit from Mainland China operations rose 3% to HK$127 million on sales growth of 22%.

Ongoing investment in cold drink and distribution infrastructure has helped increase the availability and consequently sales in immediate consumption channels.

Moderate price increases tempered the impact of higher material and operating costs, but overall net margins declined.

The product portfolio continues to strengthen through a combination of line extensions, new products (including a range of teas and juices under the Modern Tea Workshop brand) and overall volume growth. Minute Maid juice had a particularly strong year following its launch in 2004.

2006 Outlook

The prospects for the Beverages Division remain good. The increasing strength of the economy in Mainland China is expected to drive volume growth in all provinces going forward and there remains significant potential for growth through expansion of brand and package offerings and the further development of new and emerging channel opportunities.

The Beverages Division expects to develop new distribution channels and points of sale in each of its markets. This will require new investment which will be directed towards broadening the product range to meet changing consumer preferences. Such investment will focus on expanding the portfolio of NCB brands where growth prospects are attractive.

The recent increases in material costs experienced by all of the Beverages Division's operations will keep pressure on margins. However, these should improve over time through a combination of operational efficiencies and effective price management.

The potential for growth in the Hong Kong market remains strong. The Beverages Division's dominance of the CSD category and increasing strength of NCB offerings ensure that it is well placed to benefit from economic growth and changes in consumer preferences. The continued investment in distribution capabilities such as vending, home delivery and school tuck shops (Sunshine Kiosk) will improve availability.

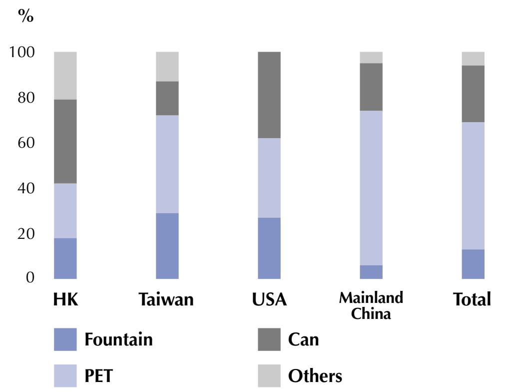
Although the Taiwan franchise expects to maintain a dominant position in the CSD category, it continues to face the dual challenges of shifting consumer preferences and the strength of own brands in the supermarket and convenience channels. The Beverages Division will invest in new brands and flavours, and broaden its distribution network into alternative channels to address these challenges.

Sales in Mainland China are expected to continue to grow fuelled by growing consumer spending power, a broader product portfolio and improved availability. Capturing the significant potential that exists will require continued investment in production capacity, the distribution and sales network and marketing expenditure. The rising cost of doing business in Mainland China and higher material costs will be balanced by a focus on extracting production and operation efficiencies and pricing opportunities.

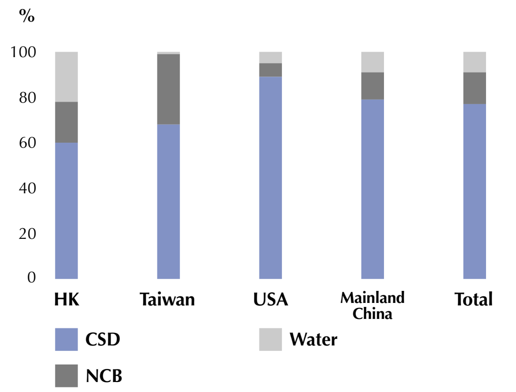
John R Slosar

Volume Anaylsis

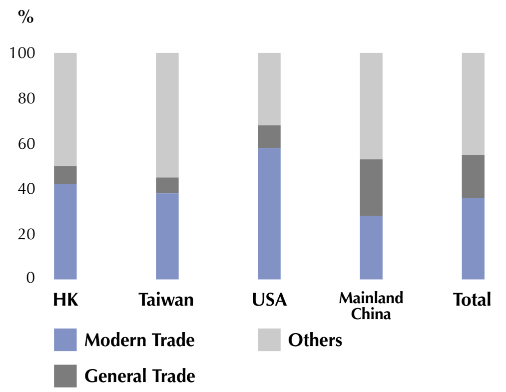
Breakdown of total volumes by package



Breakdown of total volumes by category



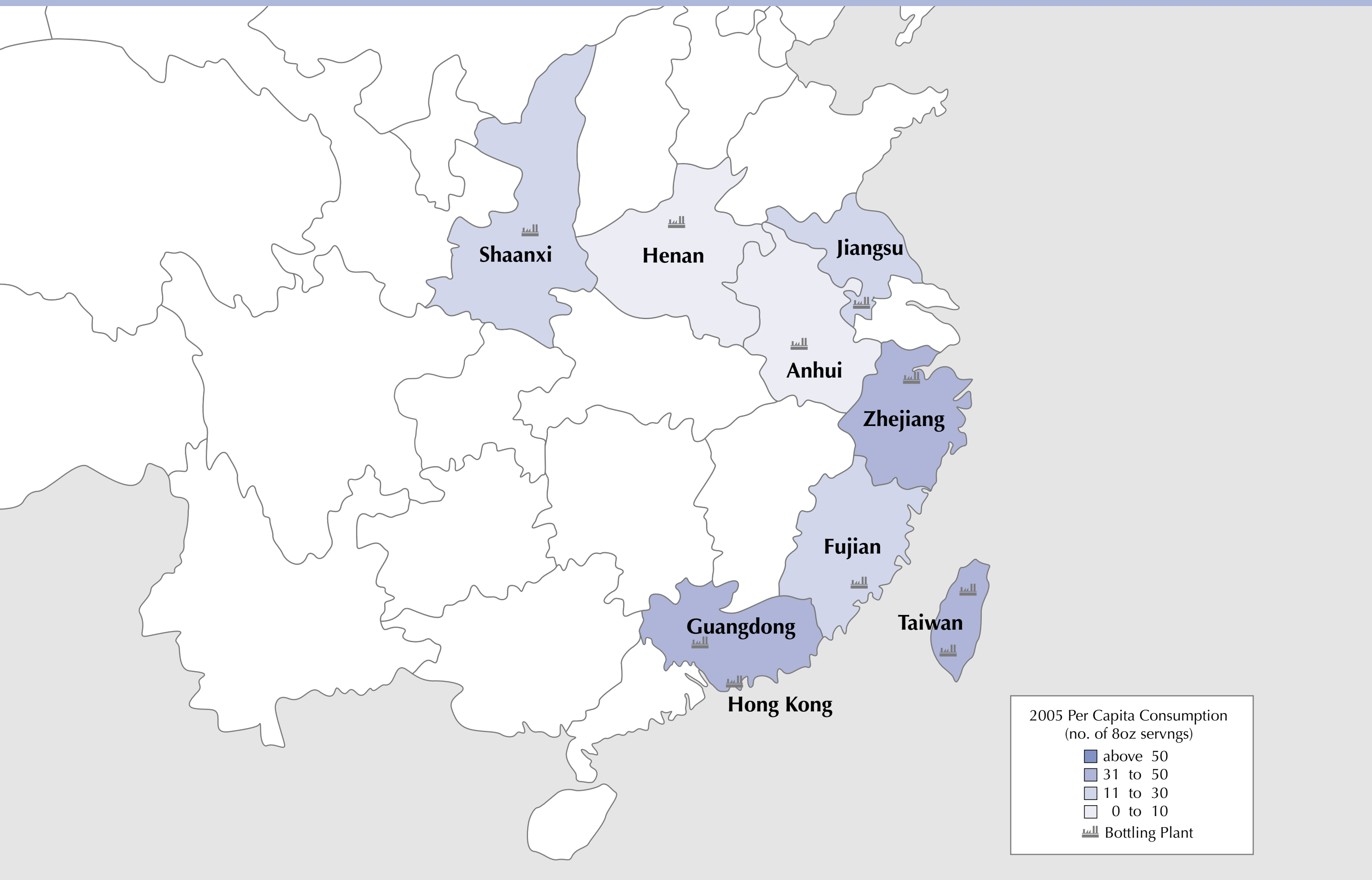
Breakdown of total volumes by channel



	Hong Kong	Taiwan	USA	Mainland China	**2005 Total**	2004 Total
Franchise population (million)	6.9	22.8	5.8	389.7	**425.2**	423.5
Per capita consumption per annum (8oz serving)	165	47	326	22	**29**	26
GDP per capita (US$)	24,800	15,662	43,310	1,851	**N/A**	N/A
Number of customers	63,143	82,241	28,245	542,297	**715,926**	633,988
Number of plants	1	2	2	8	**13**	12
Number of employees	1,306	942	1,743	10,837	**14,828**	13,276

Beverages Division

Franchise Territories



	Population	Employees	GDP per capita (US$)
Shaanxi	37.1m	1,016	961
Henan	97.2m	1,348	1,174
Jiangsu	53.9m	1,927	2,671
Anhui	64.6m	658	963
Zhejiang	46.0m	1,923	3,000
Fujian	35.1m	1,426	2,168
Guangdong	55.8m	2,539	2,711
Hong Kong	6.9m	1,306	24,800
Taiwan	22.8m	942	15,662
USA	5.8m	1,743	43,310