

## RESULTS

The Board of Directors is pleased to report that the Group recorded continuous growth in sales volume and results for 2005. Sales volume of Kingway beer was 531,000 tonnes (2004: 391,000 tonnes), representing an increase of 35.8% from the previous year. This marked the fourth consecutive year of achieving a double-digit growth. From 2001 to 2005, the compound average growth rate of sales volume of Kingway beer was 34.8%. Among the total sales volume this year, premium and middle-range products in aggregate accounted for 47%, while mass-market products accounted for 53%. Audited consolidated profit for the year was HK\$200 million (2004: HK\$170 million), representing an increase of 17.6% compared with the previous year.

## BUSINESS REVIEW

2005 is a year of strategic progress and rapid development for the Group. The record-breaking beer sales volume and results evidence the success of the Group in adopting the operating philosophy of "Results and Efficiency-oriented" and the sales strategy of distinguishing Kingway beer from other beer brands through a series of activities and marketing initiatives.

During 2005, the Group's business achieved substantial progress in the following aspects:

### I. Kingway beer passed and obtained several important certificates and recognitions

Food safety has always been of great concern to the Group. As such, the Group has dedicated to providing consumers with beer products of the highest quality. In April 2005, both brewery plants in Shenzhen were granted ISO 14001 Environmental Management System Certificate, HACCP Food Safety Management System Specification and OHSAS 18001 Occupational Health and Safety Management System Certificate. This reflected the efforts and commitment of the Group in the areas of environmental protection, food safety and occupational safety.

Subsequent to receiving accolades such as "Chinese Top Brand" and "Green Food", the Kingway brand was recognised as a product with "China Well-Known Trademark" in June 2005. This reinforced our endeavour of elevating the Kingway brand and provided a robust foundation for establishing it as a premium national brand.

### II. Construction progress of new brewery plants

The first phase of the new brewery plant located in Shantou commenced smooth operation in early 2005. The second phase also commenced operation in October this year, contributing to a combined annual production capacity of 200,000 tonnes. The brewery plant in Dongguan, which has an annual production capacity of 200,000 tonnes, also completed construction and commenced trial run by the end of this year.

Taking into account the two brewery plants in Shenzhen, the annual production capacity of the Group reached 900,000 tonnes by the end of 2005, enabling the Group to cover and establish a sales network over the southern east and middle region of Guangdong Province, thereby further consolidating the Group's position and market share in Guangdong Province.

### III. Establishing regional sales teams and distribution networks

Sales initiatives are vital for the success of a brewery. The Group committed extensive resources in the new markets for brand building and establishment of distribution network and sales teams. While expansion into the new markets incurred substantial selling expenses and reduced the profit for the year, such preliminary marketing expenses helped establish a mature local distribution network before commencement of operation of the new brewery plants and set up a strong foundation for the development of the Group in the long run.

### IV. Cooperation with Heineken-APB (China) Pte Ltd ("HAPBC")

Upon HAPBC becoming a strategic investor of the Group, the two parties maintained frequent exchanges in various aspects, including the study, discussion and approval of new investment projects of the Group through the strategic sub-committee and exchanges on beer production technologies and sales strategies. In addition, management of the two parties meet regularly to exchange views on domestic and overseas beer markets. The Group benefited tremendously from such exchanges.

## OUTLOOK

In 2006, the Group will maintain its rapid development. It is expected that the brewery plants in Tianjin and Xian will commence operation in April 2006 and early 2007 respectively.

In February 2006, the Group announced its plan to construct a new brewery plant in Chengdu City, Sichuan Province, with an estimated total investment of approximately USD50 million. The brewery has an annual production capacity of 200,000 tonnes and is expected to commence operation in 2007. Upon operation of this brewery plant, the Group will own a total of seven modernised brewery plants with an aggregate annual production capacity of 1,500,000 tonnes. Through years of development and expansion by investment solely in greenfield projects, the Group has acquired extensive experience of success in the management of investment costs, standard of production facilities and human resources of new brewery plants.

In light of the anticipated intensification of competition in the PRC beer market in the coming year, we will further consolidate and reinforce our corporate culture and improve our operating standard, so as to expedite the progress in establishing the Group as the first-tier brewery group in the PRC. The Group is confident in maintaining the growth momentum of sales volume of Kingway beer in 2006.

Finally, I would like to express my sincere gratitude to the staff for their dedication and contribution to the Group in the past year. We will continue to devote immense efforts in furthering the prosperous development of the Group.

**YE Xuquan**

*Chairman*

Hong Kong, 19 April 2006