

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 2003.

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 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 30 to 78.

An interim dividend of 1.0 HK cent per share was paid on 17 October 2003. The Directors recommend the payment of a final dividend of 1.5 HK cents per share for the year ended 31 December 2003. 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.

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on 15 June 2004, is expected to be paid on 30 June 2004 to shareholders whose names appear on the register of members of the Company on 15 June 2004.

FINANCIAL SUMMARY

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

RESULTS

	2003 HK\$'000	Year Ended 31 December			
		2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)	1999 HK\$'000 (Restated)
TURNOVER	684,574	593,052	543,922	613,892	682,454
Cost of sales	(373,398)	(351,680)	(332,691)	(386,172)	(456,477)
Gross profit	311,176	241,372	211,231	227,720	225,977
Other revenue and gains	21,547	34,034	43,880	53,872	71,707
Selling and distribution expenses	(146,765)	(133,960)	(133,586)	(98,151)	(108,932)
Administrative expenses	(44,335)	(36,504)	(45,537)	(68,774)	(73,114)
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	141,623	100,331	70,388	73,165	115,638
Finance costs	—	—	(7,857)	(30,483)	(45,250)
Share of loss of an associate	—	(4,437)	(13,424)	(14,496)	(8,401)
PROFIT BEFORE TAX	141,623	95,894	49,107	28,186	61,987
Tax	(26,102)	(14,653)	(11,020)	(10,112)	(754)
PROFIT BEFORE MINORITY INTERESTS	115,521	81,241	38,087	18,074	61,233
Minority interests	(10,460)	(5,950)	(2,576)	34	(318)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	105,061	75,291	35,511	18,108	60,915

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2003	As at 31 December			
		2002	2001	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Total assets	1,479,535	1,452,345	1,390,299	1,627,731	1,857,110
Total liabilities	(191,714)	(220,349)	(217,115)	(486,608)	(728,485)
Minority interests	(22,627)	(44,004)	(38,067)	(35,467)	(40,386)
Net assets	1,265,194	1,187,992	1,135,117	1,105,656	1,088,239

FIXED ASSETS

Movements in the fixed assets of the Company and the Group during the year are set out in note 13 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 25 and 26 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 27 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2003, the Company's reserves available for distribution as calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$292,641,000, of which HK\$20,916,000 has been proposed as a final dividend for the year.

In addition, the Company's share premium of HK\$739,844,000 may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

There were no charitable contributions made by the Group during the year (2002: HK\$437,000).

DIRECTORS

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

Executive Directors

YE Xuquan (*Chairman*)

JIANG Guoqiang (*Managing Director*)

FUNG Sing Hong, Stephen (*Chief Financial Officer*)

Non-Executive Directors

KOH Poh Tiong	(appointed on 13 April 2004)
HAN Cheng Fong	(appointed on 13 April 2004)
Herman Petrus Paulus Maria HOFHUIS	(appointed on 13 April 2004)
ZHAO Leili	(appointed on 27 February 2004)
LUO Fanyu	(appointed on 23 October 2003)
HO LAM Lai Ping, Theresa	
Michael WU	(appointed on 23 October 2003)
ZHANG Yaping	(resigned on 23 October 2003)
WANG Man Kwan, Paul	(resigned on 23 October 2003)
LI Wai Keung	(resigned on 27 February 2004)

Independent Non-Executive Directors

CHENG Mo Chi, Moses

Alan Howard SMITH

V-nee YEH

In accordance with bye-law 86(2) of the Company's bye-laws, Mr. Koh Poh Tiong, Dr. Han Cheng Fong, Mr. Herman Petrus Paulus Maria Hofhuis, Mr. Zhao Leili, Mr. Luo Fanyu and Mr. Michael Wu, who were appointed 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, will offer themselves for re-election at the meeting.

In accordance with bye-law 87 of the Company's bye-laws, Mrs. Ho Lam Lai Ping, Theresa and Mr. Alan Howard Smith will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Mr. Frederik Willem Kurt Linck was appointed as an alternate director to Mr. Koh Poh Tiong on 13 April 2004.

Mr. Huang Hong Peng was appointed as an alternate director to Dr. Han Cheng Fong on 13 April 2004.

Mr. Kenneth Choo Tay Sian was appointed as an alternate director to Mr. Herman Petrus Paulus Maria Hofhuis on 13 April 2004.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

Executive Directors

Mr. Ye Xuquan, aged 48, 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 Guangdong Province Dongshen Water Supply Management Bureau (the "Dongshen Water Supply 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 Supply 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 ("Guangnan") from November 2000 to January 2002 and was Chairman of 廣東粵港供水有限公司 (Guangdong Yue Gang Water Supply Company Limited) from August 2000 to July 2003. 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) ("Yue Gang Investment") and GDH Limited ("GDH"). He is also the Vice President of both Beer Association of China and Music and Literature Association of China.

Mr. Jiang Guoqiang, aged 51, 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. 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 from April 2000 to January 2001.

Mr. Fung Sing Hong, Stephen, aged 39, 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 member of American Institute of Certified Public Accountants and an Associate member of the Hong Kong Society of Accountants. He has extensive experience in mergers & acquisitions, capital market financing, corporate restructuring and financial management. Currently, Mr. Fung is also a Deputy General Manager of the Finance Department of GDH.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES (cont'd)**Non-Executive Directors**

Mr. Koh Poh Tiong, aged 57, was appointed a Director of the Company in April 2004. Mr. Koh is the Chief Executive Officer and Director of Asia Pacific Breweries Limited ("APB"), a company listed in Singapore and holds directorships in most of the subsidiaries of the Asia Pacific Breweries Group ("APB Group"). He is Chairman of Agri-food and Veterinary Authority and a Director of National Healthcare Group Pte Ltd and PSA International Pte Ltd. He is a member of the resource panel for the Government Parliamentary Committee (Finance and Trade & Industry). He was the recipient of the 1998 The Business Times/DHL Outstanding CEO Award and a member of the APEC Business Advisory Council representing Singapore from January 1999 to 31 August 2001. He is also Chairman and a Director of Heineken Asia Pacific Breweries (China) Pte Ltd ("HAPBC"), a substantial shareholder of the Company and director of DB Breweries Co. Ltd. ("DB Breweries"), a company listed in New Zealand.

Dr. Han Cheng Fong, aged 62, was appointed a Director of the Company in April 2004. Dr. Han was appointed to the Board of Directors of APB in September 2002. He joined the Fraser and Neave Group in May 2001 as Deputy Chairman of Centrepoint Properties Ltd, as Director and Joint Managing Director of Fraser and Neave Limited in April 2002, a company listed in Singapore and was appointed its Managing Director in October 2002. In addition, he holds directorship in the subsidiaries of Fraser and Neave Group, Centrepoint Properties Group, Fraser & Neave Holdings Group, Times Publishing Group, Asia Pacific Investment Pte Ltd, DB Breweries and is the Chairman of Vision Century Corporation Limited, a company listed in Hong Kong. Dr. Han is also a Director of HAPBC.

Mr. Herman Petrus Paulus Maria Hofhuis, aged 54, was appointed a Director of the Company in April 2004. Mr. Hofhuis has held several management positions in Heineken NV Group ("Heineken") as of 1973. Currently he holds the position of Managing Director, Asia Pacific of Heineken. A Dutch citizen located in Singapore, he also holds directorships in a number of subsidiaries of the Asia Pacific Breweries Group and in PT Multi Bintang Indonesia Tbk. He is also a Director of APB, DB Breweries and HAPBC.

Mr. Zhao Leili, aged 50, was appointed a Director of the Company in February 2004. Mr. Zhao was appointed a director of Yue Gang Investment and an executive director of GDH in December 2001. He is also a non-executive director of Guangnan. Mr. Zhao graduated from Air Force Aviation College of People's Liberation Army. From 1969 to 2001, he worked in a number of positions in the Air Force Aviation of People's Liberation Army and was a commander in the Air Force. Mr. Zhao has extensive experience in personnel management, audit control and construction management.

Mr. Luo Fanyu, aged 48, was appointed a Director of the Company in October 2003. Mr. Luo graduated from the economics department of Zhongshan University. He joined Guangdong Enterprises (Holdings) Limited ("GDE") in 1987 and was responsible for its legal affairs. He is currently a director of GDH and a non-executive director of Guangnan. Prior to joining GDE, he held various positions as judge and a deputy chief judge of the Economic Court of People's High Court of Guangdong Province.

Mrs. Ho Lam Lai Ping, Theresa, aged 48, 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 Guangdong Investment Limited ("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.

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

Non-Executive Directors (cont'd)

Mr. Michael Wu, aged 52, was appointed a Director of the Company in October 2003. Mr. Wu joined GDI in 1992 and had been a Deputy General Manager of GDI from July 1996 to February 2001. He was the Chairman of the Company from March 2000 to January 2001. Mr. Wu is currently a Deputy General Manager of Strategic Development Department of GDH. Mr. Wu graduated from Zhongshan University and obtained a Bachelor's degree in Arts. In 1987, he obtained his Master's degree in Business Administration from the University of Texas in the United States.

Independent Non-Executive Directors

Mr. Cheng Mo Chi, Moses, JP aged 54, 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 the Founder Chairman of the Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. He also serves on the boards of many other listed companies as independent non-executive director.

Mr. Alan Howard Smith, aged 60, 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 45, 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 and was a member of the Listing Committee of the China Securities Regulatory Commission from 1999 through 2003.

Alternate Directors

Mr. Frederik Willem Kurt Linck, aged 47, was appointed an alternate director to Mr. Koh Poh Tiong of the Company in April 2004. Mr. Linck was brought up in Asia and studied Business Economics at the Erasmus University in Rotterdam. After finishing his MBA studies, he worked for Procter & Gamble, Haagen-Dazs and Allied Breweries in Holland and Belgium. In 1995, he joined Heineken which brought him to positions in APB in Cambodia and Papua New Guinea. He has worked in the PRC from 2000 for Heineken and joined APB with effect from 1 April 2004 as Regional Director (China) and oversees the operations under HAPBC in the PRC. He is also a Director of HAPBC.

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

Alternate Directors (cont'd)

Mr. Huang Hong Peng, aged 44, was appointed an alternate director to Dr. Han Cheng Fong of the Company in April 2004. Mr. Huang is the deputy Regional Director, China of APB, responsible for brewery operations of the APB Group in the PRC now consolidated under HAPBC. He sits on boards of APB subsidiaries and associates. He joined the APB Group in November 1994 and has served in various positions in Myanmar and the PRC. Before joining the APB Group, Mr. Huang was Assistant Director, Airport Management in the Civil Aviation Authority of Singapore, and has a degree in Air Transport from the Ecole National de l'Aviation Civile, Toulouse.

Mr. Kenneth Choo Tay Sian, aged 36, was appointed an alternate director to Mr. Herman Petrus Paulus Maria Hoffhuis of the Company in April 2004. Mr. Choo is the Director - Business Development (Asia Pacific) of Heineken. He held various positions in multi-national companies prior to joining Heineken. Mr. Choo is a member of Certified Public Accountants of Singapore, and has completed the Advanced Management Program at Harvard Business School. Mr. Choo is also a Director of Heineken Asia Pacific Pte Ltd.

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

During the year and as at the date of this report, none of the Directors and controlling shareholder of the Company had any interest in business which competes or may compete with the Group's businesses under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

DIRECTORS' INTERESTS IN SECURITIES

Directors' Interests and Short Positions in the Securities of the Company and its Associated Corporations

As at 31 December 2003, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (a) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in 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	Long/short position	Approximate percentage of holding
Luo Fanyu	Personal	70,000	Long position	0.0056
Ho Lam Lai Ping, Theresa	Personal	80,000	Long position	0.0064
Michael Wu	Personal	134,000	Long position	0.0107
Fung Sing Hong, Stephen	Personal	24,000	Long position	0.0019

Note: The number of the issued shares of the Company as at 31 December 2003 was 1,250,600,000.

(ii) Guangdong Investment Limited

Name of Director	Type of interest	Number of shares held	Long/short position	Approximate percentage of holding
Ho Lam Lai Ping, Theresa	Personal	200,000	Long position	0.0038
Michael Wu	Personal	54,000	Long position	0.0010
	Family*	18,000	Long position	0.0003

* held by the spouse of Mr. Michael Wu

Note: The number of the issued ordinary shares of Guangdong Investment Limited as at 31 December 2003 was 5,244,522,672.

DIRECTORS' INTERESTS IN SECURITIES (cont'd)**Directors' Interests and Short Positions in the Securities of the Company and its Associated Corporations (cont'd)****I. Shares (cont'd)**(iii) *Guangdong Tannery Limited*

Name of Director	Type of interest	Number of shares held	Long/short position	Approximate percentage of holding
Luo Fanyu	Personal	70,000	Long position	0.0134
Fung Sing Hong, Stephen	Personal	226,000	Long position	0.0431

Note: The number of the issued shares of Guangdong Tannery Limited as at 31 December 2003 was 524,154,000.

II. Options(i) *The Company*

Name of Director	Number of options held on 01/01/2003	Options granted during the year		Period during which option is exercisable*	Total consideration paid for share options	Price to be paid per share on exercise of options	Number of options exercised during the year	Number of options held on 31/12/2003	Long/short position
		Date granted	Number granted						
Ye Xuquan	—	26/05/2003	2,000,000	27/08/2003–26/08/2008	1	0.84	—	2,000,000	Long position
Jiang Guoqiang	10,000,000	—	—	11/04/2002–10/04/2007	—	0.383	—	10,000,000	Long position
	—	26/05/2003	2,000,000	27/08/2003–26/08/2008	1	0.84	—	2,000,000	Long position
Cheng Mo Chi, Moses	—	26/05/2003	300,000	27/08/2003–26/08/2008	1	0.84	—	300,000	Long position
Alan Howard Smith	—	26/05/2003	300,000	27/08/2003–26/08/2008	1	0.84	—	300,000	Long position
V-nee Yeh	—	26/05/2003	300,000	27/08/2003–26/08/2008	1	0.84	—	300,000	Long position
Fung Sing Hong, Stephen	—	26/05/2003	400,000	27/08/2003–26/08/2008	1	0.84	—	400,000	Long position

* 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).

DIRECTORS' INTERESTS IN SECURITIES (cont'd)**Directors' Interests and Short Positions in the Securities of the Company and its Associated Corporations (cont'd)****II. Options (cont'd)**(ii) *Guangdong Investment Limited*

Name of Director	Number of options held on 01/01/2003	Options granted during the year		Period during which options is exercisable*	Total consideration paid for share options HK\$	Price to be paid per share on exercise of options HK\$	Number of options exercised during the year	Number of options lapsed during the year	Number of options held on 31/12/2003	Long/short position
		Date granted	Number granted							
Ye Xuquan	12,000,000	—	—	11/02/2002–10/02/2007	—	0.5312	5,000,000	—	7,000,000	Long position
	9,000,000	—	—	08/11/2002–07/11/2007	—	0.814	—	—	9,000,000	Long position
	6,000,000	—	—	05/03/2003–04/03/2008	1	0.96	—	—	6,000,000	Long position
	—	07/05/2003	3,000,000	08/08/2003–07/08/2008	1	1.22	—	—	3,000,000	Long position
Cheng Mo Chi, Moses	1,000,000	—	—	02/05/2002–01/05/2007	—	0.74	—	—	1,000,000	Long position
	1,000,000	—	—	08/11/2002–07/11/2007	—	0.814	—	—	1,000,000	Long position
	1,000,000	—	—	05/03/2003–04/03/2008	1	0.96	—	—	1,000,000	Long position
	—	07/05/2003	1,000,000	08/08/2003–07/08/2008	1	1.22	—	—	1,000,000	Long position
Li Wai Keung	1,500,000	—	—	02/05/2002–01/05/2007	—	0.74	800,000	—	700,000	Long position
	1,500,000	—	—	08/11/2002–07/11/2007	—	0.814	—	—	1,500,000	Long position
	1,500,000	—	—	05/03/2003–04/03/2008	1	0.96	—	—	1,500,000	Long position
	—	07/05/2003	1,500,000	08/08/2003–07/08/2008	1	1.22	—	—	1,500,000	Long position
Ho Lam Lai Ping, Theresa	500,000	—	—	19/08/1998–18/08/2003	—	2.892	—	500,000	—	Long position
	1,200,000	—	—	11/02/2002–10/02/2007	—	0.5312	1,200,000	—	—	Long position
	1,200,000	—	—	08/11/2002–07/11/2007	—	0.814	200,000	—	1,000,000	Long position
	1,200,000	—	—	05/03/2003–04/03/2008	1	0.96	—	—	1,200,000	Long position
	—	07/05/2003	1,500,000	08/08/2003–07/08/2008	1	1.22	—	—	1,500,000	Long position
Fung Sing Hong, Stephen	400,000	—	—	05/03/2003–04/03/2008	1	0.96	400,000	—	—	Long position

* 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).

Save as disclosed above, as at 31 December 2003, to the knowledge of the Company, none of the directors, chief executive of the Company and their associates had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the year was the Company, its holding companies or any of its subsidiaries or associated corporations a party to any arrangement 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

In assessing the theoretical aggregate value of the share options granted during the year, the Black-Scholes option pricing model has been used.

Share options granted during the year ended 31 December 2003:

Date of Grant	: 26/05/2003
Vesting Period	: 26/05/2003–26/08/2003
Exercise Period	: 27/08/2003–26/08/2008
Exercise Price	: HK\$0.84 per share

	Number of Options At 26/05/03	Options Value At 26/05/03 (Note (2)) HK\$	Number of Options At 31/12/03	Options Value At 31/12/03 (Note (3)) HK\$
Grantee:				
YE Xuquan	2,000,000	660,000	2,000,000	2,200,000
JIANG Guoqiang	2,000,000	660,000	2,000,000	2,200,000
CHENG Mo Chi, Moses	300,000	99,000	300,000	330,000
Alan Howard SMITH	300,000	99,000	300,000	330,000
V-nee YEH	300,000	99,000	300,000	330,000
FUNG Sing Hong, Stephen	400,000	132,000	400,000	440,000
Aggregate total of employees	<u>4,900,000</u>	<u>1,617,000</u>	<u>4,700,000</u>	<u>5,170,000</u>
Total	<u>10,200,000</u>	<u>3,366,000</u>	<u>10,000,000</u>	<u>11,000,000</u>

Notes:

(1) The closing price of the shares of the Company immediately before the date on which the options were granted was HK\$0.79.

SHARE OPTIONS OF THE COMPANY (cont'd)**Share options granted during the year ended 31 December 2003: (cont'd)**

- (2) According to the Black-Scholes model¹, the total value of the options was estimated at HK\$3,366,000 as at 26 May 2003 (when the options were granted) with the following variables and assumptions:

Risk Free Rate	:	2.47%, being the approximate yield of 5-year Exchange Fund Note traded on 26/05/2003.
Expected Volatility	:	52.1%, being the annualised volatility of the closing price of the shares of the Company from 26/05/2002 to 26/05/2003.
Expected Dividend Yield	:	2.38%, being the approximate yield of the shares of the Company over the period from 26/05/2002 to 26/05/2003.
Expected Life of the Options	:	5.25 years
Assumptions	:	There is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares of the Company over the period from 26/05/2002 to 26/05/2003.

- (3) According to the Black-Scholes model¹, the total value of the options was estimated at HK\$11,000,000 as at 31 December 2003 with the following variables and assumptions:

Risk Free Rate	:	3.16%, being the approximate yield of 5-year Exchange Fund Note traded on 31/12/2003.
Expected Volatility	:	56.3%, being the annualised volatility of the closing price of the shares of the Company from 01/01/2003 to 31/12/2003.
Expected Dividend Yield	:	1.15%, being the approximate yield of the shares of the Company over the period from 01/01/2003 to 31/12/2003.
Expected Life of the Options	:	4.65 years
Assumptions	:	There is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares of the Company over the period from 01/01/2003 to 31/12/2003.

- (4) Options forfeited, if any, before expiry of the options will be treated as lapsed options which will be added back to the number of shares available to be issued under the relevant share option scheme.

¹ The Black-Scholes model (the "Model") is developed to estimate the fair value of publicly traded options that have no vesting restriction and are fully transferable. The Model is only one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, so far as is known to any director or chief executive of the Company, the following persons (other than the directors or chief executive of the Company) have interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as follows:

Name of shareholders	Type of securities	Number of securities held	Long/short position	Approximate percentage of the Company's issued capital
廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited)	Shares	900,000,000	Long position	71.97%
GDH Limited ("GDH")	Shares	900,000,000	Long position	71.97%

Note: 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 wholly-owned subsidiary, GDH.

Save as disclosed above, no person (other than the directors or chief executive of the Company) known to any director or chief executive of the Company as at 31 December 2003 had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

CONNECTED TRANSACTIONS

Details of the connected transactions for the year are set out in note 32 to the financial statements. The Independent Non-Executive Directors of the Company reviewed the connected transaction set out in notes 32(i) and (ii) for which the Stock Exchange has granted a waiver from the relevant requirements of the Listing Rules and confirmed that:

- the transaction was entered into by the Group in the ordinary and usual course of its business;
- the transaction was entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
- 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
- the aggregate value of the malt purchased by the Group during the year from Guangzhou Malting Co., Ltd. and Ningbo Malting Co., Ltd. in which GDH Limited, subsidiaries of the Company's holding company respectively has approximately 51.6% and 51% interests, 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 21.0% and 45.8% 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. and Ningbo Malting Co., Ltd., none of the Directors, their respective associates or shareholders (which, to the knowledge of the Directors own more than 5% of the issued share capital of the Company), had 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 31 to the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors of the Company, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year.

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 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, 15 April 2004