

Report of the Directors

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 2006.

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 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 34 to 90.

An interim dividend of 1.5 HK cents per share was paid on 28 November 2006. The Directors recommend the payment of a final dividend of 1.5 HK cents per share for the year ended 31 December 2006. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on Friday, 15 June 2007, is expected to be paid on 13 July 2007 to shareholders whose names appear on the register of members of the Company on 15 June 2007.

The Register of Members will be closed from 13 June to 15 June 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar, Tengis Limited, of 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong not later than 4:30p.m. on 12 June 2007.

Report of the Directors *(Cont'd)*

FINANCIAL SUMMARY

A summary of the 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.

RESULTS

	Year ended 31 December				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Revenue	1,408,436	1,200,046	924,528	684,574	593,052
Cost of sales	(837,233)	(670,162)	(481,550)	(373,398)	(351,680)
Gross profit	571,203	529,884	442,978	311,176	241,372
Other income and gains	24,026	47,744	22,365	21,547	34,034
Selling and distribution expenses	(369,594)	(302,454)	(206,710)	(146,765)	(133,960)
Administrative expenses	(98,563)	(67,862)	(70,001)	(44,335)	(36,504)
Impairment of an available-for-sale equity investment/investment security	—	—	—	—	(4,611)
Finance costs	(3,722)	(213)	—	—	—
Share of losses of an associate	—	—	—	—	(4,437)
Profit before tax	123,350	207,099	188,632	141,623	95,894
Tax	(12,905)	(6,946)	(18,183)	(26,102)	(14,653)
Profit for the year	110,445	200,153	170,449	115,521	81,241

ASSETS AND LIABILITIES

	As at 31 December				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Total assets	3,098,818	2,477,988	1,865,225	1,479,535	1,452,345
Total liabilities	(1,149,401)	(624,549)	(204,873)	(191,714)	(220,349)
Net assets	1,949,417	1,853,439	1,660,352	1,287,821	1,231,996

Report of the Directors *(Cont'd)*

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Company and the Group during the year are set out in note 17 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 33 and 34 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the financial statements and in the consolidated statement of changes in equity on page 37, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2006, the Company's reserves available for distribution as calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$199,085,000, of which HK\$20,946,000 has been proposed as a final dividend for the year.

In addition, the Company's share premium of HK\$975,733,000 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 (2005: Nil).

RETIREMENT BENEFITS SCHEMES

Particulars of the Group's retirement benefit schemes are set out in note 5 to the financial statements.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2006 are set out in note 20 to the financial statements.

Report of the Directors *(Cont'd)*

DIRECTORS

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

Executive Directors

YE Xuquan *(Chairman)*

JIANG Guoqiang *(Managing Director)*

LIANG Jianqin *(Chief Financial Officer)* (appointed on 19 April 2006)

Non-Executive Directors

KOH Poh Tiong

HAN Cheng Fong

Sijbe HIEMSTRA

ZHAO Lili

LUO Fanyu

Michael WU

HO LAM Lai Ping, Theresa

Independent Non-Executive Directors

Alan Howard SMITH

V-nee YEH

FONG Wo, Felix (appointed on 24 January 2007)

Rafael GIL-TIENDA (resigned on 24 January 2007)

Alternate Directors

HUANG Hong Peng

(Alternate Director to Mr. KOH Poh Tiong)

(appointed as an Alternate Director to Mr. KOH Poh Tiong and ceased to be an Alternate Director to Dr. HAN Cheng Fong on 1 March 2007)

LEE Meng Tat

(Alternate Director to Dr. HAN Cheng Fong)

(appointed on 1 March 2007)

Kenneth CHOO Tay Sian

(Alternate Director to Mr. Sijbe HIEMSTRA)

Frederik Willem Kurt LINCK

(Alternate Director to Mr. KOH Poh Tiong)

(ceased on 14 September 2006)

In accordance with bye-law 86(2) of the Company's Bye-laws (the "Bye-Laws"), Mr. FONG Wo, Felix, who was appointed Directors of the Company after the last annual general meeting of the Company, will hold office until the next following general meeting and, being eligible, offer himself for re-election at the meeting.

In accordance with bye-law 87 of the Bye-Laws, Mr. KOH Poh Tiong, Dr. HAN Cheng Fong, Mrs. HO LAM Lai Ping, Theresa and Mr. Alan Howard SMITH will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Mr. Alan Howard SMITH and Mr. FONG Wo, Felix, Independent Non-Executive Directors, and Mr. KOH Poh Tiong, Dr. HAN Cheng Fong and Mrs. HO LAM Lai Ping, Theresa, Non-Executive Directors, agree to stand for re-election and if re-elected to hold office from the date of re-election, to the earlier of (i) the conclusion of the annual general meeting of the Company to be held in 2010 and (ii) 30 June 2010 subject to earlier determination in accordance with the Bye-Laws of the Company and/or applicable laws and regulations.

Report of the Directors *(Cont'd)*

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

Executive Directors

Mr. YE Xuquan, aged 51, 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 business. 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, Director of Guangdong Investment Limited ("GDI") from May 2000 to February 2004 and 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 the Beer Association of China and the Music and Literature Association of China.

Mr. JIANG Guoqiang, aged 54, was appointed the Managing Director of the Company in January 2002 and was previously 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.

Ms. LIANG Jianqin, aged 42, was appointed an Executive Director and the Chief Financial Officer of the Company in April 2006. Ms. Liang graduated from the department of accountancy of Jinan University and holds a Master's degree in Economics. She is a fellow member of The Association of Chartered Certified Accountants and a member of The Chinese Institute of Certified Public Accountants. She worked for Ernst and Young from 1995 to 1997 and GDI from 1997 to 2002 and was the general manager of the finance department of GDH since 2002. Ms. Liang was a Non-executive Director of Guangnan from July 2002 to August 2006. She possesses experience in financial management, external and internal audit as well as business management.

Non-Executive Directors

Mr. KOH Poh Tiong, aged 60, 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, PSA International Pte Ltd and PSA Corporation Ltd. He is also Chairman and a Director of Heineken-APB (China) Pte Ltd ("HAPBC"), a substantial shareholder of the Company.

Dr. HAN Cheng Fong, aged 65, 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 ("F&N Group") in May 2001 as Deputy Chairman of Frasers Centrepoint Limited (formerly Centrepoint Properties Ltd), and as Director and Joint Managing Director of Fraser and Neave, Limited, a company listed in Singapore, in April 2002, and was appointed Group Managing Director in October 2004 and its Group CEO from 1 February 2006. Dr. Han was appointed as Chairman of Times Publishing Limited in March 2006. In addition, he holds directorship in the subsidiaries of F&N Group, Frasers Centrepoint Limited Group, Fraser & Neave Holdings Group, Times Publishing Group, Asia Pacific Investment Pte Ltd, APB Group's subsidiaries and is the Chairman of Frasers Property (China) Ltd. (formerly Vision Century Corporation Limited), a company listed in Hong Kong. Dr. Han is also a Director of HAPBC.

Report of the Directors *(Cont'd)*

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE *(Cont'd)*

Non-Executive Directors *(Cont'd)*

Mr. Sijbe HIEMSTRA, aged 51, was appointed a Director of the Company in July 2005. He joined the Heineken Group in 1978 and has held senior management positions in Europe, Africa and Asia Pacific. Mr. Hiemstra was Regional Director of APB in South East Asia and Oceania from 1998 to 2001 and was responsible for supervising the operations in New Zealand, Papua New Guinea, Malaysia, Thailand and Cambodia. He was Corporate Director of Heineken Technical Services from 2001 to 2005. Mr. Hiemstra is currently President of Heineken Asia Pacific, member of Heineken Executive Committee on a global basis and Chairman of Heineken Asia Pacific Pte Ltd. Mr. Hiemstra holds directorships in Asia Pacific Investment Pte Ltd and APB Group's subsidiaries and associate companies, including HAPBC, DB Breweries Limited, as well as Heineken Group of companies in Asia Pacific, including PT Multi Bintang Indonesia Tbk.

Mr. ZHAO Leili, aged 53, 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 since February 2004. Mr. Zhao graduated from the 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 51, was appointed a Director of the Company in October 2003. Mr. Luo graduated from the economics department of Sun Yat-sen University in China. 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 the People's High Court of Guangdong Province.

Mr. Michael WU, aged 55, 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 Sun Yat-sen University in China 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.

Mrs. HO LAM Lai Ping, Theresa, aged 51, was appointed a Director of the Company in August 2000. She is also a Director of Guangdong Tannery Limited since July 2000. She has been the Company Secretary of GDI since December 1992. She graduated from Hong Kong Polytechnic and is an associate of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries.

Report of the Directors *(Cont'd)*

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE *(Cont'd)*

Independent Non-Executive Directors

Mr. Alan Howard SMITH, aged 63, 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, Mr. Smith 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 (the "Stock Exchange") 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 48, 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 Argyle Street Management Limited. Mr. Yeh was also a council member of the Stock Exchange until its merger into the Hong Kong Exchanges and Clearing Ltd. He was a member of the Listing Committee from 1996 to 2006. 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.

Mr. FONG Wo, Felix, JP, aged 56, was appointed an Independent Non-executive Director of the Company in January 2007. He is a consultant and founding partner of Arculli Fong & Ng. Mr. Fong received his engineering degree in Canada in 1974 and his law degree from Osgoode Hall Law School in Toronto in 1978. He has practiced law for over twenty-six years, eight of which in Toronto. Mr. Fong is a member of the law societies of Hong Kong, Upper Canada and England, and honorary legal counsels of Hong Kong Institute of Professional Photographers Ltd. and The Chinese Manufacturers' Association of Hong Kong. In 1992, Mr. Fong was appointed by the Ministry of Justice of China as one of the China-appointed Attesting Officers in Hong Kong. Mr. Fong undertook a number of community and social roles, such as the past Chairman of the Chinese Canadian Association of Hong Kong, the Chairman of the Liquor Licensing Board, a member of the Betting and Lotteries Commission, a member of the Hong Kong Film Development Committee, a member of the Advisory Council on Food and Environmental Hygiene, and a member of the Hong Kong Town Planning Board. He is also the founding member of Democratic Alliance for the Betterment and Progress of Hong Kong and member of its Standing and Central Committees, a director of the Hong Kong Basic Law Institute, a member of Guangdong Provincial Committee of Chinese People's Political Consultative Conference and a director of China Overseas Friendship Association. In the area of education, Mr. Fong is a founding member and the first director of Canadian International School of Hong Kong and a visiting professor of the School of Law of Sun Yat-sen University in China. Currently, Mr. Fong is an independent non-executive director of SPG Land (Holdings) Limited and a non-executive director of Hantec Investment Holdings Limited, both companies are listed on the main board of the Stock Exchange.

Alternate Directors

Mr. HUANG Hong Peng, aged 47, was appointed an Alternate Director to Mr. KOH Poh Tiong, a director of the Company, in March 2007. Mr. Huang is the Regional Director, China of APB and concurrently the Chief Executive Officer of Heineken-APB (China) Management Services Co., Ltd. ("HACMS") Mr. Huang was appointed an alternate director to Dr. HAN Cheng Fong, a director of the Company, in April 2004. He sits on the boards of subsidiaries of APB Group in China. Before his transfer back to APB Group in October 2006, Mr. Huang was the Chief Operating Officer, Food & Beverage at Fraser and Neave, Limited since January 2005. 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 holds a degree in Air Transport from the Ecole Nationale de l'Aviation Civile, Toulouse, France. He attended the Advanced Management Programme at Harvard Business School in 2004.

Report of the Directors *(Cont'd)*

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE *(Cont'd)*

Alternate Directors *(Cont'd)*

Mr. LEE Meng Tat, aged 44, was appointed an Alternate Director to Dr. HAN Cheng Fong, a director of the Company, in March 2007. Mr. Lee is the Deputy Regional Director, China of APB and concurrently the Chief Operating Officer of HACMS. He has been based in Shanghai, China since March 2003 and sits on the boards of subsidiaries of APB Group in China. He has held other appointments in the F&N Group before his secondment to APB in June 2002. Before joining F&N Group, Mr. Lee has held various positions with statutory boards in Singapore (Singapore Tourism Board and Singapore Economic Development Board), Sembawang Leisure Pte Ltd and DBS Bank Ltd. Mr. Lee obtained a Bachelor's degree in Mechanical Engineering from the National University of Singapore and an MBA from Imperial College, London and has completed the Advanced Management Programme at Harvard Business School.

Mr. Kenneth CHOO Tay Sian, aged 39, was appointed an Alternate Director to Mr. Sijbe HIEMSTRA, a director of the Company, in July 2005. Mr. Choo is the Director Finance & 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, Asia Pacific Brewery (Lanka) Limited and an Alternate Director of APB and DB Breweries Limited.

SENIOR MANAGEMENT

The senior management of the Group comprises the three Executive Directors above, namely, Mr. YE Xuquan, Mr. JIANG Guoqiang and Ms. LIANG Jianqin.

DIRECTORS' EMOLUMENTS

Particulars of the Directors' and senior management's emoluments disclosed pursuant to Section 161 of the Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 11 to the financial statements.

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 OF SIGNIFICANCE

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 or as at 31 December 2006.

Report of the Directors *(Cont'd)*

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2006, the interests of Directors or their respective associates in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, namely, the production, distribution and sale of beer (the "Competing Business"), as required to be disclosed were as follows:

Name of Director	Name of entity <i>(Note)</i>	Nature of interest <i>(Note)</i>
KOH Poh Tiong	Asia Pacific Breweries Limited and Group Heineken-APB (China) Pte Ltd. and Group	Chief Executive Officer and Director Chairman and Director
HAN Cheng Fong	Asia Pacific Breweries Limited and Group Asia Pacific Investment Pte Ltd. Heineken-APB (China) Pte Ltd. and Group Fraser and Neave, Limited and Group	Director Director Director Group Chief Executive Officer
Sijbe HIEMSTRA	Asia Pacific Breweries Limited and Group Asia Pacific Investment Pte Ltd. Heineken Asia Pacific Pte Ltd. Heineken-APB (China) Pte Ltd. and Group	Director Chairman and Director Chairman Director
HUANG Hong Peng	Asia Pacific Breweries Limited Heineken-APB (China) Pte Ltd. and Group Heineken-APB (China) Management Services Co., Ltd.	Regional Director, China Director Chief Executive Officer and Director
Kenneth CHOO Tay Sian	Heineken Asia Pacific Pte Ltd. Asia Pacific Breweries Limited and Group	Director Alternate Director

Note: The entities set out in the column headed "Name of entity" are holding companies or companies listed on various stock exchanges. The interests of the Directors listed in the above table in the businesses of the aforesaid listed entities or holding companies may arise through their respective directorships in the subsidiaries, associated companies or other forms of investment vehicles of such listed entities or holding companies.

Save as disclosed above, as at 31 December 2006, none of the Directors had any interest in any Competing Business.

Report of the Directors *(Cont'd)*

DIRECTORS' INTERESTS' AND SHORT POSITIONS IN SECURITIES

As at 31 December 2006, the Directors and chief executives of the Company and their respective associates had the following interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

I. Shares

(i) *The Company*

Name of Director	Capacity/ nature of interest	Number of shares held	Long/Short position	Approximate percentage of holding
JIANG Guoqiang	Personal	300,000	Long position	0.0215%
LIANG Jianqin	Personal	46,000	Long position	0.0033%
LUO Fanyu	Personal	70,000	Long position	0.0050%
Michael WU	Personal	134,000	Long position	0.0096%
HO LAM Lai Ping, Theresa	Personal	80,000	Long position	0.0057%

Note: The total number of issued ordinary shares of the Company as at 31 December 2006 was 1,396,368,000.

(ii) *Guangdong Investment Limited*

Name of Director	Capacity/ nature of interest	Number of shares held	Long/Short position	Approximate percentage of holding
LIANG Jianqin	Personal	200,000	Long position	0.0033%
Michael WU	Family*	18,000	Long position	0.0003%
HO LAM Lai Ping, Theresa	Personal	3,000,000	Long position	0.0493%

* Held by the spouse of Mr. Michael WU.

Note: The total number of issued ordinary shares of Guangdong Investment Limited as at 31 December 2006 was 6,090,948,071.

Report of the Directors *(Cont'd)*

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES *(Cont'd)*

I. Shares *(Cont'd)*

(iii) *Guangdong Tannery Limited*

Name of Director	Capacity/ nature of interest	Number of shares held	Long/Short position	Approximate percentage of holding
LUO Fanyu	Personal	70,000	Long position	0.0134%

Note: The total number of issued shares of Guangdong Tannery Limited as at 31 December 2006 was 524,154,000.

(iv) *Guangnan (Holdings) Limited*

Name of Director	Capacity/ nature of interest	Number of shares held	Long/Short position	Approximate percentage of holding
ZHAO Leili	Personal	218,000	Long position	0.0242%

Note: The total number of issued ordinary shares of Guangnan (Holdings) Limited as at 31 December 2006 was 901,583,285.

II. Options

(i) *The Company*

Name of Director	Number of options held as at 01/01/2006	Options granted during the year		Period during which option 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 held as at 31/12/2006	Long/Short position
		Date of grant (dd/mm/yyyy)	Number granted						
YE Xuquan	2,000,000	—	—	27/08/2003– 26/08/2008	1	0.84	—	2,000,000	Long position
	7,000,000	—	—	07/05/2004– 06/05/2009	1	1.93	—	7,000,000	Long position
JIANG Guoqiang	2,000,000	—	—	27/08/2003– 26/08/2008	1	0.84	—	2,000,000	Long position
Alan Howard SMITH	300,000	—	—	27/08/2003– 26/08/2008	1	0.84	—	300,000	Long position
	300,000	—	—	07/05/2004– 06/05/2009	1	1.93	—	300,000	Long position
V-nee YEH	300,000	—	—	27/08/2003– 26/08/2008	1	0.84	—	300,000	Long position
	300,000	—	—	07/05/2004– 06/05/2009	1	1.93	—	300,000	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).

Report of the Directors (Cont'd)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES (Cont'd)

II. Options (Cont'd)

(ii) Guangdong Investment Limited

Name of Director	Number of options held as at 01/01/2006	Options granted during the year		Period during which option is exercisable* (dd/mm/yyyy)	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 held as at 31/12/2006	Long/Short position
		Date of grant (dd/mm/yyyy)	Number granted						
YE Xuquan	7,000,000	—	—	11/02/2002–10/02/2007	—	0.5312	7,000,000	—	—
	9,000,000	—	—	08/11/2002–07/11/2007	—	0.814	9,000,000	—	—
	6,000,000	—	—	05/03/2003–04/03/2008	1	0.96	—	6,000,000	Long position
	3,000,000	—	—	08/08/2003–07/08/2008	1	1.22	—	3,000,000	Long position
	3,000,000	—	—	07/05/2004–06/05/2009	1	1.59	—	3,000,000	Long position
HO LAM Lai Ping, Theresa	900,000	—	—	05/03/2003–04/03/2008	1	0.96	900,000	—	—
	1,500,000	—	—	08/08/2003–07/08/2008	1	1.22	1,500,000	—	—
	1,500,000	—	—	07/05/2004–06/05/2009	1	1.59	—	1,500,000	Long position
	1,000,000	—	—	25/08/2004–24/08/2009	1	1.25	—	1,000,000	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).

(iii) Guangnan (Holdings) Limited

Name of Director	Number of options held as at 01/01/2006	Options granted during the year		Period during which option is exercisable* (dd/mm/yyyy)	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 held as at 31/12/2006	Long/Short position
		Date of grant (dd/mm/yyyy)	Number granted						
LIANG Jianqin	—	09/03/2006	200,000	09/06/2006–08/03/2016	1	1.66	—	200,000	Long position
ZHAO Leili	—	09/03/2006	200,000	09/06/2006–08/03/2016	1	1.66	—	200,000	Long position
LUO Fanyu	—	09/03/2006	200,000	09/06/2006–08/03/2016	1	1.66	—	200,000	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 2006, to the knowledge of the Company, none of the Directors or chief executives of the Company or their respective associates had any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors *(Cont'd)*

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES *(Cont'd)*

Save as disclosed above, at no time during the year was the Company or its holding companies, or any of its subsidiaries or its fellow subsidiaries 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2006, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests in five per cent or more of the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and details of the interests in the shares or underlying shares of the Company as notified to the Company are set out below:

Name of shareholder	Capacity/ nature 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) <i>(Note 1)</i>	Shares	1,033,768,000	Long position	74.03%
GDH Limited ("GDH") <i>(Note 1)</i>	Shares	1,033,768,000	Long position	74.03%
Heineken Holding N.V. ("Heineken HNV") <i>(Notes 2 and 3)</i>	Shares	1,033,768,000	Long position	74.03%
	Shares	299,264,280	Short position	21.43%
Heineken N.V. ("Heineken NV") <i>(Notes 2 and 3)</i>	Shares	1,033,768,000	Long position	74.03%
	Shares	299,264,280	Short position	21.43%
Heineken International B.V. ("Heineken IBV") <i>(Notes 2 and 3)</i>	Shares	1,033,768,000	Long position	74.03%
	Shares	299,264,280	Short position	21.43%
Fraser and Neave, Limited ("F & N") <i>(Notes 2 and 3)</i>	Shares	1,033,768,000	Long position	74.03%
	Shares	299,264,280	Short position	21.43%
Asia Pacific Investment Pte Ltd ("APIP") <i>(Notes 2 and 3)</i>	Shares	1,033,768,000	Long position	74.03%
	Shares	299,264,280	Short position	21.43%
Asia Pacific Breweries Limited ("APB") <i>(Notes 2 and 3)</i>	Shares	1,033,768,000	Long position	74.03%
	Shares	299,264,280	Short position	21.43%
Heineken-APB (China) Pte Ltd ("HAPBC") <i>(Notes 2 and 3)</i>	Shares	1,033,768,000	Long position	74.03%
	Shares	299,264,280	Short position	21.43%

Report of the Directors (Cont'd)

SUBSTANTIAL SHAREHOLDERS (Cont'd)

Notes:

- (1)(a) 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, namely GDH.
- (1)(b) Of these 1,033,768,000 shares: (i) 734,503,720 shares were beneficially held by GDH, (ii) 165,496,280 shares related to derivative interests of GDH, and (iii) 133,768,000 shares related to the deemed interests of GDH under section 318 of the SFO.
- (2)(a) Of the 1,033,768,000 shares: (i) 299,264,280 shares were beneficially held by HAPBC and (ii) 734,503,720 shares related to the deemed interests of HAPBC under section 318 of the SFO.
- (2)(b) In addition, by virtue of the SFO, each of Heineken HNV, Heineken NV, Heineken IBV, F & N, APIP and APB is deemed to be interested in the same 1,033,768,000 shares of the Company in which HAPBC is interested, as described in note (2)(a) above.
- (3) The short position in respect of 299,264,280 shares arose as a result of the pre-emptive and other rights granted to GDH to, in certain specified circumstances, acquire HAPBC's shareholding in the Company under a share purchase agreement dated 28 January 2004 and entered into between GDH and HAPBC.

Save as disclosed above, no other persons (other than a Director or chief executive of the Company) known to any Director or chief executive of the Company as at 31 December 2006 had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the connected and related party transactions are disclosed in note 40 to the financial statements.

DISCLOSURE PURSUANT TO PARAGRAPH 13.21 OF CHAPTER 13 OF THE LISTING RULES

The Company has entered into three facility letters ("Facility Letters") signed between the Company and banks respectively for loan facilities with an aggregate amount of up to HK\$696,400,000. The facility letters imposed specific performance obligations on GDH, the controlling shareholder of the Company, and/or HAPBC, a substantial shareholder of the Company. The Facility Letters includes, inter alia, a condition to the effect that GDH and/or HAPBC shall in aggregate at all times to own directly or indirectly at least 51% of the issued ordinary shares of the Company. A breach of the above condition will constitute an event of default under the Facility Letters. If such an event of default occurs, the above facilities will become immediately due and repayable.

Details of each of the Facility Letters are summarized in the followings:

Facility letters effective date	Facility amount	Outstanding balance as at 31 December 2006	Last repayment date
5 December 2005	US\$38 million	US\$38 million	November 2009
3 November 2006	HK\$200 million	HK\$200 million	November 2010
22 December 2006	HK\$200 million	HK\$200 million	December 2010

Report of the Directors *(Cont'd)*

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 laws of Bermuda, being the jurisdiction in which the Company is incorporated.

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases from the Group's five largest suppliers accounted for 43.1% of the total purchases for the year and purchases from the Group's largest supplier included therein amounted to 22.1%.

Supertime Development Limited and its subsidiaries were among the Group's five largest suppliers. Mr. Michael Wu is also a director of Supertime Development Limited and its subsidiaries. However, the purchase agreement entered into between the Company and Supertime Development Limited dated 3 May 2005 in relation to the purchase of malt by the Group from Supertime Development Limited and/or its subsidiaries with maximum aggregate annual value of malt purchased by the Group for the year being RMB294,000,000 (equivalent to approximately HK\$286,591,000) have been approved by the independent shareholders at the special general meeting held on 15 June 2005. Please refer to note 40 to the financial statements for details of the connected transactions.

Save as disclosed above, none of the Directors, their respective associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the issued share capital of the Company) had any interest in the Group's five largest customers and suppliers.

PUBLIC FLOAT

As at the date of this Report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

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, 20 April 2007