

## 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 2005.

### **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 2005 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 102.

An interim dividend of 1.5 HK cents per share was paid on 16 November 2005. The Directors recommend the payment of a final dividend of 2.5 HK cents per share for the year ended 31 December 2005. 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, 16 June 2006, is expected to be paid on 13 July 2006 to shareholders whose names appear on the register of members of the Company on 16 June 2006.

### **FINANCIAL SUMMARY**

A summary of the published results and the assets and liabilities 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

	Year ended 31 December				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Revenue	1,200,046	924,528	684,574	593,052	543,922
Cost of sales	(670,162)	(481,550)	(373,398)	(351,680)	(332,691)
Gross profit	529,884	442,978	311,176	241,372	211,231
Other income and gain	47,744	22,365	21,547	34,034	43,880
Selling and distribution expenses	(302,454)	(206,710)	(146,765)	(133,960)	(133,586)
Administrative expenses	(67,862)	(70,001)	(44,335)	(36,504)	(45,537)
Impairment of investment in an associate	—	—	—	—	(5,600)
Impairment of an available-for-sale equity investment/investment security	—	—	—	(4,611)	—
Finance costs	(213)	—	—	—	(7,857)
Share of losses of an associate	—	—	—	(4,437)	(13,424)
Profit before tax	207,099	188,632	141,623	95,894	49,107
Tax	(6,946)	(18,183)	(26,102)	(14,653)	(11,020)
Profit for the year	200,153	170,449	115,521	81,241	38,087

## ASSETS AND LIABILITIES

	As at 31 December				
	2005 HK\$'000	2004 HK\$'000 (Restated)	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)
Total assets	2,477,988	1,865,225	1,479,535	1,452,345	1,390,299
Total liabilities	(624,549)	(204,873)	(191,714)	(220,349)	(217,115)
Net assets	1,853,439	1,660,352	1,287,821	1,231,996	1,173,184

## PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Company and the Group during the year are set out in note 18 to the financial statements.

**SHARE CAPITAL AND SHARE OPTIONS**

There were no movements in either the Company's authorised or issued ordinary share or share options during the year.

**RESERVES**

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

**DISTRIBUTABLE RESERVES**

At 31 December 2005, the Company's reserves available for distribution as calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$227,693,000, of which HK\$34,889,000 has been proposed as a final dividend for the year.

In addition, the Company's share premium of HK\$974,705,000 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 (2004: Nil).

**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*)

LIANG Jianqin (*Chief Financial Officer*)

(appointed on 19 April 2006)

HUI Wai Man, Lawrance (*Chief Financial Officer*)

(appointed on 24 June 2005 and resigned  
on 1 November 2005)

*Non-Executive Directors*

KOH Poh Tiong

HAN Cheng Fong

Sijbe HIEMSTRA

(appointed on 12 July 2005)

ZHAO Leili

LUO Fanyu

HO LAM Lai Ping, Theresa

Michael WU

FUNG Sing Hong, Stephen

(resigned on 24 June 2005)

Herman Petrus Paulus Maria HOFHUIS

(resigned on 12 July 2005)

*Independent Non-Executive Directors*

Alan Howard SMITH

V-nee YEH

Rafael GIL-TIENDA

*Alternate Directors*

Frederik Willem Kurt LINCK (Alternate Director to Mr. KOH Poh Tiong)

HUANG Hong Peng (Alternate Director to Dr. HAN Cheng Fong)

Kenneth CHOO Tay Sian (Alternate Director to Mr. Sijbe HIEMSTRA)

In accordance with bye-law 86(2) of the Company's Bye-laws (the "Bye-Laws"), Mr. Sijbe HIEMSTRA and Ms. LIANG Jianqin, who were appointed Directors of the Company after the last annual general meeting of the Company, shall hold office until the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the meeting.

In accordance with bye-law 87 of the Bye-Laws, Mr. ZHAO Leili, Mr. LUO Fanyu and Mr. Michael WU will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Mr. Kenneth CHOO Tay Sian who ceased to be an Alternate Director to Mr. Herman Petrus Paulus Maria HOFHUIS upon Mr. Hofhuis's resignation on 12 July 2005 and was appointed as an Alternate Director to Mr. Sijbe HIEMSTRA on 12 July 2005.

### 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 50, 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 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 53, 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 41, 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 Guangdong Investment Limited ("GDI") from 1997 to 2002 and was the general manager of the finance department of GDH since 2002. Ms. Liang has been a Non-executive Director of Guangnan since July 2002 and possesses experience in financial management, external and internal audit as well as business management.

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

**Mr. KOH Poh Tiong**, aged 59, 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 was 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—APB (China) Pte Ltd ("HAPBC"), a substantial shareholder of the Company.

**Dr. HAN Cheng Fong**, aged 64, 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 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 (formerly Centrepoint Properties 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.

**Mr. Sijbe HIEMSTRA**, aged 50, 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 52, 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 50, 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 the People's High Court of Guangdong Province.

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

#### Non-Executive Directors (cont'd)

**Mrs. HO LAM Lai Ping, Theresa**, aged 50, 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.

**Mr. Michael WU**, aged 54, 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. Alan Howard SMITH**, aged 62, 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 (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 47, 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 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.

**Mr. Rafael GIL-TIENDA**, aged 53, was appointed an Independent Non-Executive Director of the Company in November 2004. He joined Marsh & McLennan Companies Inc. as chairman for Asia in October 2003. He is also an independent non-executive director of CITIC International Financial Holdings Limited and CITIC Ka Wah Bank Limited in Hong Kong; an advisor to several bodies and a visiting professor at China Europe International Business School, in Shanghai, China. Mr. Gil-Tienda has worked in banking for over 25 years, and has lived in Asia for 19 years. He was at Citibank for 20 years and at Standard Chartered Bank for five. Mr. Gil-Tienda obtained a B.A. in Philosophy, Politics and Economics from Oxford University and an M.B.A. from the University of California, Berkeley.

**DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES (cont'd)****Alternate Directors**

**Mr. Frederik Willem Kurt LINCK**, aged 49, was appointed an Alternate Director to Mr. KOH Poh Tiong, a director of the Company, in April 2004. Mr. Linck 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. In 1995, he joined Heineken which brought him to positions in APB in Cambodia and Papua New Guinea. He has worked in the People's Republic of China ("PRC") from 2000 and was appointed from 1 April 2004 as Regional Director (China) and oversees the operations under HAPBC in the PRC. He is also a Director of HAPBC.

**Mr. HUANG Hong Peng**, aged 46, was appointed an Alternate Director to Dr. HAN Cheng Fong, a director of the Company, in April 2004. Mr. Huang is currently the Chief Operating Officer, Food & Beverage of F&N Group. He was appointed a Director of Asia Pacific Investment Pte Ltd on 1 December 2005 and an Alternate Director on the APB Board on 1 April 2005. He sits on the boards of subsidiaries of APB Group and F&N Group. Before his transfer to the F&N Group, he was the deputy Regional Director, China of APB, a subsidiary of Fraser and Neave, Limited and was responsible for brewery operations of the APB Group in the PRC now consolidated under HAPBC. 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, France.

**Mr. Kenneth CHOO Tay Sian**, aged 38, was appointed an alternate director to Mr. Sijbe HIEMSTRA, a director of the Company, in July 2005. 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, Asia Pacific Brewery (Lanka) Limited and an Alternate Director of APB and DB Breweries Limited.

During the year, Messrs. YE Xuquan and JIANG Guoqiang 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' REMUNERATION**

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors duties, responsibilities and performance and the results of the Group.

**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.



## REPORT OF THE DIRECTORS (Cont'd)

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2005, 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 and sale of beer (the "Competing Business"), as required to be disclosed were as follows:

<b>Name of Director</b>	<b>Name of entity (Note)</b>	<b>Nature of interest (Note)</b>
KOH Poh Tiong	Asia Pacific Breweries Limited and Group	Chief Executive Officer and Director
	Heineken-APB (China) Pte Ltd. and Group	Chairman and Director
HAN Cheng Fong	Asia Pacific Breweries Limited and Group	Director
	Asia Pacific Investment Pte Ltd.	Chairman and Director
	Heineken-APB (China) Pte Ltd. and Group	Director
	Fraser and Neave, Limited and Group	Group Chief Executive Officer
Sijbe HIEMSTRA	Asia Pacific Breweries Limited and Group	Director
	Heineken Asia Pacific Pte Ltd.	Chairman
	Heineken-APB (China) Pte Ltd. and Group	Director
<b>Name of Alternate Director</b>	<b>Name of entity (Note)</b>	<b>Nature of interest (Note)</b>
Frederik Willem Kurt LINCK	Heineken-APB (China) Pte Ltd. and Group	Director
HUANG Hong Peng	Fraser and Neave, Limited and Group	Chief Operating Officer, Food and Beverage
	Asia Pacific Investment Pte Ltd.	Director
	Asia Pacific Breweries Limited and Group	Alternate Director
	Heineken-APB (China) Pte Ltd and Group	Alternate Director
Kenneth CHOO Tay Sian	Heineken Asia Pacific Pte Ltd.	Director
	Asia Pacific Brewery (Lanka) Limited	Director
	Asia Pacific Breweries Limited and Group	Alternate Director
	Heineken-APB (China) Pte Ltd and Group	Alternate Director
	DB Breweries Limited	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 also 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 2005, none of the Directors had any interest in any Competing Business.

**DIRECTORS' INTERESTS IN SECURITIES****Directors' Interests and Short Positions in the Securities of the Company and its Associated Corporations**

As at 31 December 2005, 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 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 Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

**I. Shares**(i) *The Company*

<b>Name of Director</b>	<b>Type of Interest</b>	<b>Number of shares held</b>	<b>Long/Short Position</b>	<b>Approximate Percentage of holding</b>
JIANG Guoqiang	Personal	300,000	Long Position	0.0215
ZHAO Leili	Personal	300,000	Long Position	0.0215
LUO Fanyu	Personal	70,000	Long Position	0.0050
HO LAM Lai Ping, Theresa	Personal	80,000	Long Position	0.0057
Michael WU	Personal	134,000	Long Position	0.0096

*Note:* The number of the issued shares of the Company as at 31 December 2005 was 1,395,568,000.

(ii) *Guangdong Investment Limited*

<b>Name of Director</b>	<b>Type of Interest</b>	<b>Number of shares held</b>	<b>Long/Short Position</b>	<b>Approximate Percentage of holding</b>
HO LAM Lai Ping, Theresa	Personal	600,000	Long Position	0.0100
Michael WU	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 2005 was 6,017,518,071.

(iii) *Guangdong Tannery Limited*

<b>Name of Director</b>	<b>Type of Interest</b>	<b>Number of shares held</b>	<b>Long/Short Position</b>	<b>Approximate Percentage of holding</b>
LUO Fanyu	Personal	70,000	Long Position	0.0134

*Note:* The number of the issued shares of Guangdong Tannery Limited as at 31 December 2005 was 524,154,000.

## 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

 (i) *The Company*

Name of Director	Number of options held on 01/01/2005	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 31/12/2005	Long/Short Position
		Date granted	Number granted						
					HK\$	HK\$			
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).

## 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 01/01/2005	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 on 31/12/2005	Long/Short Position
		Date granted	Number granted						
YE Xuquan	7,000,000	—	—	11/02/2002–10/02/2007	—	0.5312	—	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
	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	Long Position
	1,500,000	—	—	08/08/2003–07/08/2008	1	1.22	—	1,500,000	Long Position
	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).

Save as disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any director or the chief executive of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the directors and the chief executive (including their spouses and children under the age of 18) had, as at 31 December 2005, any interest in, or had been granted any right to subscribe for the securities and options of the Company and its associated corporations within the meaning of the SFO, or had exercised any such rights.

## REPORT OF THE DIRECTORS (Cont'd)

### 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.

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, so far as is known to any director or chief executive of the Company, the following persons (other than the director 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 shareholder	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) <i>(note 1)</i>	Shares	1,033,768,000	Long position	74.08%
GDH Limited ("GDH") <i>(note 1)</i>	Shares	1,033,768,000	Long position	74.08%
Heineken Holding N.V. ("Heineken HNV") <i>(notes 2 and 3)</i>	Shares	1,033,768,000	Long position	74.08%
	Shares	299,264,280	Short position	21.44%
Heineken N.V. ("Heineken NV") <i>(notes 2 and 3)</i>	Shares	1,033,768,000	Long position	74.08%
	Shares	299,264,280	Short position	21.44%
Heineken International B.V. ("Heineken IBV") <i>(notes 2 and 3)</i>	Shares	1,033,768,000	Long position	74.08%
	Shares	299,264,280	Short position	21.44%
Fraser and Neave, Limited ("F & N") <i>(notes 2 and 3)</i>	Shares	1,033,768,000	Long position	74.08%
	Shares	299,264,280	Short position	21.44%
Asia Pacific Investment Pte Ltd ("APIP") <i>(notes 2 and 3)</i>	Shares	1,033,768,000	Long position	74.08%
	Shares	299,264,280	Short position	21.44%
Asia Pacific Breweries Limited ("APB") <i>(notes 2 and 3)</i>	Shares	1,033,768,000	Long position	74.08%
	Shares	299,264,280	Short position	21.44%
Heineken-APB (China) Pte Ltd ("HAPBC") <i>(notes 2 and 3)</i>	Shares	1,033,768,000	Long position	74.08%
	Shares	299,264,280	Short position	21.44%

**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 are beneficially held by GDH, (ii) 165,496,280 shares relate to derivative interests of GDH, and (iii) 133,768,000 shares relate to the deemed interests of GDH under section 318 of the SFO.

(2)(a) Of these 1,033,768,000 shares: (i) 299,264,280 shares are beneficially held by HAPBC and (ii) 734,503,720 shares relate 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 arises 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.

**CONNECTED TRANSACTIONS**

Details of the connected transactions are disclosed in note 42 to the financial statements.

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

A facility letter (the "Facility Letter") for a 48-month term loan facility of up to US\$38,000,000 signed between the Company and a bank imposes specific performance obligations on GDH, the controlling shareholder of the Company, and/or HAPBC, a substantial shareholder of the Company. The Facility Letter 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 Letter. If such an event of default occurs, the above facility will become immediately due and repayable.

The outstanding balance of the loan at the balance sheet date amounted to US\$38,000,000, with the last instalment repayment falling due in November 2009.

**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**

Purchases from the Group's largest supplier and the Group's five largest suppliers represented 18.1% and 37.0% of the Group's total purchases for the year, respectively.

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

Apart from Guangzhou 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 interest in the five largest suppliers of the Group.

**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, 19 April 2006