

# Report of the Directors

China Rich Holdings Limited Annual Report 2006

The directors have pleasure in presenting their annual report and the audited financial statements of China Rich Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 July 2006.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company’s principal subsidiaries are set out in Note 43 to the financial statements.

## RESULTS AND APPROPRIATIONS

The Group’s results for the year ended 31 July 2006 and the state of affairs of the Company and the Group as at 31 July 2006 are set out in the financial statements on pages 21 to 25.

The directors do not recommend the payment of dividend for the year ended 31 July 2006 (2005: Nil).

## FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five years is set out on page 97.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 30 to the financial statements and in the consolidated statement of changes in equity on page 26 respectively.

## DISTRIBUTABLE RESERVES

In the opinion of the directors, the Company has no reserves available for distribution to its shareholders. However, pursuant to the Companies Act 1981 of Bermuda, the Company’s share premium account of HK\$31,879,000 can be distributed in the form of fully paid shares.

## INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in Note 16 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 18 to the financial statements.

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## GOLF RESORT

Details of the movements in golf resort of the Group during the year are set out in Notes 19 to the financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 28 to the financial statements.

## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

### *Executive directors:*

Mr. Yip Kwong, Robert (*Chairman*)

Mr. Dai Zhong Cheng

Mr. Kam Shing

### *Independent non-executive directors:*

Dr. Wong King Keung, Peter

Dr. Lau Lap Ping

Mr. Edmund Siu

In accordance with the Company's Bye-law 87(1), Mr. Yip Kwong, Robert and Mr. Kam Shing will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the directors of the Company and the senior management of the Group are set out on pages 6 to 7 of this annual report.

## 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 SHARES AND OPTIONS

At 31 July 2006, the interests of the directors in the share capital of the Company and the associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as notified to the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### (i) Shares

#### Long Positions

##### Shares in the Company

Name of director	Personal interest Number of shares held	Corporate interest Number of shares held (Note a)
Mr. Yip Kwong, Robert	8,100,000	245,855,621

Note a: These shares are owned by Central Securities Holdings Limited, a wholly-owned subsidiary of Everbest Holdings Group Limited which is a company wholly owned by Mr. Yip Kwong, Robert.

##### Shares in GreaterChina Technology Group Limited ("GreaterChina")

Name of director	Personal interest Number of shares held	Corporate interest Number of shares held (Note b)
Mr. Yip Kwong, Robert	1,201,500	280,673,394

Note b: 258,451,559 shares are owned by the Company, in which Mr. Yip Kwong, Robert was interested in 253,955,621 shares in the Company, representing approximately 37.5% interest in the Company as at 31 July 2006 and 22,221,835 shares are owned by Central Securities Holdings Limited.

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## DIRECTORS' INTERESTS IN SHARES AND OPTIONS *(Continued)*

### (ii) Options

There were no options granted to or exercised by the directors during the year.

#### Options in GreaterChina

Name of director	Date of grant	Exercise price HK\$	Number of share options		
			Outstanding as at 1 August 2005	Granted during the year	Outstanding as at 31 July 2006
Dr. Lau Lap Ping	19 April 2002	0.234	1,000,000	–	1,000,000
	14 June 2006	0.075	–	813,000	813,000

There were no options exercised by the director during the year.

Save as disclosed above, at no time during the year was the Company, its ultimate holding company, or any subsidiaries of its ultimate holding company a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executives, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Save as disclosed above and nominee shares in certain subsidiaries held in trust for the Group, at 31 July 2006, neither the directors nor the chief executives, nor any of their associates, had any interests in any securities of the Company or any of its associated corporations as defined by the SFO.

## SHARE OPTION SCHEMES

Details of the Company's share option schemes are set out in Note 29 to the financial statements.

No options were granted to any directors and employees of the Company during the year ended 31 July 2006 pursuant to the new share option scheme adopted on 10 January 2002 (the "New Scheme").

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## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of the Group's transactions with GreaterChina, in which Dr. Lau Lap Ping is a Non-executive director of GreaterChina, are set out in Note 42 to the financial statements.

Save as disclosed above, no contracts of significance to which the Company, its ultimate holding company or any subsidiaries of its ultimate holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## SUBSTANTIAL SHAREHOLDERS

Save as the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having an interest of 5% or more of the issued share capital of the Company as at 31 July 2006.

## LONG POSITIONS IN SHARES OF THE COMPANY

### Ordinary shares of HK\$0.05 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital in the Company
Mr. Yip Kwong, Robert	Beneficial owner	253,955,621	37.51%
Central Securities Holdings Limited (Note c)	Interest of a controlled corporation	245,855,621	36.32%
Everbest Holdings Group Limited (Note d)	Interest of a controlled corporation	245,855,621	36.32%
Mr. Lee Wa Lun, Warren	Beneficial owner	125,176,862	18.48%

Note c: Central Securities Holdings Limited ("Central Securities") is a wholly-owned subsidiary of Everbest Holdings Group Limited ("Everbest")

Note d: Everbest is a company wholly owned by Mr. Yip Kwong, Robert. This parcel of shares refers to the same parcel of shares held by Central Securities which Everbest is deemed be interested.

## CONNECTED TRANSACTIONS

Details of the discloseable connected transactions of the Group are set out in Note 42 to the financial statements.

## MAJOR SUPPLIERS AND CUSTOMERS

The five largest customers of the Group for the year accounted for approximately 6% of the Group's turnover. The Group's largest customer accounted for approximately 3% of its turnover for the year.

The aggregate purchases attributable to the Group's five largest suppliers were less than 11% of the Group's total purchases for the year.

As far as the directors are aware, neither the directors, their associates nor those shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in the Group's five largest customers.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rule").

## RETIREMENT SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. Particulars of the MPF are set out in Note 2(p) on the financial statements.

## CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on page 8 to 12 of this report.

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## AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of Dr. Wong King Keung, Dr. Lau Lap Ping and Mr. Edmund Siu. The Audit Committee has reviewed the accounting policies and practices adopted and the annual report of the Group for the year. The Audit Committee has held regular meeting since its formation, at a frequency of at least twice a year.

## EVENTS AFTER THE BALANCE SHEET DATE

Details of significant events occurring after the balance sheet date are set out in Note 41 to the financial statements.

## AUDITORS

Messrs. HLB Hodgson Impey Cheng were appointed as auditors of the Company on 12 October 2004 in succession to Messrs. Ernst & Young which were resigned on 23 August 2004.

Messrs. HLB Hodgson Impey Cheng retire, and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Messrs. HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board

**Yip Kwong, Robert**

*Chairman*

Hong Kong, 9 November 2006