

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2006.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at a general meeting of the Company held on 10 January 2007 and approved by the Registrar of Companies of Bermuda, the name of the Company was changed from Qualipak International Holdings Limited to C C Land Holdings Limited.

The Chinese translation of the Company name for identification purposes was changed from “確利達國際控股有限公司” to “中渝置地控股有限公司”.

PRINCIPAL ACTIVITIES

The principal activities of the Company comprise investment holding and the provision of corporate management services. Details of the principal activities of the subsidiaries are set out in note 19 to the financial statements. Save for the property development and investment businesses acquired in November 2006 as set out in note 43 to the financial statements, there were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2006 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 47 to 117.

The directors recommend the payment of a final dividend of HK\$0.05 per share in respect of the year to the shareholders on the register of members on 11 May 2007. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 118. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, AND PROPERTIES UNDER DEVELOPMENT

Details of movements in the property, plant and equipment, investment properties, and properties under development of the Group during the year are set out in notes 15, 16 and 25 to the financial statements. Further details of the Group's major properties are set out on pages 4 to 9.

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ASSOCIATES

Particulars of the Group's associates are set out in note 21 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND A CONVERTIBLE NOTE

Details of movements in the Company's share capital, share options and convertible note during the year are set out in notes 41, 46 and 39 to the financial statements, respectively.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 42(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2006, the Company's reserves available for distribution to shareholders, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$290,979,000 of which HK\$90,269,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$4,276,770,000, may be distributed in form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers in aggregate accounted for 51% of the total sales for the year and sales to the largest customer included therein amounted to 33%. Purchases from the Group's five largest suppliers accounted for 41% of the total purchases for the year and purchases from the largest supplier included therein amounted to 16%.

None of the directors, their associates or shareholders, who to the knowledge of the directors own more than 5% of the Company's share capital, had any interest in any of the five largest customers.

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DIRECTORS

The directors of the Company for the year were:

Executive directors:

Mr. Cheung Chung Kiu	(Chairman)
Dr. Lam How Mun Peter	(Deputy Chairman and Managing Director)
Mr. Lam Hiu Lo	
Mr. Leung Chun Cheong	
Mr. Leung Wai Fai	
Ms. Poon Ho Yee Agnes	
Mr. Wu Hong Cho	(appointed on 7 July 2006)

Independent non-executive directors:

Mr. Lam Kin Fung Jeffrey	
Mr. Wong Wai Kwong David	
Mr. Wong Yat Fai	(appointed on 20 September 2006)
Mr. Lam Ping Cheung	(resigned on 22 June 2006)

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Wu Hong Cho will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting. In accordance with Bye-law 87 of the Company's Bye-laws, Dr. Lam How Mun Peter, Mr. Leung Chun Cheong and Mr. Leung Wai Fai will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. All other remaining directors continue in office.

The Company has received annual confirmations of independence from Messrs. Lam Kin Fung Jeffrey, Wong Wai Kwong David and Wong Yat Fai and as at the date of this report still considers them to be independent.

REPORT OF THE DIRECTORS

DIRECTORS' BIOGRAPHIES

Executive directors

Mr. CHEUNG Chung Kiu, aged 42, was appointed Executive Director and Chairman of the Company on 22 June 2000 and 22 November 2006 respectively. He has a wide range of experience in investment business including approximately 15 years of experience in property development and investment in the People's Republic of China (the "PRC"). Mr. Cheung is the founder and the chairman of Yugang International Limited ("Yugang"), currently a substantial shareholder of the Company, the chairman of Y.T. Realty Group Limited and The Cross-Harbour (Holdings) Limited, the shares of all these companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also a director of all companies as disclosed under the section headed "Substantial Shareholders" on pages 42 to 43 and is a director of several subsidiaries of the Company.

Dr. LAM How Mun Peter, aged 59, was appointed Executive Director, Managing Director and Deputy Chairman of the Company on 3 June 1998, 9 April 1999 and 22 November 2006 respectively. He is the founder of the Company. Dr. Lam obtained his medical degree at the University of Hong Kong in 1972. He is also a fellow of the Royal College of Surgeons (Edinburgh), American College of Surgeons, and Hong Kong Academy of Medicine. He has over 15 years of experience in the packaging business, real estates and investment. Currently, Dr. Lam spends only a limited amount of his time on his medical practice. He is also a director of several subsidiaries of the Company.

Mr. LAM Hiu Lo, aged 45, was appointed Executive Director of the Company on 10 November 2000. He has accumulated over 20 years' experience in sales and marketing with PRC parties and has built up a strong business and personal network in the PRC. He is also an executive director of Yugang and a director of several subsidiaries of the Company.

Mr. LEUNG Chun Cheong, aged 57, was appointed Executive Director of the Company on 3 June 1998. Mr. Leung is mainly responsible for financial management of the Group. He is a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has over 30 years of experience in professional accounting and finance. He had held senior positions in various industries in Hong Kong, including controller of a financial group, head of internal audit of a US bank and further before, senior position in Pricewaterhouse & Co. (presently called PricewaterhouseCoopers). He is also the qualified accountant of the Company and a director of several subsidiaries of the Company.

Mr. LEUNG Wai Fai, aged 45, was appointed Executive Director of the Company on 3 December 1999. Mr. Leung is mainly responsible for financial management of the Group. He graduated from the University of Wisconsin at Madison, the United States of America with a Bachelor Degree in business administration and is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is the Group Financial Controller of Yugang and also an executive director of The Cross-Harbour (Holdings) Limited. He is also a director of several subsidiaries of the Company.

REPORT OF THE DIRECTORS

DIRECTORS' BIOGRAPHIES *(Continued)*

Executive directors *(Continued)*

Ms. POON Ho Yee Agnes, aged 39, was appointed Executive Director of the Company on 3 June 1998. Ms. Poon is mainly responsible for the Group's marketing, advertising and promotions. She holds a Master of Science in Electronic Commerce and Internet Computing Degree from the University of Hong Kong and a Bachelor Degree in Business Administration from Simon Fraser University, Canada. Ms. Poon obtained her Master of Social Science in Counselling at the University of South Australia in 2006. She is also a director of several subsidiaries of the Company.

Mr. WU Hong Cho, aged 61, was appointed Executive Director of the Company on 7 July 2006. Mr. Wu graduated from the Law School of the University of Hong Kong and had been a practicing solicitor in Hong Kong from 1989 to 2000 specialised in corporate finance. Prior to joining the Company, Mr. Wu held senior positions and was in charge of corporate financial matters in a number of public companies in Hong Kong. Mr. Wu is currently a non-executive director of NewOcean Energy Holdings Limited, a company listed on the Stock Exchange, and an independent non-executive director of Beiren Printing Machinery Holdings Limited, a company listed on the Stock Exchange and the Shanghai Stock Exchange. He is also a director of a subsidiary of the Company.

Independent non-executive directors

Mr. LAM Kin Fung Jeffrey, aged 55, was appointed Independent Non-executive Director of the Company on 3 June 1998. He holds a Bachelor Degree from Tufts University in the United States of America. He has over 25 years of experience in the toy industry and is currently the managing director of Forward Winsome Industries Limited which is engaged in toy manufacturing and Eltee Enterprise Limited which is an investment company. He is a member of the Legislative Council, a general committee member of the Hong Kong General Chamber of Commerce and the chairman of the Hong Kong Export Credit Insurance Corporation Advisory Board. He is also an independent non-executive director of Hsin Chong Construction Group Limited, the shares of which are listed on the Stock Exchange.

Mr. WONG Wai Kwong David, aged 49, was appointed Independent Non-executive Director of the Company on 28 September 2004. He is a fellow of the Association of Chartered Certified Accountants, and a Certified Public Accountant. He has over 25 years of experience in finance, accounting, corporate and taxation affairs. He is also an independent non-executive director of Yugang, Y.T. Realty Group Limited, The Cross-Harbour (Holdings) Limited, Upbest Group Limited and UBA Investments Limited, a non-executive director of Tonic Industries Holdings Limited, and a director of Incutech Investments Limited and EganaGoldpfeil (Holdings) Limited. The shares of all these companies are listed on the Stock Exchange.

Mr. WONG Yat Fai, aged 47, was appointed Independent Non-executive Director of the Company on 20 September 2006. Mr. Wong holds a professional diploma in banking from The Hong Kong Polytechnic University. He has over 13 years of working experience with an international banking group. Mr. Wong is currently an executive director of 139 Holdings Limited, and also an independent non-executive director of Yugang, Y.T. Realty Group Limited and The Cross-Harbour (Holdings) Limited. The shares of all of these companies are listed on the Stock Exchange.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

No director of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with any company in the Group which is not determinable by the Group within one year without compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Mr. Cheung Chung Kiu, being the sole shareholder of Thrivetrade Limited ("Thrivetrade"), was interested in the sale and purchase agreement dated 22 September 2006 for the sale of the entire issued share capital of Starthigh International Limited, a company wholly owned by Thrivetrade, to Marvel Leader Investments Limited, a wholly-owned subsidiary of the Company. Further details of the transactions undertaken in connection therewith are included in notes 43 and 51(b) to the financial statements.

Save as disclosed above, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries or its holding company, was a party during the year.

DIRECTORS' REMUNERATION

The directors' remuneration is determined by the Company's Remuneration Committee and the board of directors with reference to duties and responsibilities and the prevailing market conditions, subject to shareholders' approval/authorisation at the annual general meetings.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Company's Human Resources Department based on the merit, qualifications and competence of employees.

A Remuneration Committee is set up for reviewing the emolument policy and structure for all remuneration of the executive directors of the Company, having regard to the Group's operating results, duties and responsibilities, and individual performance. The fee for the independent non-executive directors was determined and approved by the board of directors with reference to their duties and responsibilities with the Company. The remuneration of all directors is reviewed on an annual basis. The Company has adopted a share option scheme as incentive to directors and eligible employees, details of the scheme are set out in note 46 to the financial statements.

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DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2006, the interests and short positions of the directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, were as follows:

(a) Interests in shares of the Company (long positions)

Name of director	Nature of interest	Number of shares held	Approximate percentage of issued share capital
Mr. Cheung Chung Kiu	Corporate ^(Notes 1 & 2)	12,856,682,070	71.21%
Dr. Lam How Mun Peter	Personal	110,000	0.00%
Mr. Leung Chun Cheong	Personal	340,000	0.00%
Ms. Poon Ho Yee Agnes	Personal	1,040,000	0.01%

(b) Interests in the convertible note of the Company (long positions)

Name of director	Nature of interest	Number of underlying shares held	Approximate percentage of issued share capital
Mr. Cheung Chung Kiu	Corporate ^(Note 3)	3	0.00%

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DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(Continued)*

(c) Interests in share options of the Company (long positions)

Details of the directors' interests in the share options of the Company are set out in note 46 to the financial statements.

Notes:

1. 2,542,396,360 of such shares were held through Regulator Holdings Limited ("Regulator"), an indirect wholly-owned subsidiary of Yugang (which was owned by Chongqing Industrial Limited ("Chongqing") and Timmex Investment Limited ("Timmex") in aggregate as to 41.66%). Mr. Cheung Chung Kiu was deemed to be interested in the same number of shares held by Regulator by virtue of his indirect shareholding interests in Chongqing. As Mr. Cheung Chung Kiu had 100% beneficial interest in Timmex, he was also deemed to be interested in the same number of shares held by Timmex through Regulator.

10,314,285,710 of such shares were held through Thrivetrade, a company wholly-owned by Mr. Cheung Chung Kiu. Accordingly, he was also deemed to be interested in the same number of shares in which Thrivetrade was interested.
2. Mr. Cheung Chung Kiu, Peking Palace Limited, Miraculous Services Limited and Prize Winner Limited had 35%, 30%, 5% and 30% equity interest in Chongqing respectively. Peking Palace Limited and Miraculous Services Limited were beneficially owned by Palin Discretionary Trust, a family discretionary trust, the objects of which included Mr. Cheung Chung Kiu and his family. Prize Winner Limited was beneficially owned by Mr. Cheung Chung Kiu and his associates. Mr. Cheung Chung Kiu had 100% beneficial interest in Timmex.
3. Such interest was derived from a convertible note in the principal sum of HK\$2,552,000,000 issued on 7 November 2006 to Thrivetrade in which Mr. Cheung Chung Kiu had 100% beneficial interest. As at 31 December 2006, Thrivetrade had exercised the conversion right attached to the convertible note in an amount of HK\$2,551,999,998.80 and accordingly a total number of 9,114,285,710 shares were issued by the Company to Thrivetrade. Such shares were part of the shares interested by Mr. Cheung Chung Kiu as disclosed under paragraph (a) "Interests in shares of the Company (long positions)" above.

Save as disclosed above, as at 31 December 2006, the Company had not been notified of any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests in Shares of the Company and its Associated Corporations" and "Directors' Interests in Contracts", and in the business combination and share option scheme disclosures set out in notes 43 and 46 to the financial statements, respectively at no time during the year was the Company, or any of its subsidiaries or its holding company, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors, or any of their associates, had any rights to subscribe for shares of the Company, or had exercised any such rights during the year.

SHARE OPTIONS

A summary of the existing share option scheme adopted on 29 April 2005 and details of the options to subscribe for shares of the Company granted under such scheme and their movements during the year are set out in note 46 to the financial statements.

The directors have estimated the values of the share options granted during the year, calculated using the binomial option pricing model as at the date of grant of options:

Grantee	Number of options granted during the year	Theoretical value of share options
Dr. Lam How Mun Peter	39,390,000	10,424,725
Mr. Leung Chun Cheong	10,000,000	2,648,500
Mr. Leung Wai Fai	20,000,000	5,297,000
Ms. Poon Ho Yee Agnes	10,000,000	2,648,500
Mr. Wu Hong Cho	8,000,000	2,118,800
Other employees	74,000,000	19,598,900
	161,390,000	42,736,425

The value of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subject nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

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SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, the following persons (other than the directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares held (long position)	Number of underlying shares held (long position)	Approximate percentage of issued share capital of the Company
Regulator	Beneficial interest	2,542,396,360 (Note 1)	—	14.08%
Yugang International (B.V.I.) Limited ("Yugang-BVI")	Interest of controlled corporation	2,542,396,360 (Note 1)	—	14.08%
Yugang	Interest of controlled corporation	2,542,396,360 (Note 1)	—	14.08%
Chongqing	Interest of controlled corporation	2,542,396,360 (Note 1)	—	14.08%
Palin Holdings Limited ("Palin")	Interest of controlled corporation	2,542,396,360 (Note 1)	—	14.08%
Thrivetrade	Beneficial interest	10,314,285,710 (Note 2)	3 (Note 3)	57.13%

Notes:

- The interests held by Regulator, Yugang-BVI, Yugang, Chongqing and Palin respectively as shown above refer to interests in the same block of shares. Regulator is a direct wholly-owned subsidiary of Yugang-BVI, Yugang-BVI is in turn a direct wholly-owned subsidiary of Yugang. Yugang was owned by Chongqing and Timmex in aggregate as to 41.66%. Chongqing, Timmex and Palin are controlled by Mr. Cheung Chung Kiu. The said interests were also included in the interest in shares of the Company of Mr. Cheung Chung Kiu as disclosed under the paragraph (a) "Interests in shares of the Company (long positions)" above.
- These shares were also included in the interest in shares of the Company of Mr. Cheung Chung Kiu as disclosed under the paragraph (a) "Interests in shares of the Company (long positions)" above.
- These underlying shares were also the same block of shares held by Mr. Cheung Chung Kiu as disclosed under the paragraph (b) "Interests in convertible note of the Company (long positions)" above.

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SUBSTANTIAL SHAREHOLDERS *(Continued)*

Save as disclosed above, as at 31 December 2006, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following connected and continuing connected transactions:

Connected Transactions

On 22 September 2006, Marvel Leader Investments Limited, a wholly-owned subsidiary of the Company, entered into an agreement to acquire from Thrivetrade, a company wholly owned by Mr. Cheung Chung Kiu, the entire issued share capital of Starthigh International Limited for a consideration of HK\$3,317,553,000. Further details of the transactions undertaken in connection therewith are included in notes 43 and 51(b) to the financial statements.

On 29 September 2006, Thomas Wagner GmbH sold its entire 25% interest in Young Comfort Development Limited ("Young Comfort") to the Group for a cash consideration of approximately HK\$990,000. Thereafter, Young Comfort became a wholly-owned subsidiary of a subsidiary of the Company.

Continuing Connected Transactions

On 22 February 2006, the Group entered into an agreement with Thomas Wagner GmbH, a company interested in the then 25% shareholding of Young Comfort relating to the sale of products manufactured by the Group. These transactions have been reviewed by the independent non-executive directors of the Company who have confirmed that these transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the terms of the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. Further details of the transactions are included in note 51 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2006 as required under the Listing Rules.

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POST BALANCE SHEET EVENTS

Details of significant events which took place subsequent to the balance sheet date are set out in note 53 to the financial statements.

AUDITORS

During the year, Deloitte Touche Tohmatsu resigned as auditors of the Company and Ernst & Young were appointed auditors to fill the casual vacancy so arising. There have been no other changes of the Company's auditors in the past three years. A resolution for the reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Cheung Chung Kiu

Chairman

Hong Kong, 30 March 2007