



Dear Fellow Shareholders,

We are pleased to present herewith the Annual Report of Macro-Link International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2006. If 2005 was a year of turnaround, 2006 would be a year of advancement for the Group.

REVIEW OF OPERATION

As mentioned in our 2005 Annual Report, we have set to focus our operation in the winery industry to deliver shareholder value and I am glad to proclaim that the Group has been successful in consolidating its businesses to a premium boutique wine manufacturer and distributor in China.

MAJOR DISPOSAL OF SUBSIDIARIES

On 8 August 2006 the Company has disposed 100% equity interest of three of its wholly owned subsidiaries namely Panorama Limited, Workplace Logistics Limited and Sheen Champion Limited for a nominal amount of one US dollar respectively. Panorama Limited holds 51% equity interest in Sharp Win Holdings Limited (銳威控股有限公司) which engages in electronic manufacturing, wholesale and distribution business. Workplace Logistics Limited holds 100% of Quorum Biotech Limited (天健生物有限公司) which engaged in manufacturing and distribution of healthcare products and Sheen Champion Limited is the holding company for RJP Finance Limited which has been dormant since year 2004. Both Panorama Limited and Workplace Logistics Limited has been operating in a lost situation since year 2004. For details with regards to the disposal of Panorama Limited, please refer to the Circular issued by the Company dated 11 September 2006.

The results of the disposals of the non-core lost making businesses units have been favorably reflected in the Group's consolidated financial report for the year. Despite the fact that production cost was on the rising trend, the Group was capable of achieving growth and returned favorable profits.

ACQUISITION OF DISTRIBUTION CHANNELS

Cautious cost control and sales network development are the Group's principal strategic directions for the year. During the year under review, the Group dedicated to expand its sales and distribution network through various means, including acquisitions and co-operations with retailers.

In January 2006, the Group acquired the remaining 6.10% equity interest in Diqing Shangeli-la Economics Development Zone Tinlai Winery Limited (迪慶香格里拉天籟經濟開發區酒業有限公司) ("Tinlai"). Tinlai is the Group's main distribution channel. Having 100% controlling interest over Tinlai allow the Group to return greater value to our shareholders and to enhance operation efficiency in the business.





ACQUISITION OF DISTRIBUTION CHANNELS *(continued)*

In July 2006, the Group further acquired 90% equity in Xiamen Zanmi Winery Limited (廈門藏秘酒業有限公司), a winery distribution company in Xiamen Province to further expand its direct distribution channel. Together with the existing Guangzhou Zangji Trading Co. Limited (廣州藏吉商貿有限公司), the Group has three direct distribution channels covering South, East and West of the China market. The Group believes that these acquisitions will help deepening the Group's understanding and enriching its experience in the provincial market, as well as to strengthen corporate profitability which leads to steady growth of the Group in the long run.

In year 2007, the Group plans to have three additional direct distribution channels established in order to exercise more control in major markets where the Group intends to focus. This will improve time to market and better serve our major partners and customers. More direct channels will be established in the future to further enhance the Group's share and leadership in the winery market and strengthen the "Shangri-la" brand. Furthermore, we will still continue to partner with our largest distribution partner, Jin Liu Fu Group (北京金六福酒有限公司) for national wide sales and marketing.

INCREASE PRODUCTION CAPACITY AND COST MANAGEMENT

In 2005 annual report, the Group has already alerted the rising grape cost. The cost of grape juice and raw material were still in the increasing trend throughout 2006. In order to match with the increasing demand for quality wine and to exercise a better control over the cost and quality of grapes, the Group has invested HK\$20 million in Shangeli-la (Qinhuangdao) Winery Limited (香格里拉秦皇島葡萄酒有限公司) to improve its production capacity in Qinhuangdao and farmland development. This investment has increased the total wine production by 30.3%. Further to this achievement, the Group has been successful in its ISO9000 and HACCP certifications renewal, signifying its position as a high quality, world class wine brewer.

For effective cost management, the Group has allied with other grape wine producers for the purchase of grape in China. In doing so, the Group is able to exercise greater bargaining power with respect to the purchase of grape.

STRATEGIC INVESTOR AND FUTURE INVESTOR RELATIONSHIP

Our success in the winery business in China, our quality product, good brand management and professional management team has attracted significant attention from the Diqing Province Government and eventually in December 2006, the Provincial Government acquired a 5% equity interest in our major subsidiary, Yunnan Shangeli-la Winery Company Limited (雲南香格里拉酒業有限公司) for a consideration of HK\$6.94 million (RMB6.94 million) via their investment arm, Diqing Development Investment Company Limited (迪慶州開發投資有限公司). This encouraging move by the Diqing Province Government has strengthened our position in Yunnan and Diqing regions where majority part of our production and distribution activities are based.





STRATEGIC INVESTOR AND FUTURE INVESTOR RELATIONSHIP *(continued)*

With respect to investor's relationship, the Group has always been a silent player in the market. However, this will going to chance as the Group is now ready for the next move. In year 2007, the Group will engage more public relation activities, especially in Hong Kong. The Company will take the prime role as Hong Kong is where the Company is listed. The Company is planning to initiate more public relationship activities and to meet with potential investors with the view to create awareness in the market, laying the ground for possible fund raising activities.

OUR BUSINESS STRENGTH

Our strategies of focusing in the winery business, brand management, customer partnerships, innovation, and operational efficiencies provided the platform for our core business growth in year 2006. Our winery business, when compare to the restated results in 2005, increased by 24% (2006: HK\$109 million 2005: HK\$88 million) and 25% (2006: HK\$17.68 million 2005: HK\$14.15 million) in terms of turnover and net profits. Our major brands improved their positions in key China provinces. We had strong underlying customers for our winery products. Our successful innovation and brand management were the key drivers in generating growth. We have been very successful in introducing new products to existing categories and penetrating new market segments.

SUSTAINABLE GROWTH DRIVERS

Quality leadership based on good company culture and operating philosophy is significant to the daily operation and the Group's ability to deliver its goals. Our success is tied to delivering a clear direction throughout the organization. We focus on innovation, scale efficiencies, strong partnerships and timely execution. Consequently, in 2006 we were successful in expanding our markets and improve efficiency in production. Our competency and management talent strengthened our competitive advantages. This robust operational focused found our performance in 2006 and established the platform for the future.

CULTURE OF INNOVATION

Innovation creates brand loyalty, increases margin performance against cost pressure and price competition. It also strengthen relationships with our channel partners. In year 2006, the Group has developed 12 new winery products. Our winery business is organized to deliver powerful, innovative products to capture market share and enhance the popularity of our brands. Investment in R&D constitute 3% of our total operational expenditure for the year and the Group plans to increase its R&D effort to yield better returns on investment.





BRAND MANAGEMENT

The Group has invested in marketing with advertising up 20% over 2005 to enhance the brand awareness of our portfolio. Good brand management drives sustainable growth by building customer loyalty. Strategic campaigns in public relations, advertising, promotions, and trade show delivered high impact images and messages to our targeted audiences, resulting in record numbers of feature articles and awards in 2006 such as the most famous brand in Yunnan Province “雲南省著名商標” and Yunnan's most popular product “雲南名牌產品”, The Shangri-la brand was voted as one of the 500 best brand in Asia.

PROSPECT

The Board has full confidence in the winery market and the increasing demand in China. We believe our consistent performance is a result of a disciplined approach to deliver the core strategies: leading brands, customer partnerships, innovation, and operational leadership. We had a very good year in 2006 and we will see the positive impact of the acquisition and the scale benefits on our operations. Our brands have demonstrated the attributes necessary to capture market share with our capability to match the needs of major channels for high volume, quality products and effective logistics. The ongoing streamlining of operations and expansion of the manufacturing base coupled with the aggressive use of marketing will deliver further exciting results going forward.

We are well positioned for further market expansion. In 2007, our focus will remain on the investments in our management, our brands, our R&D and our future as these are the foundation for sustainable long-term growth. We have clear, effective strategies, robust processes and a driven team. We believe that our focus on aligning our strategies will continue to deliver excellent value to our shareholders, our partners, our employees and our customers.

Finally, I would like to thank our employees and fellow directors for their dedicated efforts throughout the year. Their hard work and intelligence provide the fuel for our improved performance. On behalf of the entire organization, I express my appreciation to our shareholders, customers and partners for making 2006 a record year for the Group.

By Order of the Board

Fu Kwan
Chairman

Hong Kong, 17 April 2007

