

The Directors present their annual report and the audited financial statements for the year ended 31 December 2006.

## **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 34 to the financial statements.

## **RESULTS**

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 27.

## **SEGMENTAL INFORMATION**

An analysis of the Group's turnover and contribution to results by business activities for the year ended 31 December 2006 is set out in note 5 to the financial statements.

## **SHARE CAPITAL**

Details of movement in share capital of the Company during the year are set out in note 19 to the financial statements.

## **RESERVES**

Details of movements in reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 30 and in note 21 to the financial statements respectively.

## DIRECTORS

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

### Executive Directors:

Mr. Yue Jialin (*Chairman*)

Mr. Lau Yau Cheung (*Chief Executive Officer*)

Mr. Michael Joseph Bogue

(appointed on 25 September 2006

as Independent Non-Executive Director and

redesignated as Executive Director on 10 January 2007)

### Independent Non-Executive Directors:

Mr. Wong Wing Kuen, Albert

Mr. Tsui Robert Che Kwong

Mr. Yang Weiming

(appointed on 8 August 2006)

Mr. Wu Guo Jian

(resigned on 8 August 2006)

In accordance with Bye-laws 86 and 87 of the Company's Bye-laws, Mr. Yue Jialin, Mr. Michael Joseph Bogue and Mr. Yang Weiming will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All of the remaining directors shall continue in office.

No director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The interests and short positions of the Directors and chief executive of the Company 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 (“SFO”)) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken of deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers (the “Model Code”) contained in the Rules Governing the Listing of Securities on The Stock Exchange (the “Listing Rules”), were as follows:

### (a) Long position in shares as at 31 December 2006

Name of Director	Capacity and nature	Number of ordinary shares	Approximate % holding
Mr. Yue Jialin (“Mr. Yue”)	Interest of controlled corporation (Note 1)	596,699,801	47.39 (Note 2)

### (b) Long position in shares and underlying shares as at the date of this annual report

Name of Director	Capacity and nature	Number of ordinary shares	Approximate % holding
Mr. Yue	Interest of controlled corporation (Note 1)	1,312,739,562 (Note 3)	39.56% (Note 4)

*Notes:*

- These shares are registered/will be registered (as the case may be) in the name of and beneficially owned by Profit Harbour Investments Limited (“Profit harbour”).
- The percentage shareholding is calculated on the basis of the Company’s issued share capital of 1,259,000,000 Shares as at 31 December 2006.
- This represented an interest in 1,193,399,602 shares and an interest in 119,339,960 units of warrants giving rise to an interest in 119,339,960 underlying shares. The warrants will entitle the holders to subscribe at any time during the period from 5 February 2007 to 4 February 2010 (both days inclusive) for fully paid shares at an initial subscription price of HK\$0.30 per share (subject to adjustments).
- The percentage of shareholding is calculated on the basis of the Company’s issued share capital of 3,318,042,968 shares as at the date of this annual report.

Save as disclosed above, as at 31 December 2006, none of the Directors nor the chief executives of the Company had or was deemed to have any interests of short positions in the share, underlying shares of debentures of the company or any of its associated corporation (within the meaning of Part XV of the SFO) which (i) 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 or short positions which they were taken of deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## **SHARE OPTIONS**

Particulars of the Company's share option scheme are set out in note 20 to the financial statements.

No options were granted to the directors during the year ended 31 December 2006 and no options were held by the directors as at 31 December 2006.

## **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

Save as disclosed under the section headed "SHARE OPTIONS" above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements 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.

## **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

Details of the connected transactions and related party transactions are set out in note 27 to the financial statements. Save for the above, no contracts of significance, to which the Company or any of its subsidiaries 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

So far as is known to the Directors and chief executive of the Company, the following persons (not being Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company of the Stock Exchange under the provisions of Division 2 and 3 of part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had an option in respect of such capital:

### (a) Long position in shares as at 31 December 2006

Name of Shareholders	Capacity and nature	Number of Shares and Underlying shares	Approximate % holding (Note 2)	Notes
Profit Harbour	Beneficial owner	596,699,801	47.39%	1
Benefit Rich Limited ("Benefit")	Corporate Interests (interest of controlled corporation)	300,000,000	23.83%	3
Shougang Holding (Hong Kong) Limited ("Shougang")	Beneficial owner	300,000,000	23.83%	4

### (b) Long position in shares and underlying shares as at the date of this annual report

Name of Shareholders	Capacity and nature	Number of shares and Underlying shares	Approximate % holding (Note 5)	Notes
Profit Harbour	Beneficial owner	1,312,739,562	39.56%	6
Benefit	Corporate Interests (interest of controlled corporation)	660,000,000	19.89%	7
Shougang	Beneficial owner	660,000,000	19.89%	8
Ms. Chong Sok Un	Beneficial owner	477,100,000	14.38%	9

*Notes:*

1. The entire issued share capital of Profit Harbour is owned by Mr. Yue.
2. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 1,259,000,000 shares as at 31 December 2006.
3. Benefit was interested in 300,000,000 shares and was a wholly-owned subsidiary of Shougang as at 31 December 2006.
4. Benefit was a wholly-owned subsidiary of Shougang as at 31 December 2006. As a result, Shougang was deemed to have the same long position as Benefit under the SFO for 300,000,000 shares.
5. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 3,318,042,968 shares as at the date of this annual report (before any exercise of the warrants by the respective holders).
6. This represented an interest in 1,193,399,602 shares and an interest in 119,339,960 units of warrants giving rise to an interest in 119,339,960 underlying shares. The warrants entitle the holders to subscribe at any time during the period from 5 February 2007 to 4 February 2010 (both days inclusive) for fully paid shares at an initial subscription price of HK\$0.30 per share (subject to adjustments).
7. This represented an interest in 600,000,000 shares and an interest in 60,000,000 units of warrants giving rise to an interest in 60,000,000 underlying shares. The warrants entitle the holders to subscribe at any time during the period from 5 February 2007 to 4 February 2010 (both days inclusive) for fully paid shares at an initial subscription price of HK\$0.30 per share (subject to adjustments).
8. Benefit is a wholly-owned subsidiary of Shougang as at the date of this annual report. As a result, Shougang is deemed to have the same long position as Benefit under SFO for 660,000,000 shares.
9. This represented an interest in 472,100,000 shares and an interest in 5,000,000 units of warrants giving rise to an interest in 5,000,000 underlying shares held by various holding companies, directly or indirectly owned by Ms. Chong Sok Un and her associate(s) as at the date of this annual report. The warrants entitle the holders to subscribe at any time during the period from 5 February 2007 to 4 February 2010 (both days inclusive) for fully paid shares at an initial subscription price of HK\$0.30 per share (subject to adjustments).

Save as disclosed above, as at 31 December 2006, the Directors and chief executive of the Company were not aware of any other persons (other than Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares and underlying shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

The Directors are of the opinion that during the year ended 31 December 2006, the Directors of the Company had no interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

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

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

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's three customers in aggregate accounted for the entire turnover of the Group and the largest customer accounted for approximately 54.97% of the total turnover of the Group.

The aggregate purchases attributable to the Group's four suppliers during the year accounted for the entire purchases of the Group and the largest supplier, the sole agent of the Group's base metal trade, accounted for approximately 56.53% of the total purchases of the Group.

At no time during the year did a director, an associate of a director or a shareholder of the Company, which to the knowledge of the Directors owns more than 5% of the Company's issued share capital, have an interest in any of the three largest customers and any of the four suppliers of the Group.

## CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 17 to 24.

## 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.

## POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 32 to the financial statements.

## PUBLIC FLOAT

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

## AUDITORS

Messrs. Deloitte Touche Tohmatsu were auditors of the Company for the year ended 31 December 2004 and resigned as auditors on 22 March 2006. Graham H.Y. Chan & Co. was appointed to fill the vacancy on 12 April 2006.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Graham H.Y. Chan & Co. as auditors of the Company.

On behalf of the Board

**Yue Jialin**

*Chairman*

Hong Kong, 13 April 2007