

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 28 to the consolidated financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 26.

The directors do not recommend the payment of a dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 11 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution represent the aggregate of the share premium account and the contributed surplus less deficit which amounted to RMB974,657,000 (2005: RMB904,504,000). Under the Companies Law Chapter 22 of the Cayman Islands, the share premium of the Company is available for distribution or paying dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

DIRECTORS AND SERVICE CONTRACTS

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

Executive director:

Benjamin Pan Zhengmin
(Chief Executive Officer)

Non-executive directors:

Ingrid Wu Chunyuan
Pei Kang (appointed with effect from 15th February 2007)
Yang Dong Shao (resigned with effect from 15th February 2007)
Thomas Ng Kalon

Independent non-executive directors:

Koh Boon Hwee (Chairman)
Dick Mei Chang
Richard Mok Joe Kuen

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Pei Kang will hold the office only until the forthcoming general meeting of the Company and, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company.

Directors' Report

In accordance with Article 87 of the Company's Articles of Association, Mr. Benjamin Zhengmin Pan ("Mr. Pan") and Ms. Ingrid Chunyuan Wu ("Ms. Wu") will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

Mr. Pan has entered into a service agreement with the Company for a term of three years from 15th July, 2005, subject to termination by either party giving no less than 60 days prior notice in writing or 60 day's payment in lieu of notice.

Each of Ms. Wu, Dr. Thomas Kalon Ng, Mr. Koh Boon Hwee, Dr. Dick Mei Chang and Mr. Mok Joe Kuen Rrcharad has entered into a letter of appointment with the Company for a term of two years from 16th April, 2005 and Mr. Pei Kang has entered into a letter of appointment with the Company for a term of two years from 15th February, 2007 respectively, subject to termination by either party giving no less than one month's prior notice in writing or such shorter period as both parties may agree.

Other than as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company confirms it has received from each of its independent non-executive directors an annual confirmation of his/her independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and it still considers that the independent non-executive directors are independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES AND UNDERLYING SHARES

As at 31st December, 2006, the beneficial interests of the directors and chief executives in any shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Hong Kong 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 of Hong Kong Limited pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions) which they are taken or deemed to have taken under such provisions of the SFO and pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Long positions in ordinary shares of US\$0.01 each of the Company:

Name of director/chief executive	Personal interests	Corporate interests	Other interests	Total number of shares	Percentage of the Company's issued share capital
Mr. Pan ⁽¹⁾	161,632,926	49,939,440	80,765,138	292,337,504	23.42%
Ms. Wu ⁽²⁾	212,940,886	—	80,765,138	293,706,024	23.53%
Mr. Yang Dong Shao (resigned as director on 15th February, 2007) ⁽³⁾	—	22,854,176	—	22,854,176	1.83%
Mr. Koh Boon Hwee	1,307,562	—	—	1,307,562	0.10%
Mr. Li Xiang	48,441,887	—	—	48,441,887	3.88%

Notes:

- (1) Mr. Pan beneficially owns 161,632,926 shares. Mr. Pan is also deemed or taken to be interested in the following shares:
 - (i) 49,939,440 shares which are beneficially owned by Silver Island Limited, a company 100% owned by Mr. Pan;
 - (ii) 72,108,142 shares which are deemed to be beneficially owned by Mr. Pan, as trustee of the Benjamin Zhengmin Pan 2005 Annuity Trust dated 18th June, 2005; and
 - (iii) 8,656,996 shares which are deemed to be beneficially owned by Mr. Pan and Ms. Wu's descendents, as beneficiaries of the Pan 2005 Irrevocable Trust dated 10th May, 2005. Both children of Mr. Pan and Ms. Wu are under the age of 18.

- (2) Ms. Wu beneficially owns 212,940,886 shares. Ms. Wu is also deemed or taken to be interested in the following shares for the purposes of the SFO:
 - (i) 72,108,142 shares which are deemed to be beneficially owned by Ms. Wu, as trustee of the Ingrid Chunyuan Wu 2005 Annuity Trust dated 18th June, 2005; and
 - (ii) 8,656,996 shares which are deemed to be beneficially owned by Mr. Pan and Ms. Wu's descendents, as beneficiaries of the Pan 2005 Irrevocable Trust dated 10th May, 2005. Both children of Mr. Pan and Ms. Wu are under the age of 18.

- (3) Mr. Yang Dong Shao has 50% management control over any decisions made by Chengwei Ventures Shanghai LLC in connection with the investment made through its controlled corporations in the Company and therefore, Mr. Yang Dong Shao is deemed or taken to be interested in the 22,854,176 shares which are beneficially owned by Chengwei AAC Holdings Ltd.

Other than as disclosed above, as at 31st December, 2006, none of the directors or chief executives had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations.

SHARE OPTION SCHEME

Details of the Company's share option scheme adopted on 15th July, 2005 are set out in note 22 to the consolidated financial statements. The Company has not granted any option under the share option scheme since its adoption.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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 AND CONNECTED TRANSACTIONS

On 25th September, 2001, the Group entered into a lease agreement with Ms. Wu and Mr. Pan under which Ms. Wu and Mr. Pan jointly agreed to lease a property located in the United States as part of the place of business by a wholly-owned subsidiary of the Company. Total rental expense incurred during the year, in respect of the lease agreement amounted to RMB646,000. On 14th April, 2005, the term of the lease agreement was extended to 31st December, 2007. The parties to the lease agreement also agreed to adjust the rent payable each year by no more than 5% (either upwards or downwards) from the preceding year to reflect the then prevailing market conditions. There has been no adjustment in the rent payable in the year of 2006.

Directors' Report

The Independent Non-executive Directors confirmed that the connected transaction has been entered into by the Group in the ordinary course of its business on normal commercial terms, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Other than as disclosed 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

As at 31st December, 2006, the register of interests and short positions kept by the Company under section 336 of the SFO showed that the following persons held interests or short positions in the Company's shares:

Name of shareholder	Number of Shares	Percentage of the Company's issued share capital
Mr. Pan ⁽¹⁾	577,386,532 (L)	46.26%
Ms. Wu ⁽²⁾	577,386,532 (L)	46.26%
J.P. Morgan Chase & Co. ⁽³⁾	204,141,280 (L)	16.36%
	43,874,000 (S)	3.52%
Credit Suisse Group ⁽⁴⁾	93,600,000 (L)	7.50%
	93,600,000 (S)	7.50%

(1) Mr. Pan beneficially owns 161,632,926 shares. Mr. Pan is also deemed or taken to be interested in the following shares:

- (i) 49,939,440 shares which are beneficially owned by Silver Island Limited, a company 100% owned by Mr. Pan;
- (ii) 285,049,028 shares which are beneficially owned by Ms. Wu as Mr. Pan is Ms. Wu's husband;
- (iii) 72,108,142 shares which are deemed to be beneficially owned by Mr. Pan, as trustee of the Benjamin Zhengmin Pan 2005 Annuity Trust dated 18th June, 2005; and
- (iv) 8,656,996 shares which are deemed to be beneficially owned by Mr. Pan and Ms. Wu's descendents, as beneficiaries of the Pan 2005 Irrevocable Trust dated 10th May, 2005. Both children of Mr. Pan and Ms. Wu are under the age of 18.

(2) Ms. Wu beneficially owns 212,940,886 shares. Ms. Wu is also deemed or taken to be interested in the following shares:

- (i) 72,108,142 shares which are deemed to be beneficially owned by Ms. Wu as trustee of the Ingrid Chunyuan Wu 2005 Annuity Trust dated 18th June, 2005;

- (ii) 283,680,508 shares which are beneficially owned by Mr. Pan as Ms. Wu is Mr. Pan's wife; and
 - (iii) 8,656,996 shares which are deemed to be beneficially owned by Mr. Pan and Ms. Wu's descendants, as beneficiaries of the Pan 2005 Irrevocable Trust dated 10th May, 2005. Both children of Mr. Pan and Ms. Wu are under the age of 18.
- (3) J.P. Morgan Chase & Co. through its various controlled corporations is interested in an aggregate of 204,141,280 shares of the Company.

Of these 204,141,280 shares, 43,874,000 shares are directly held by J.P. Morgan Chase Bank, N.A., which is a wholly-owned subsidiary of J.P. Morgan Chase & Co.; 7,014,000 shares are directly held by JF Asset Management Limited ("JF Asset"), JF Asset is a wholly-owned subsidiary of J.P. Morgan Asset Management (Asia) Inc. ("JP Morgan (Asia)") and JP Morgan (Asia) is a wholly-subsiidiary of JP Morgan Asset Management Holdings Inc. ("JP Morgan Holdings"), which in turn is a wholly-owned subsidiary of J.P. Morgan Chase & Co.; 380,000 shares are directly held by JF International Management Inc. ("JF International"), JF International is a wholly-owned subsidiary of JP Morgan (Asia), which in turn is a wholly subsidiary of JP Morgan Holdings and J.P. Morgan Chase & Co.; 152,873,280 shares are directly held by J.P. Morgan Investment Management Inc. ("JP Morgan Investment"). JP Morgan Investment is a wholly-subsiidiary of JP Morgan Holdings, which in turn is a wholly-owned subsidiary of J.P. Morgan Chase & Co..

Comprising 43,874,000 shares in the lending pool as described in the SFO. The term "lending pool" is defined as (i) shares that the approved lending agent holds as agent for a third party which he is authorised to lend and other shares that can be lent according to the requirements of the Securities Borrowing and Lending Rules; and (ii) shares that have been lent by the approved lending agent and only if the right of the approved lending agent to require the return of the shares has not yet been extinguished.

Directors' Report

- (4) By virtue of Credit Suisse Group's 100% interest in Credit Suisse, Credit Suisse's 100% interest in Credit Suisse First Boston (International) Holdings AG, Credit Suisse First Boston (International) Holdings AG's 100% interest in Credit Suisse First Boston International (Guernsey) Limited and 70.2% interest in Credit Suisse First Boston (Hong Kong) Limited; and Credit Suisse First Boston International (Guernsey) Limited also owns 29.8% interest in Credit Suisse First Boston (Hong Kong) Limited, each of Credit Suisse Group, Credit Suisse and Credit Suisse First Boston (International) Holdings AG is deemed to be interested in 93,600,000 shares in the Company directly held by Credit Suisse First Boston (Hong Kong) Limited.

Save as the interests and short positions disclosed above, as at 31st December, 2006, so far as was known to any director of the Company, no other persons had an interest or short position in the shares, equity derivatives, underlying shares or debenture of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who were interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of shares of the Company by the Company or any of its subsidiaries during the year ended 31st December, 2006.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under the laws in the Cayman Islands.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 70.9% (2005: 56.2%) of the Group's total sales while the sales attributable to the Group's largest customer was approximately 32.2% (2005: 28.2%) of the Group's total sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers comprised approximately 37.0% (2005: 36.1%) of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 15.3% (2005: 12.6%) of the Group's total purchases.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the years, no directors of the Company or their respective associates (as defined in the Listing Rules) were considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses of which the directors of the Company were appointed as directors to represent the interests of the Company and/or the Group.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float during the year ended 31st December, 2006.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Koh Boon Hwee

Chairman

10th April, 2007