



蔣泉龍 – 主席

隨著各種科技和消費電子產品的迅速發展，二零零六年度市場對稀土產品，特別是磁性材料的需求更形殷切，加上中國中央政府為保障稀土這種重要的國家戰略資源而進一步制定政策，稀土產品價格因而持續上升，使本集團的營業額和溢利均錄得可觀增長。

年內，本集團積極推廣業務，並分別與全球最大綜合企業之一的美國通用電器集團（「通用電器」）及韓國一家大型的熒光體應用商簽署聯盟協議，以建立戰略合作夥伴關係。這兩宗合作對本集團發展稀土下游產品，提升技術及擴闊出口市場有著推動作用，並為將來的進一步合作打下鞏固的基礎。

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致各位股東：

本人謹代表董事會向各位股東提呈中國稀土控股有限公司（「本公司」）及其附屬公司（合稱「本集團」）截至二零零六年十二月三十一日止之全年業績報告。

To Shareholders,

On behalf of the Board of Directors, I present to you the annual results of China Rare Earth Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) for the year ended 31 December 2006.

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JIANG QUANLONG – Chairman

Driven by the rapid development of high-tech products and consumer electronics, demand for rare earth products, especially magnetic materials, surged in 2006. Apart from rising demand, additional measures implemented by the Chinese Government to regulate supply of rare earth protecting this important national resource, have also sent rare earth product prices on constant rise. As a result, the Group recorded significant growth in both turnover and profit for the year under review.

The Group actively expanded its business in 2006. It forged strategic alliances with one of the world's largest business corporations General Electric Company (“General Electric”) and a major Korean fluorescent materials user. These moves are expected to see the Group expand its downstream product portfolio, improve production technology and open up more export markets. The Group has a solid foundation for taking those alliances further in the future.

此外，本集團於二零零五年十二月成功收購了位於中國遼寧省的海城市蘇海鎂礦有限公司（「蘇海鎂礦」）。這宗收購作為本集團邁向上游產業的第一步，不但保障了本集團耐火材料業務的原材料供應，亦令本集團於二零零六年度的盈利得到新的增長點。本集團更將利用該公司靠近鎂砂資源的優勢，發展高純鎂砂業務。土地徵用、廠房興建及生產設備設置等具體計劃已落實並循序展開。

財務業績

截至二零零六年十二月三十一日止財政年度，本集團錄得營業額1,031,082,000港元，較二零零五年之769,370,000港元增長約34%。當中稀土產品（包括熒光材料）之營業額約為522,110,000港元，較去年之345,243,000港元增長約51%，佔總營業額51%。耐火材料產品（包括高溫陶瓷及鎂砂）則錄得營業額508,972,000港元，較去年同期之424,127,000港元增長約20%，佔總營業額49%。由於市場持續向好，各業務的毛利率均有所上升，整體毛利率由去年的約27%增加至約29%。

回顧年內，本集團的除稅前溢利為274,075,000港元，與去年之171,646,000港元比較上升了約60%。其中本集團於回顧年內的業績已開始併入蘇海鎂礦的貢獻，其營業額及淨溢利分別為68,408,000港元及20,215,000港元。減除62,384,000港元稅項後，本集團整體之淨溢利為211,691,000港元，較去年之131,625,000港元上升61%，淨利率亦由去年的17%增至約21%，每股盈利由去年的13.2港仙升至18.0港仙。

In December 2005, the Group acquired Haicheng City Suhai Magnesium Ore Co., Ltd. ("Suhai Magnesium") in Liaoning, the PRC and took the first step to enter the upstream business. The deal has assured the Group's access to raw materials supply for its refractory products and presented the Group with a new source of profit for 2006. The Group will ride on Suhai Magnesium's advantage of proximity to magnesium resources to develop high purity magnesium grains business. Acquisition of land for building related plant and setting up of production lines had been confirmed and preliminary works have begun.

FINANCIAL RESULTS

As at 31 December 2006, the Group recorded a total turnover of HK\$1,031,082,000, 34% more than the HK\$769,370,000 in 2005. The turnover from rare earth products (including fluorescent materials) was HK\$522,110,000, 51% more than last year's HK\$345,243,000 and accounting for 51% of the Group's total turnover. Refractory materials (including high temperature ceramics and magnesium grains) brought in HK\$508,972,000 in turnover, 20% more than the HK\$424,127,000 recorded in the previous year and accounting for 49% of the Group's total turnover. Operating in an overall favourable market environment, all business segments reported gross profit growth, bringing the Group's gross profit margin to about 29% against about 27% last year.

During the year under review, the Group made profit before taxation of HK\$274,075,000, a gain of 60% when compared to HK\$171,646,000 of last year. The turnover and net profit of Suhai Magnesium, HK\$68,408,000 and HK\$20,215,000 respectively, were reflected in the 2006 consolidated financial results for the first time. After deducting taxation of HK\$62,384,000, the Group's net profit was HK\$211,691,000, representing an increase of 61% over last year's HK\$131,625,000. Net profit margin was 21% against 17% in the previous year. Basic earnings per share for the year were HK18.0 cents against last year's HK13.2 cents.

股息

董事會建議派發二零零六年度之末期股息每股4港仙。連同中期股息每股1港仙，累計全年共派息每股5港仙。倘若股東於二零零七年六月一日舉行的股東週年大會中通過有關動議，末期股息將於二零零七年六月十五日或以前派發給於二零零七年六月一日登記冊上的股東。

本公司將於二零零七年五月二十九日至二零零七年六月一日，包括首尾兩天，暫停辦理股份過戶手續，期間將不會進行任何股份之過戶登記。如欲獲得建議之末期股息及出席本公司的股東大會，所有股份之過戶文件連同有關之股票須於二零零七年五月二十八日下午四時前送達本公司股份過戶處香港分處香港中央證券登記有限公司。

業務回顧

稀土業務

回顧年內，中國中央政府持續推行一系列節能環保的措施，逼使一些生產程序及產品質素未達水平的小規模稀土廠家倒閉，行業正值整固之中；另一方面，國家在二零零六年推出降低稀土出口配額、減少稀土礦山開採供應及對稀土氧化物和部份稀土金屬徵收10%出口關稅等一系列政策，以加強控制稀土資源的出口供應，有利市場穩步發展，稀土產品價格於年內因而大幅回升。故縱然本集團的稀土及相關下游產品的年度銷售量較二零零五年基本持平，約4,400噸，銷售額仍上升51%至522,110,000港元。



DIVIDENDS

The Board has recommended the payment of a final dividend of HK4 cents per share for 2006. Together with the interim dividend of HK1 cent already paid, total dividend for the year was HK5 cents per share. Subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on 1 June 2007, the final dividend will be paid on or before 15 June 2007 to registered shareholders as at 1 June 2007.

The Register of Members will be closed from 29 May to 1 June 2007, both days inclusive. During this period, no transfer of shares will be registered. To qualify for entitlement of the proposed final dividend and to attend the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, for registration not later than 4:00 p.m. on 28 May 2007.

BUSINESS REVIEW

Rare Earth Business

During the year under review, the Chinese Government continued to implement a series of environmental protection and energy conservation measures, and that drove a number of small and sub-standard rare earth manufacturers out of the consolidating market. Furthermore, helped by other Government policies introduced during the year to aid stable growth of the rare earth market including reducing the export quota for rare earth, restricting the output of rare earth mines and imposing a 10% export tax on rare earth oxide products and certain rare earth metals to restrict export of rare earth resources, the market of rare earth products grew steadily and their prices surged notably. Although total sales volume of the Group's rare earth and downstream products was maintained at the 2005 level of approximately 4,400 tonnes, total sales value surged 51% to HK\$522,110,000.

二零零六年，磁性材料應用行業發展迅速，帶動鐳、釹、銻、鐳四類產品的需求增長，產品價格亦隨之而大幅上升。當中，氧化鐳和氧化鐳於二零零六年的平均價格比對二零零五年時上漲了約七成，而氧化釹的價格更錄得一倍以上的升幅。此四類稀土元素的產品已約佔本集團稀土產品銷售額的一半。另一方面，鐳、鈾系的產品由於市面仍然積壓大量存貨，售價維持於較低水平，故該等產品只約佔本集團二零零六年稀土產品銷售額的5%。而由於世界各地對環保意識的提高，主要應用在節能燈的鈳鎳共沉亦繼續看俏，其銷售量較二零零五年增長了約五成。熒光材料方面，銷售量亦有約五成的增長。故在規模效益下，儘管熒光材料平均售價只有約一成升幅，其毛利率已升至三成以上。



成本方面，由於中國中央政府進一步控制稀土資源的供應，整頓和規範礦產資源的開採，再加上江西、包頭兩大稀土礦系的地方保護主義，一度造成稀土礦源緊張，致使各類稀土礦產的價格持續上漲，與二零零五年平均價比較上漲了兩成至八成不等。然而由於本集團擁有規模優勢，與各供應商關係良好，並早已做好礦源供應的準備，故能維持正常生產。然而成本的上漲抵消了部份產品售價的升幅，稀土整體業務的毛利率只上升至約19%。

市場分佈方面，隨著中國國內對磁性材料及熒光材料需求的快速增長，故雖然其他地區的銷售額均有所提升，中國市場佔本集團稀土銷售的比例仍攀升至約78%。

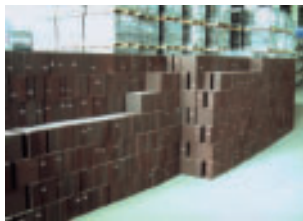
In 2006, driven by the rapid growth of industries that consume magnetic materials, demand for praseodymium, neodymium, terbium and dysprosium rose and so did their prices. The average prices of praseodymium oxide and dysprosium oxide in 2006 increased by about 70% as compared with 2005, while the price of neodymium oxide surged more than one fold. These four rare earth elements accounted for about half of the sales amount of the Group's rare earth business. With customers having stocked up on lanthanum and cerium, prices of the two products remained low and they together accounted for only about 5% of the Group's rare earth sales in 2006. Growing global awareness of the need to protect the environment boosted the demand for the mixture of yttrium and europium which used in energy-saving lighting products. Its sales volume went up about 50% as compared with 2005. The sales volume of fluorescent materials also increased by about 50%. The sales price of fluorescent materials rose about 10%, but benefiting from economy of scale, the gross profit margin of these products increased to over 30%.

Regarding production cost, the Chinese Government has tightened control on rare earth resources supply and stepped up regulation and restrictions on mining of mineral resources. Protectionism of the two major rare earth sources in Jiangxi and Baotou respectively also led to tense supply and in turn continuous rise in prices of rare earth ores. As a result, the average price of various rare earth ores increased by between 20% and 80% when compared with 2005. With economy of scale advantage, good relationship with suppliers and preparation well in advance, the Group was able to secure ore supply and maintain normal operation. However, with rise in product prices partially offset by increase in raw materials costs, the gross profit margin of the Group's rare earth business segment only increased to approximately 19%.

As for business performance by market, all the Group's different markets reported growth in sales. However, as demand in the PRC for magnetic materials and fluorescent materials surged very rapidly, the PRC market climbed to about 78% of the Group's rare earth sales.

耐火材料業務

本集團的耐火材料業務於回顧年內有了新的發展，主要在於逐步改變產品組合，提高具有較高毛利率的產品如高溫陶瓷及鎂砂等所佔的銷售比例，以提升整體的利潤表現。回顧年內，本集團共售出約52,000噸一般耐火材料、約26,000噸高溫陶瓷，及約31,000噸新增的電熔鎂砂。營業額增長20%至508,972,000港元。產品方面，電熔鎂鉻磚、鋁碳磚及不定形澆注料繼續是本集團一般耐火材料的主要產品，其於二零零六年的銷售額合共達1.5億港元以上。成本方面，主要原材料如鋯英砂、鎂砂及鉻精礦等的價格相對穩定。毛利率方面，回顧年內本集團的一般耐火材料、高溫陶瓷及電熔鎂砂的平均毛利率分別約為34%、42%及48%，整體耐火材料業務的毛利率提升至約38%。



市場方面，雖然日本市場的營業額有約兩成增長，而歐洲市場的營業額更已增長逾兩倍至超過1,000萬港元，但由於本集團的高溫陶瓷及電熔鎂砂均以內銷為主，故其銷售比例的上升導致中國市場佔本集團整體耐火材料業務比重仍高達八成，日本及歐洲市場合共只微升至20%。

展望

隨著全球經濟持續增長，稀土技術及應用領域的不斷發展，稀土氧化物延伸產品市場需求的增長將日益加快；加上中央政府嚴格控制稀土礦源的開採，並加強對稀土產品出口的配額控制，以鼓勵行業生產更多高附加值稀土產品，這些措施將令稀土產品價格於未來數年持續攀升。本集團將繼續提升各類稀土產品，特別是高附加值深加工稀土產品的

Refractory Materials Business

The Group's refractory materials business made progress in terms of perfecting its product profile, with higher margin products such as high temperature ceramics and magnesium grains accounting for a higher proportion of sales. During the year, the Group sold around 52,000 tonnes of ordinary refractory materials, 26,000 tonnes of high temperature ceramics and 31,000 tonnes of fused magnesium grains. The turnover of the segment increased by 20% and reached HK\$508,972,000. Fused magnesia-chrome bricks, alumina-graphite bricks and unshaped casting materials continued to be the major products of the Group's ordinary refractory materials, which together accounted for turnover of over HK\$150 million. Concerning production costs, the prices of major raw materials, including zircon grains, magnesium grains and chrome concentrates were relatively stable. The gross profit margin of ordinary refractory materials, high temperature ceramics and fused magnesium grains were 34%, 42% and 48%, respectively. Gross profit margin of the whole segment increased to 38%.

Regarding business performance by market, turnover of refractory materials from Japan increased by about 20% and from Europe increased by over 200% to more than HK\$10 million. However, since the Group sells its high temperature ceramics and fused magnesium grains products mainly to the domestic market, the increase in turnover share of these products resulted in the increase in share of the PRC market to account for about 80% of the total sales of refractory materials, while turnover share from Japan and Europe increased slightly and together accounted for the remaining 20%.

PROSPECTS

Along side the booming global economy, rare earth technology and applications have continued to develop and expand. Market demand for downstream products of rare earth oxide is also increasing quickly. To encourage rare earth suppliers to supply more high value-added rare earth products, the Chinese Government has imposed strict control on rare earth mining and export quotas on rare earth products. These measures will keep rare earth product prices on constant rise in the next few years. The Group will continue to

生產力度，以抓緊當前的機遇，冀望於未來數年內將深加工稀土產品營業額的比例由現時佔稀土產品營業額約不足兩成增至五成。

以熒光材料為例，中國近年對環保節能項目高度關注，並為二零零八年北京舉辦奧運會而全力推廣使用節能燈具；澳洲政府亦將於二零一零年前逐步以節能燈全面代替傳統燈泡；歐洲各國亦於二零零七年三月的歐盟會議上決定在二零零九年前在個人家庭中逐步淘汰傳統燈泡而改用節能燈，這些因素均令熒光材料的需求不斷提升。本集團對熒光材料的業務前景非常樂觀，並已準備增添設備，將繼續致力拓展這項業務。



另外，現時本集團正積極進行其他稀土深加工產品的調研工作，當中包括擁有龐大市場需求的汽車廢氣處理催化劑，以爭取盡快研製出新的應用產品推出市場。



近年，許多跨國企業將生產基地移師中國，而部份更與中國的企業進行戰略性合作，在取得成本優勢的同時，更有利進軍龐大的中國市場。為把握商機，本集團繼於去年初與美國通用電器集團訂立策略聯盟協議後，將積極尋求與其他跨國企業合作，以提升市場競爭力和擴大業務範疇。此外，本集團亦將繼續研究稀土礦山資源的投資機會，務求早日形成縱向產業鏈。

耐火材料業務方面，除加強現有業務的投入與發展外，本集團將實現產品多元化，擴展先進耐火材料產品種類。本集團利用附屬公

enhance its rare earth products, especially in the production of value-added downstream rare earth products, to help it capture existing market opportunities. It targets to increase the proportion of downstream rare earth products from less than 20% at present to 50% of the turnover of rare earth products in a few years.

Taking fluorescent materials as an example, the Chinese Government's support of energy saving and environmental protection projects and promotion of energy-saving lightings in the advent of the 2008 Beijing Olympics, the plan to replace conventional light bulbs with energy-saving ones in Australia by 2010 and the resolution of European Union countries in March this year to replace traditional light bulbs by energy-saving ones for household use by 2009 will all translate into rising demand for fluorescent materials. Thus, the Group is very optimistic about the prospects of the product type and will continue to invest in facilities to grow this segment.

The Group is actively pursuing research on other value-added downstream rare earth products including catalysts for automobile exhaust gas treatment, which poses immense market potential, and will strive to launch new products as soon as possible.

In recent years, many multinational enterprises have moved their production bases to China. Some of them are in strategic cooperation with Chinese enterprises to enjoy cost advantage and convenience in tapping the lucrative Chinese market. To fully capture emerging opportunities, the Group has been actively exploring cooperative opportunities with other multinational enterprises after it formed strategic alliance with General Electric early last year. Such endeavors will enhance the Group's market competitiveness and allow it to diversify and expand its business scope. The Group will also continue to look for opportunities to invest in rare earth mines so as to speed up creation of a vertical industrial chain.

As for the refractory materials business, apart from allocating more resources into developing existing business, the Group will also strive to diversify the segment's product offerings and broaden the

司蘇海鎂礦在電熔鎂砂業務的切入，再發展高純鎂砂業務。新項目計劃將分三期自行建造，預算總投資額約為4至5億港元，並將於未來兩年至三年內完成。第一期建設工程已經展開，預期將於二零零七年底前落成投產，屆時將能年產5萬噸高純鎂砂。第一期工程完成後按情況展開第二及第三期工程。當整項投資計劃相繼完成後，高純鎂砂的總年產量將能達15萬噸。這將能為本集團的耐火材料業務提供穩定的原料供應，有助控制成本；而由於高純鎂砂的毛利率較一般耐火材料為高，屆時新生產線將為本集團增添可觀的收入來源。



除上述的大型投資項目外，本集團將持續改良現有生產設備。稀土業務方面，本集團於二零零七年第一季度完成了純水生產線並已開始投入運作。此將廉價地提供稀土分離時所需要的工業用純水。另一方面，用於耐火材料業務上的原材料破碎車間亦將於二零零七年中完成。此亦將能有效地提升生產效率及降低生產成本。

公共關係

本集團一向重視公司透明度，與機構投資者及分析員作雙向溝通。本集團經常和基金經理及分析員會面，向他們發放有關本集團業務之財務及其他資料，並向股東、分析員及有興趣人士派發中期及年度報告，提供本集團業務之詳盡資料。本集團亦經常與傳媒保持聯絡，並將本集團之新聞稿、公告及公開資料即時發佈予傳媒，闡述最新之業務動向及發展計劃，讓大眾瞭解本集團之業務運作，促進與大眾之溝通。

range of advanced refractory materials products. Riding on its subsidiary Suhai Magnesium's fused magnesium grains business, the Group will develop high purity magnesium grains business. Construction of the new plant will be in three phases to take place over two to three years with total investment estimated at around HK\$400 million to HK\$500 million. Construction of phase one of the plant had begun with production scheduled for the end of 2007. The planned annual production capacity of phase one will reach 50,000 tonnes of high purity magnesium grains. Upon the completion of the second and third phases subject to the market demand after the first phase is completed, the total annual production capacity of the new plant will be as high as 150,000 tonnes. This will enable the Group to secure stable supply of raw materials for its refractory materials business, and thus effectively control costs. Since the gross profit margin of high purity magnesium grains is higher than the ordinary refractory materials, the new production line is set to become a significant income source of the Group.

Apart from the above large-scale investment project, the Group will continue to enhance its production facilities. For rare earth business, the new pure water production workshop was completed and commenced operation in the first quarter of 2007. This facility will provide pure water for use in the separation of rare earth at low cost. Furthermore, construction of a new workshop for crushing raw materials of refractory products will be completed in mid 2007, which will also help improve the Group's production efficiency and save cost.

PUBLIC RELATIONS

The Group recognises the importance of running a highly transparent operation and maintains two-way communication with investors and analysts. It meets with fund managers and analysts regularly to keep them up-to-date on the Group's financial and other information. It also distributes its annual and interim reports with detail information of its business to shareholders, analysts and any interested parties. The Group is also in regular contact with the media and dispatch news releases, circulars and other public information in a timely manner to them, detailing information of the Group's latest business development and plans. In doing so, the Group is able to keep the public informed of the status of its operation and enhance communication with the community.

股份配售

本公司於二零零六年進行了兩次資金籌集活動。於二零零六年三至四月期間，本公司以每股售價1.38港元配售了197,390,000股新增股份。交易完成後，本集團已發行股份數目增加至1,184,343,059股，公眾流通量增加至49%以上。扣除費用後本集團共籌集了約264,120,000港元，所得款項淨額撥作一般營運資金。

於二零零六年十一月，本公司再以每股售價1.46港元配售236,800,000股新增股份。交易完成後，本集團已發行股本增加至1,421,143,059股，公眾流通量增加至約58%，扣除費用後本集團籌得約330,910,000港元，所得款項淨額中約70%用作投資建設高純鎂砂生產設施，餘額則撥作一般營運資金。截至二零零六年十二月三十一日，本集團已對高純鎂砂投資項目投入約1.2億港元。

流動資金及財務資源

通過兩次新增股份配售活動後，本公司的流動資金大幅增加。於二零零六年十二月三十一日，本集團持有現金及所有銀行存款約763,414,000港元，其中包括約值99,790,000港元的存款已抵押作為銀行信貸額擔保。透過抵押存款，本集團獲得了銀行貸款人民幣95,000,000元。本集團於年末的流動資產淨額約為1,327,318,000港元。總負債對總資產的比率約為9%。

除上述之抵押存款外，本集團並無其他資產已被抵押，亦無重大或然負債。

PLACING OF SHARES

The Company conducted two fund raising activities in 2006. In March and April 2006, the Company placed 197,390,000 new shares at HK\$1.38 per share after which the total number of issued shares of the Group was increased to 1,184,343,059 with public float increased to over 49%. The net proceeds from the placing intended for general capital use amounted to approximately HK\$264,120,000.

In November 2006, the Company entered into an agreement to place 236,800,000 new shares at HK\$1.46 per share after which the total number of issued shares of the Group was increased to 1,421,143,059 with public float increased to approximately 58%. The net proceeds from the placing amounted to approximately HK\$330,910,000, approximately 70% will be for investing into the construction of the high purity magnesium grains production facility and the balance will be used as general working capital of the Group. As at 31 December 2006, the Group had invested HK\$120 million in the high purity magnesium grains project.

LIQUIDITY AND FINANCIAL RESOURCES

After two placing activities, the Group's liquidity improved markedly. The Group had cash and all bank balances of approximately HK\$763,414,000 as at 31 December 2006, of which bank deposit valued at HK\$99,790,000 was pledged as guarantee for banking facilities and upon which a bank loan of RMB95,000,000 was obtained. The Group had net current assets of approximately HK\$1,327,318,000 as at the end of the year. Total liabilities to total assets ratio was 9%.

Apart from the deposit pledged as stated above, the Group had no other charge on assets. There is no material contingent liability.

本集團並無面臨重大的息率風險。匯率方面，本集團大部份之資產、負債及交易均以人民幣結算，另部份以美元及港元列值。鑑於美元及港元的匯率相對穩定，且以美元結算的出口銷售回籠較快，故於回顧期內人民幣的升值並未為本集團帶來重大的匯率風險，相反在財務報表上折合為港元時更出現匯兌收益。

僱員及薪酬

於二零零六年十二月三十一日，本集團僱用員工約1,500人，包括多名大學畢業生及經驗豐富的專業翹楚。本集團為員工提供完善的薪酬及福利制度，包括購股權計劃以鼓勵員工對本集團的貢獻。回顧年內，僱員成本包括董事酬金合計約為26,829,000港元。另外，本集團亦不時為員工提供培訓及招聘人才，以保持員工的競爭能力。

致謝

本集團能有今天的成績，實有賴全體員工多年來努力不懈，以及得到各股東、投資者、客戶、供應商及業務夥伴一直以來對本集團的信賴與支持。本人謹代表董事會及管理層向彼等致以最衷心的謝意。

主席
蔣泉龍

香港，二零零七年四月十八日

The Group was not exposed to material interest rate risk. Regarding foreign exchange, most of the Group's assets, liabilities and transactions are denominated in Renminbi, while some are in US dollars or Hong Kong dollars. As the exchange rate of US dollars and Hong Kong dollars were relatively stable and export sales settled in US dollars usually has shorter collection period, the Group was not exposed to material foreign exchange risk despite appreciation of the Renminbi. On the contrary, the Group had an exchange gain upon translation of the financial statements into HK dollars.

STAFF AND REMUNERATION

As at 31 December 2006, the Group had a workforce of approximately 1,500 including young graduates and experienced professionals. The Group adopts a comprehensive staff remuneration and welfare system, including share option scheme, to motivate staff to contribute to the Group. During the year, approximately HK\$26,829,000 was incurred in staff costs including directors' emoluments. The Group also provided regular staff training and recruited new talents to maintain competitiveness.

APPRECIATION

The Group is able to report success because of the hard work of its staff and the unwavering support and trust of shareholders, investors, customers, suppliers and business partners over the years. On behalf of the Board and the management, I give my heartfelt thanks to them all.

Jiang Quanlong
Chairman

Hong Kong, 18 April 2007