



## 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.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

### RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 101.

The directors do not recommend the payment of any dividend in respect of the year.

### FIVE YEAR FINANCIAL SUMMARY

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 and restated/reclassified as appropriate, is set out on page 102. This summary does not form part of the audited financial statements.

### PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 13 and 14 to the financial statements, respectively.

### SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options are set out in notes 30 and 31 to the financial statements, respectively.

### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

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## DISTRIBUTABLE RESERVES

At 31 December 2006, the Company had no reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

## DIRECTORS

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

### **Executive directors:**

Mr. Zhang Honghai  
Mr. Li Kangying  
Mr. E Meng  
Mr. Wang Yong  
Mr. Cao Wei  
Dr. Yu Xiaoyang  
Mr. Ng Kong Fat, Brian

### **Independent non-executive directors:**

Mr. Cao Guixing  
Prof. Liu Wei  
Dr. Jin Lizuo

In accordance with the Company's articles of association, Mr. Zhang Honghai, Mr. Cao Wei and Prof. Liu Wei will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mr. Cao Guixing, Prof. Liu Wei and Dr. Jin Lizuo and, as at the date of this report, still considers them to be independent.





## REPORT OF THE DIRECTORS

### DIRECTORS' SERVICE CONTRACTS

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

### DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

### DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 38 to the financial statements, 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 holding companies, subsidiaries and fellow subsidiaries was a party during the year.

### DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2006, the interests of the directors in the share capital and underlying shares of the Company or 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 pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

#### Long positions in ordinary shares of the Company:

| Name of director       | Number of shares held | Capacity and nature of interest  | Percentage of the Company's issued share capital |
|------------------------|-----------------------|----------------------------------|--|
| Mr. Ng Kong Fat, Brian | 8,792,755<br>(Note)   | Through a controlled corporation | 1.49   |
| Mr. Cao Wei            | <u>8,000,000</u>      | Directly beneficially owned      | <u>1.35</u>                                      |

Note:

The 8,792,755 shares are held by Sunbird Holdings Limited, a company beneficially owned by Mr. Ng Kong Fat, Brian.

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## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

(continued)

### Long positions in ordinary shares of an associated corporation of the Company:

| Name of director       | Name of associated corporation  | Relationship with the Company | Number of shares held | Capacity and nature of interest | Percentage of the associated corporation's issued share capital |
|------------------------|---------------------------------|-------------------------------|-----------------------|---------------------------------|---|
| Mr. Ng Kong Fat, Brian | BD Ah Yat Abalone Group Limited | Company's subsidiary          | 1,462,000             | Directly beneficially owned     | 21.5  |

The interests of the directors in the share options of the Company are separately disclosed in note 31 to the financial statements.

In addition to the above, Mr. Ng Kong Fat, Brian has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 December 2006, none of the directors and the associates had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 31 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.





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### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2006, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

#### Long positions in ordinary shares of the Company:

| Name   |        | Capacity and nature of interest  | Number of ordinary shares held | Percentage of the Company's issued share capital |
|--|--------|----------------------------------|--------------------------------|--|
| Idata Finance Trading Limited ("IFTL")           | (Note) | Directly beneficially owned      | 275,675,000                    | 46.57  |
| Beijing Enterprises Holdings Limited ("BEHL")    | (Note) | Through a controlled corporation | 275,675,000                    | 46.57  |
| Beijing Enterprises Investments Limited ("BEIL") | (Note) | Through a controlled corporation | 275,675,000                    | 46.57  |
| Beijing Holdings Limited ("BHL")                 | (Note) | Through a controlled corporation | <u>275,675,000</u>             | <u>46.57</u>                                     |

Note:

IFTL is a direct wholly-owned subsidiary of BEHL, which is held directly as to approximately 44% and indirectly as to approximately 16% by BEIL. BEIL is held indirectly as to approximately 66.5% by BHL. Accordingly, the shares in which IFTL is shown to be interested are also the shares in which BEHL, BEIL and BHL are interested.

Save as disclosed above, as at 31 December 2006, no person had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## REPORT OF THE DIRECTORS

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

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

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

### **POST BALANCE SHEET EVENT**

Details of the significant post balance sheet event of the Group are set out in note 40 to the financial statements.

### **AUDITORS**

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Zhang Honghai**

*Chairman*

Hong Kong

3 April 2007

