

Report of the Directors

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, securities trading and property investment. The principal activities of the Group are property investment, development and management. Details of the Group's principal subsidiaries are set out in Note 22 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in Note 7 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers and suppliers in the aggregate represented 100% of the Group's total operating revenue and total purchases (not including purchases of items which are of capital nature) for the year ended 31 December 2006.

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2006 and the state of the Company's and the Group's affairs as at 31 December 2006 are set out in the financial statements on pages 26 to 29.

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2006 (2005: Nil).

RESERVES

Details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 30.

Details of movements in reserves of the Company during the year are set out in Note 36 to the financial statements.

DISTRIBUTABLE RESERVE

At 31 December 2006, the amount of the Company's reserve distributable to shareholders was approximately HK\$196,225,000, comprising of the contributed surplus of approximately HK\$115,615,000.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in Note 17 to the financial statements.

Report of the Directors (Continued)

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 30 to the financial statements.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2006 are set out in Note 31 to the financial statements.

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in Note 16 to the financial statements.

SHARE OPTION SCHEME

The share option scheme adopted by the Group was expired on 23 December 2000. As at 31 December 2006 and up to the date of this report, the Group did not adopt any new share option scheme.

DIRECTORS

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

Executive Directors

Guan Guoxing (appointed on 12 December 2006 and appointed as the Chairman on 12 January 2007)
Jin Jiu Xin (appointed on 28 February 2006 and appointed as the Deputy Chairman on 12 January 2007)
Chiu Yeung (appointed as the Chief Executive Officer on 12 January 2007)
Ren Jun Tao
Xu Zhe Cheng (resigned on 28 February 2006)
Ji Jian Xun (appointed on 12 December 2006)

Non-Executive Director

Qian Yong Wei (former Non-Executive Chairman, retired on 17 November 2006)

Independent Non-executive Directors

Mu Xiangming
Cheng Chak Ho
Lo Wa Kei Roy

In accordance with the Company's bye-law 86(2), Mr. Guan Guoxing and Mr. Ji Jian Xun will hold the office only until the forthcoming annual general meeting, and being eligible, offer themselves for re-elections at the forthcoming annual general meeting.

In accordance with the Company's bye-law 87(1), Mr. Ren Jun Tao and Mr. Cheng Chak Ho will retire from office by rotation, and both of them being eligible, offer themselves for re-elections at the forthcoming annual general meeting.

Report of the Directors (Continued)

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2006, 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 (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follow:

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Qian Yong Wei (Notes 1 & 2)	Held by spouse/held by controlled corporation	1,148,368,235	34.65%
Xu Zhe Cheng (Notes 3 & 4)	Held by spouse/held by controlled corporation	1,148,368,235	34.65%
Chiu Yeung (Note 5)	Held by controlled corporation	500,000	0.02%

Notes:

1. Mr. Qian Yong Wei ("Mr. Qian") held 95,000 shares (95%) in China Wan Tai Group Limited ("China Wan Tai"), the ultimate controlling shareholder of the Company. China Wan Tai held 100 shares (100%) in Universal Union Limited ("Universal Union"). Universal Union held 1,148,368,235 shares in the Company.
2. Mr. Qian resigned as a non-executive director of the Company on 17 November 2006.
3. Ms. Xu Zhe Cheng ("Ms. Xu"), Mr. Qian's wife, held 5,000 shares (5%) in China Wan Tai. China Wan Tai held 100 shares (100%) in Universal Union. Universal Union in turn held 1,148,368,235 shares in the Company.
4. Ms. Xu resigned as an executive director of the Company on 28 February 2006.
5. Mr. Chiu Yeung was beneficially interested in all the shares of Sunnergy Finance & Investment Limited ("Sunnergy"). Sunnergy held 500,000 shares in the Company.
6. All interests stated above represent long position.

Other than as disclosed above, and save for nominee shares in certain subsidiaries held in trust for the Group, as at 31 December 2006, neither the directors nor the chief executive, nor any of their associates, had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors (Continued)

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2006, the register maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders and their associates had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
China Wan Tai (Note 1)	Held by controlled corporation	1,148,368,235	34.65%
Universal Union	Beneficial owner	1,148,368,235	34.65%
Zhao Qing	Beneficial owner	173,760,000	5.24%

Notes:

1. These shares are held by Universal Union, a wholly owned subsidiary of China Wan Tai which is in turn beneficially owned by Mr. Qian and Ms. Xu as to 95% and 5% respectively.
2. All interests stated above represent long position.

Other than as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 31 December 2006.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year under review 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, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in the Company or any other body corporate.

DIRECTORS' SERVICE CONTRACTS

The terms of appointment of the independent non-executive directors are renewable each year at the anniversary date of appointment. Their remunerations are determined by the directors at each of their respective anniversary dates of appointment.

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

The directors' remuneration for the year is set out in Note 14 to the financial statements.

Report of the Directors *(Continued)*

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 40 to the financial statements, no contract of significant to which the Company, any of its holding companies or fellow subsidiaries was a party, in which a director had a material interest, subsisted at the end of the year under review or at any time during the year under review.

EMOLUMENT POLICY

The emolument policy of employees of the Group is set up on the basis of the nature of the jobs, market condition and individual merits.

The emoluments of the directors are determined with reference to their qualifications, experience, duties and the prevailing market rates.

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 under review.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the law of Bermuda.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 80 of this annual report.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Messrs. Mu Xiangming, Cheng Chak Ho and Lo Wa Kei Roy. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting process and internal control of the Group. The audit committee had reviewed the Group's financial statements for the year ended 31 December 2006.

Report of the Directors *(Continued)*

AUDITORS

Messrs. HLB Hodgson Impey Cheng were appointed as the auditors of the Company in succession to Messrs. Ting Ho Kwan & Chan who resigned from the office on 29 March 2004.

Messrs. M.C. Ng & Co. were appointed as the auditors of the Company in succession to Messrs. HLB Hodgson Impey Cheng who resigned from the office on 14 March 2007.

Messrs. M.C. Ng & Co. will retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting.

A resolution for the re-appointment of Messrs. M.C. Ng & Co. as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chiu Yeung

Executive Director

Hong Kong, 20 April 2007