



# REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2006.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in property development and, through its listed subsidiary, Sino-i Technology Limited ("Sino-i"), engaged in corporate IT application services, financial information services and distance learning services.

## SEGMENTAL INFORMATION

Particulars of the Group's turnover and segment information for the year are set out in notes 5 and 6 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 34.

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

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years/period is set out on page 100.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Company and the Group during the year are set out in note 13 to the financial statements.

## SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of the Company's principal subsidiaries and associated companies as at 31 December 2006 are set out in notes 15 and 16, respectively, to the financial statements.

## BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group's bank loans, overdrafts and other borrowings as at 31 December 2006 are set out in note 26 to the financial statements.

## SHARE CAPITAL AND SHARE PREMIUM

Details of the movements in share capital and share premium of the Company during the year are set out in notes 28 and 30 to the financial statements respectively.

## RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 30 to the financial statements.



# REPORT OF THE DIRECTORS

## DISTRIBUTABLE RESERVES

As at 31 December 2006, the amount of the Company's reserves available for distribution was approximately HK\$1,972,453,000. In addition, the Company's share premium account with a balance of HK\$950,882,000 may be distributed in the form of fully paid bonus shares.

## MAJOR CUSTOMERS AND SUPPLIERS

The Group's sales to the five largest customers and purchases from the five largest suppliers for the year ended 31 December 2006 accounted for less than 30% of the Group's total turnover and purchases respectively, for the year.

## DIRECTORS' EMOLUMENTS

Details of directors' emoluments are set out in note 35 to the financial statements.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors of the Company has an interest in a business which competes or may compete with the business of the Group.

## PENSION COSTS

Details of retirement benefit plans in respect of the year are set out in note 34 to the financial statements.

## DIRECTORS

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

Mr. YU Pun Hoi ( <i>Chairman</i> )	
Mr. QIN Tian Xiang	(re-designated as executive director on 14 February 2006)
Ms. CHEN Dan	(appointed on 14 February 2006)
Mr. YU Lin Hoi <sup>#</sup>	
Mr. LAM Bing Kwan <sup>#</sup>	
Mr. HUANG Yaowen*	(appointed on 14 February 2006)
Prof. JIANG Ping*	(appointed on 14 February 2006)
Mr. LAU Yip Leung*	(appointed on 29 May 2006)
Mr. ZHANG Hong Ren	(resigned on 1 April 2006)
Ms. WEI Jingyun*	(retired on 29 May 2006)
Mr. WU Chen*	(retired on 29 May 2006)

<sup>#</sup> Non-executive directors

\* Independent non-executive directors

The Company has received annual confirmation from each of the existing independent non-executive directors confirming his independence to the Company pursuant to rule 3.13 of the Listing Rules and the Company considers that such directors are independent of the Company.

In accordance with Bye-law 99 of the Company's Bye-Laws, no director shall retire at the forthcoming Annual General Meeting.

In accordance with Bye-law 102 of the Company's Bye-Laws, Mr. Lau Yip Leung may hold office only until the forthcoming Annual General Meeting and being eligible, will offer himself for re-election at the forthcoming Annual General Meeting.



# REPORT OF THE DIRECTORS

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Biographical Details of Directors

#### *Executive Directors*

**Mr. YU Pun Hoi**, aged 48, is the Chairman and the chairman of executive committee of, and a controlling shareholder of the Company. Mr. Yu joined the Board of the Company in September 2000. In addition to Mr. Yu's chairmanship of the Company, he is the chairman of the board of and of the executive committee of Sino-i, a listed subsidiary of the Company. Mr. Yu is also a director of all the subsidiaries of the Company and Sino-i.

Mr. Yu through his own establishment and acquisition has extensive experience in various businesses including properties investment and development, newspaper publisher, satellite broadcasting television station, information technology, and media.

Mr. Yu is the younger brother of Mr. Yu Lin Hoi, a non-executive director of the Company.

**Mr. QIN Tian Xiang**, aged 41, graduated from the National University of Defense Technology, Electronics Technique Department. Mr. Qin has been in presidential and directorship positions in a number of corporations in the PRC and Hong Kong since 1994. Mr. Qin joined the Board in the role of independent non-executive director on 30 September 2004, and was then re-designated as an executive director and appointed as executive committee member and general manager of the Company on 14 February 2006. Mr. Qin is also an executive director and executive committee member of Sino-i.

**Ms. CHEN Dan**, aged 38, graduated from Beijing Finance & Trade College in 1991, and conferred a Bachelor degree in Trade & Economics. Ms. Chen is a qualified lawyer in China, and was working as an attorney prior to joining the Group in October 2000. Ms. Chen has been appointed as a director of CE Dongli, a subsidiary of Sino-i, since May 2004. On 14 February 2006, Ms. Chen joined the Board and was appointed as executive committee member of the Company. Ms. Chen is also an executive director, executive committee member and general manager of Sino-i, and holds directorships in Xinnet, Chinese Dadi, and Redflag Chinese 2000, major subsidiaries of Sino-i and the Company.

#### *Non-executive Directors*

**Mr. YU Lin Hoi**, aged 63, the elder brother of Mr. Yu Pun Hoi, holds a Degree of Master of Mariner from Liberia and Canada in 1972 and 1981 respectively, and an MBA in Hong Kong in 2003. Mr. Yu has extensive experience in marketing, management on manufacture and administration on transportation. Mr. Yu joined the Board on 14 January 2002.

**Mr. LAM Bing Kwan**, aged 57, graduated from the University of Oregon in the United States of America with a Bachelor of Business Administration degree in 1974. Mr. Lam had been in senior management positions in the banking and financial industry for more than 10 years before joining the Group. Mr. Lam joined the Board on 20 September 2000, and was re-designated as non-executive director on 2 April 2002. Mr. Lam is also a non-executive director of Sino-i, and an independent non-executive director of Lai Sun Development Company Limited, Lai Fung Holdings Limited, and eForce Holdings Limited.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### Biographical Details of Directors (continued)

#### *Independent Non-executive Directors*

**Mr. HUANG Yaowen**, aged 36, graduated from South West University of Politics and Laws in the PRC and was conferred a Bachelor degree in Laws in 1992. Mr. Huang obtained a degree of EMBA in China Europe International Business School, and also holds a Master of Laws from Central Parties School in the PRC. Mr. Huang is a registered attorney at law in the PRC and is the executive partner of Kai Wen Law Firm which is Chinese commercial law firms in the PRC. On 14 February 2006, Mr. Huang joined the Board and was appointed as chairman of audit committee and remuneration committee of the Company. Mr. Huang is also an independent non-executive director and chairman of audit committee and remuneration committee of Sino-i.

**Professor JIANG Ping**, aged 76, graduated from Moscow University with a Bachelor degree in Laws in 1956. Prof. Jiang is the lifetime professor of China University of Political Science and Law, and conducts lectures for doctoral degree class in civil and commercial laws. Prof. Jiang is the honorary president of China Comparative Law Research Centre; chairman of Beijing Arbitration Commission; vice-president of China Consumers' Association; and counsellor and member of committee of experts in China International Economic and Trade Arbitration Commission. On 14 February 2006, Prof. Jiang joined the Board and was appointed as member of audit committee and remuneration committee of the Company. Prof. Jiang is also an independent non-executive director and member of audit committee and remuneration committee of Sino-i.

**Mr. LAU Yip Leung**, aged 46, graduated from the City University of Hong Kong and awarded an honours degree of Bachelor of Arts in Accountancy in 1991. Mr. Lau also holds an MBA conferred by the University of Hull, UK in 1995. In addition, Mr. Lau is a fellow member of The Association of Chartered Certified Accountants; member of The Institute of Chartered Accountants in England and Wales, and practising member of the Hong Kong Institute of Certified Public Accountants. Mr. Lau started his public practice business in 1998, and has been a partner of Messrs. Fung Lau & Company, Certified Public Accountants, since October 2000. Mr. Lau joined the Board on 29 May 2006 and is also an audit committee member and remuneration committee member of the Company.

### Biographical Details of Senior Management

**Mr. YU Fan** (aged 39)

*Deputy General Manager – Business and Strategic Development*  
Sino-i Technology Limited

Mr. Yu joined Sino-i in May 2004. In August 2006, Mr. Yu was appointed as General Manager of CE Dongli. Prior to joining Sino-i group, Mr. Yu worked in such large corporations as Founder Group and Hewlett Packard and has over 16 years' experience in IT industry.

Mr. Yu got a degree of Master of Business Administration from Peking University.

**Ms. LIU Rong** (aged 35)

*Deputy General Manager – Media and Culture*  
Sino-i Technology Limited

Ms. Liu joined Sino-i in April 2002. Prior to joining the Sino-i group, Ms. Liu worked in Chinese government departments and law firms. Ms. Liu is a qualified lawyer in China.

Ms. Liu was graduated from the Law School of Anhui University in 1993, and obtained a degree of Bachelor of Laws. Ms. Liu got her Master of Laws in 2002 conferred by the Law Institute of Chinese Academy of Social Science.



# REPORT OF THE DIRECTORS

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### Biographical Details of Senior Management (continued)

**Dr. ZHANG Bin** (aged 41)

*Deputy General Manager – Technology Development*

Sino-i Technology Limited

Dr. Zhang joined Sino-i in 1999. Prior to joining Sino-i group, Dr. Zhang worked in the positions of chief engineer and deputy general manager, responsible for development of communication systems. In 1996, Dr. Zhang was accredited by Commission of Science Technology and Industry for National Defence as “Senior Engineer”.

Dr. Zhang was graduated from the Computer Faculty of The University of Defence Technology in 1994, and awarded a doctorate.

**Mr. XUE Bo Ying** (aged 39)

*Architectural Design Director*

Nan Hai Corporation Limited

Mr. Xue joined the Group in January 2006, responsible for architectural design and its related works for various property projects of the Group in China. Prior to joining the Group, Mr. Xue worked in such senior positions as deputy general manager, senior engineer and architectural design director in both foreign and local Chinese corporations in China. Mr. Xue also worked in Guangzhou City Construction Commission.

Mr. Xue was graduated from Huazhong University of Science and Technology in 1990, and awarded Bachelor of Science. Mr. Xue also got his master's degree in architecture from Tsinghua University in 2000. Mr. Xue is a certified first-level architect, and a certified town planner in China.

**Mr. LU Kwong Seng** (aged 41)

*Financial Controller*

Shenzhen Nanhai Yitian Realty Company Limited

Mr. Lu joined the Group in 1995, responsible for overall financial management of the Group's subsidiaries in China. In 2005, Mr. Lu was promoted to Financial Controller of Shenzhen Nanhai Yitian Realty Company Limited, a subsidiary of the Company. Mr. Lu has over 10 years' experience in financial management in China.

**Mr. MAG Chiu Fai** (aged 32)

*Qualified Accountant*

Nan Hai Corporation Limited

Mr. Mag is also the Accounting Manager of the Group. Mr. Mag joined the Group in 2005 and is responsible for the Group's accounting and financial control functions.

Mr. Mag holds a Bachelor degree in Accountancy from The Hong Kong Polytechnic University and is an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.



# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2006, the interests and short positions of the directors and chief executive of the Company in 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 under 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 Companies (the "Model Code") were as follows:

### The Company

(i) Long position in shares in issue

Name of Director	Number of shares of HK\$0.01 each				Approximate percentage holding
	Personal Interest	Corporate Interest	Family Interest	Total Interest	
Yu Pun Hoi ("Mr. Yu")	–	32,595,726,203 (Note 1)	69,326,400 (Note 2)	32,665,052,603	47.89%

Notes:

- Out of these 32,595,726,203 shares, 28,853,232,705 shares were collectively held by Mr. Yu through Rosewood Assets Limited, Pippen Limited and First Best Assets Limited, companies wholly-owned by him; and 3,742,493,498 shares were held by Macro Resources Limited, a company indirectly held as to 60% by Mr. Yu.
- These 69,326,400 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

(ii) Long position in underlying shares

Name of Director	Number of underlying shares of HK\$0.01 each*	Nature of Interest	Approximate percentage holding
Lam Bing Kwan	25,000,000	Personal	0.04%
Chen Dan	25,000,000	Personal	0.04%

\* Represents underlying shares subject to share options granted to the directors, details of which are as follows:

Grantee	Date of Grant	Exercise price per share HK\$	Number of share options granted	Exercisable period
Lam Bing Kwan	15-12-2005	0.04	12,500,000	01-01-2006 to 31-12-2007
		0.04	12,500,000	01-01-2007 to 31-12-2007
Chen Dan	15-12-2005	0.04	12,500,000	01-01-2006 to 31-12-2007
		0.04	12,500,000	01-01-2007 to 31-12-2007

**REPORT OF THE DIRECTORS****DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)****Associated Corporations**

As disclosed above, Mr. Yu, together with his family and corporate interests, are entitled to control the exercise of more than one-third of the voting power at general meetings of the Company. As such, Mr. Yu is taken to be interested in the shares that the Company or its controlled corporations hold in the associated corporations of the Company within the meaning of Part XV of the SFO, including interests held by the Company in the shares of Sino-i Technology Limited ("Sino-i"), a subsidiary of the Company. Sino-i is a company the shares of which are listed on the Stock Exchange which is also an associated corporation of the Company within the meaning of Part XV of the SFO. As at 31 December 2006, the interests of the directors of the Company in shares and underlying shares of Sino-i were as follows:

**Sino-i***(i) Long position in shares in issue*

Name of Director	Number of shares of HK\$0.01 each			Total Interest	Approximate percentage holding
	Personal Interest	Corporate Interest	Family Interest		
Yu Pun Hoi	–	12,515,795,316 (Note 1)	44,000,000 (Note 2)	12,559,795,316	63.07%

## Notes:

- These 12,515,795,316 shares were collectively held by Goalrise Investments Limited, View Power Investments Limited and Wise Advance Investments Limited, all of which are wholly-owned subsidiaries of the Company. Mr. Yu was taken to be interested in these shares by virtue of his controlling interests in shares of the Company.
- These 44,000,000 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

*(ii) Long position in underlying shares*

Name of Director	Number of underlying shares of HK\$0.01 each*	Nature of Interest	Approximate percentage holding
Lam Bing Kwan	18,000,000	Personal	0.09%
Chen Dan	7,500,000	Personal	0.04%

\* Represents underlying shares subject to share options granted to the directors, details of which are as follows:

Grantee	Date of Grant	Exercise price per share HK\$	Number of share options granted	Exercisable period
Lam Bing Kwan	12-11-2004	0.16	9,000,000	01-07-2005 to 30-06-2008
		0.16	9,000,000	01-07-2006 to 30-06-2008
Chen Dan	12-11-2004	0.16	3,750,000	01-07-2005 to 30-06-2008
		0.16	3,750,000	01-07-2006 to 30-06-2008



## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

### Associated Corporations (continued)

Save as disclosed above, as at 31 December 2006, none of the directors and chief executive of the Company had any interest or short position in 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 under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### SHARE OPTION SCHEME

On 29 August 2002, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board.

On 15 December 2005, share options to subscribe for a total of 468,625,000 shares, representing approximately 1.57% of the issued share capital of the Company as at the date of the adoption of the Scheme, were granted to the directors and employees of the Company and subsidiaries at an exercise price of HK\$0.04 per share. The closing price of share of the Company immediately before the date of grant was HK\$0.039. Movements on the share options during the year are as follows:

Grantee	Date of Grant	Exercisable period	Exercise price per share HK\$	Number of share option				
				outstanding as at 1 January 2006	granted during the year	exercised during the year	lapsed during the year	outstanding as at 31 December 2006
<b>Directors</b>								
Zhang Hong Ren (resigned on 01-04-2006)	15-12-2005	01-01-2006 to 31-12-2007	0.04	8,750,000	-	(8,750,000) (Note 1)	-	-
		01-01-2007 to 31-12-2007	0.04	8,750,000	-	-	(8,750,000)	-
Lam Bing Kwan	15-12-2005	01-01-2006 to 31-12-2007	0.04	12,500,000	-	-	-	12,500,000
		01-01-2007 to 31-12-2007	0.04	12,500,000	-	-	-	12,500,000
Chen Dan (appointed on 14-02-2006)	15-12-2005	01-01-2006 to 31-12-2007	0.04	12,500,000	-	-	-	12,500,000
		01-01-2007 to 31-12-2007	0.04	12,500,000	-	-	-	12,500,000
<b>Employees</b>								
In aggregate	15-12-2005	01-01-2006 to 31-12-2007	0.04	200,900,000 (Note 2)	-	(36,975,000) (Note 3)	(10,500,000)	153,425,000
		01-01-2007 to 31-12-2007	0.04	200,225,000 (Note 4)	-	-	(10,500,000)	189,725,000
Total				468,625,000		(45,725,000)	(29,750,000)	393,150,000





# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME (continued)

Notes:

1. The weighted average closing price of the shares immediately before the date on which the options were exercised was HK\$0.066.
2. 12,500,000 share options which granted to Ms. Chen Dan have been shown in the category of Directors under exercisable period from 1 January 2006 to 31 December 2007 as at 1 January 2006.
3. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$0.062.
4. 12,500,000 share options which granted to Ms. Chen Dan have been shown in the category of Directors under exercisable period from 1 January 2007 to 31 December 2007 as at 1 January 2006.

On 18 January 2007, another share options to subscribe for a total of 157,000,000 shares, representing approximately 0.52% of the issued share capital of the Company as at the date of the adoption of the Scheme, were granted to the directors and employees of the Company and subsidiaries at an exercise price of HK\$0.0714 per share. The closing price of share of the Company immediately before the date of grant was HK\$0.072.

A summary of the Scheme is as follows:

### (1) Purpose

The purpose of the Scheme is to provide incentives or rewards to participants for their contribution or would-be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which any member of the Group holds any equity interests (the "Invested Entity").

### (2) Participants

The participants include:

- a. any employee (whether full time or part time employee, including any executive director but not any non-executive director) of the Company, its subsidiaries and any Invested Entity;
- b. any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;
- c. any supplier of goods or services to any member of the Group or any Invested Entity;
- d. any customer of the Group or any Invested Entity;
- e. any person or entity that provides research, development or technological support or other services to the Group or any Invested Entity;
- f. any shareholder or any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and
- g. any ex-employee who has contributed or may contribute to the development and growth of the Group and any Invested Entity.



# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME (continued)

**(3) Total number of share options available for issue under the Scheme together with the percentage of the issued share capital as at 31 December 2006**

The total number of share options available for issue under the Scheme is 393,150,000 shares representing approximately 0.58% of the issued share capital of the Company as at 31 December 2006.

**(4) Maximum entitlement of each participant**

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each participant in any 12-month period shall not exceed 1 per cent. of the issued share capital of the Company in issue. Any grant of further options above this limit shall be subject to certain requirements as stipulated in the rules of the Scheme.

**(5) The period within which the shares must be taken up under an option**

Not applicable.

**(6) Minimum period for exercising an option**

The board of directors of the Company may at its discretion determine the minimum period for which an option must be held before it can be exercised.

**(7) The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid**

The option shall be deemed to have been accepted when the duplicate letter duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company. To the extent that the offer is not accepted within 28 days in the manner aforesaid, it will be deemed to have been irrevocably declined and lapsed automatically.

**(8) Basis of determining the subscription price**

The subscription price for shares under the Scheme shall be a price determined by the Directors, but shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

**(9) Remaining life of the Scheme**

The Scheme will remain in force for a period of 10 years commencing on 29 August 2002 up to 28 August 2012.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Except for the Scheme disclosed 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.

## DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than the statutory compensation.

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.



# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company or its subsidiaries was a party, and in which any directors 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' INTERESTS AND SHORT POSITIONS

As at 31 December 2006, those persons (other than directors and chief executive of the Company) who had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of person holding an interest in shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	Nature of interest	Number of shares in issue subject to long position	Approximate percentage of issued share capital of the Company	Notes
Kung Ai Ming	Family and Corporate interest	32,665,052,603	47.89%	1
Rosewood Assets Limited	Beneficial interest	6,518,000,210	9.56%	4
Actinna Development Limited	Corporate interest	14,830,245,497	21.74%	4
Righteous International Limited	Corporate interest	3,742,493,498	5.49%	4
Macro Resources Limited	Beneficial interest	3,742,493,498	5.49%	3 & 4
First Best Assets Limited	Beneficial interest	7,504,986,998	11.00%	4
CITIC Group	Corporate interest Security interest	9,448,141,472 21,619,587,933	13.85% 31.70%	2 & 3
CITIC Capital Holdings Limited	Corporate interest Security interest	812,450,000 21,619,587,933	1.19% 31.70%	2
CITIC International Financial Holdings Limited	Corporate interest Security interest	812,450,000 21,619,587,933	1.19% 31.70%	2
CITIC Pacific Limited	Corporate interest Security interest	812,450,000 21,619,587,933	1.19% 31.70%	2
Golden Gateway Enterprises Inc.	Corporate interest Security interest	812,450,000 21,619,587,933	1.19% 31.70%	2
Forever Glory Holdings Ltd.	Corporate interest Security interest	812,450,000 21,619,587,933	1.19% 31.70%	2
Lim Siew Choon	Corporate interest	10,789,673,777	15.82%	5
Empire Gate Industrial Limited	Beneficial interest	7,484,986,997	10.97%	5
Lee Tat Man	Beneficial interest Security interest	250,000,000 7,700,000,000	0.37% 11.29%	



## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS (continued)

Notes:

1. Ms. Kung Ai Ming is the spouse of Mr. Yu and was taken to be interested in those shares in which Mr. Yu and herself (together with their respective corporate interests) held an interest.
2. CITIC Capital Holdings Limited was indirectly interested in 22,432,037,933 shares. CITIC Capital Holdings Limited is indirectly held as to 50% by CITIC Pacific Limited and as to 50% by CITIC International Financial Holdings Limited. Both CITIC International Financial Holdings Limited and CITIC Pacific Limited are companies the shares of which are listed on the Stock Exchange and in which CITIC Group controls an approximately 67% and 29% interests respectively. Both Forever Glory Holdings Ltd. and Golden Gateway Enterprises Inc. are wholly-owned subsidiaries of CITIC Pacific Limited and are companies through which CITIC Pacific Limited holds its 50% interest in CITIC Capital Holdings Limited. The interests held by CITIC Capital Holdings Limited was included as part of the interests of Forever Glory Holdings Ltd., Golden Gateway Enterprises Inc., CITIC Pacific Limited, CITIC International Financial Holdings Limited and CITIC Group.
3. CITIC Group was indirectly interested in 31,067,729,405 shares, of which interests in 22,432,037,933 shares were held through its interest in CITIC Capital Holdings Limited and interests in the remaining 8,635,691,472 shares were held by its wholly-owned subsidiaries, Staverley Assets Ltd., and its 40% owned company, Marco Resources Limited.
4. Rosewood Assets Limited, Actinna Development Limited, Righteous International Limited and First Best Assets Limited are companies wholly owned by Mr. Yu and Macro Resources Limited is held as to 60% by Righteous International Limited. Their interests in shares are disclosed as the corporate interests of Mr. Yu above. Interest held by Macro Resources Limited was included as the interest of Righteous International Limited. The interest of Actinna Development Limited is held through Pippen Limited, its wholly-owned subsidiary.
5. Empire Gate Industrial Limited is wholly-owned by Mr. Lim Siew Choon. Its interest in shares was included as interest held by Mr. Lim Siew Choon.

Save as disclosed above, as at 31 December 2006, no person (other than directors and chief executive of the Company) had notified to the Company any interest or short position in the shares or underlying shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

## RELATED PARTY TRANSACTIONS

Details of related party transactions of the Company and the Group are set out in note 39 to the financial statements.

## PRE-EMPTIVE RIGHTS

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

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's shares during the year.

## PUBLIC FLOAT

Based on the publicly available information and to the best knowledge of the directors, the Company has maintained during the year sufficient public float as required under the Listing Rules.

## CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 27 to 32.



# REPORT OF THE DIRECTORS

## AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company. On 14 February 2006, Mr. Qin Tian Xiang ceased to be the chairman of the Audit Committee due to his re-designation as an executive director of the Company and Mr. Huang Yaowen and Prof. Jiang Ping were appointed independent non-executive directors of the Company and members of the Audit Committee. The existing Audit Committee consists of three independent non-executive directors of the Company, namely Mr. Huang Yaowen, Prof. Jiang Ping and Mr. Lau Yip Leung. The Audit Committee has reviewed with the auditors of the Company and management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited accounts for the year ended 31 December 2006.

## AUDITORS

The financial statements for the year have been audited by Messrs. Grant Thornton who retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of auditors of the Company.

On behalf of the Board

**Yu Pun Hoi**

*Chairman*

Hong Kong, 19 April 2007