

Directors' Report

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its associate and principal subsidiaries are set out in notes 18 and 42, respectively, to the consolidated financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 29 of the annual report.

INVESTMENT PROPERTY

The Group's investment property at 31st December, 2006 were revalued by an independent firm of professional property valuers on a fair value basis. Details of the investment property of the Group during the year are set out in note 15 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 31 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31st December, 2006, in the opinion of the directors, the Company had no reserves available for distribution to shareholders (2005: Nil).

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DIRECTORS

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

Executive directors:

Ms. Ma Jun Li (*Chairman*)
Mr. Wang Da Yong (*Chief Executive Officer*)
Mr. Ng Tang (*Deputy Chairman*)
Mr. Ren Zheng
Ms. Cheung Hoi Ping
Mr. Zhang Jun

Non-executive director

Mr. Leung Chung Tak, Barry (appointed on 20th January, 2006)

Independent non-executive directors:

Ms. Chung Kwo Ling
Mr. Sun Yeung Yeung
Mr. Lee Yuen Kwong

In accordance with the clauses 86(2) and 87(1) of the Company's Bye-laws, Ms. Ma Jun Li, Ms. Cheung Hoi Ping, Mr. Sun Yeung Yeung and Mr. Ng Tang retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each independent non-executive director is the period up to his/her retirement by rotation in accordance with the Company's Bye-laws.

The Company has received, from each of the 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 "Stock Exchange") (the "Listing Rules"). The Company considers all of the independent non-executive directors are still independent.

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DIRECTORS' INTERESTS IN SHARES AND SHORT POSITIONS IN SHARES

As at 31st December, 2006, the interests and short positions of the directors and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Long position

Ordinary shares of HK\$0.05 each

Name of directors	Capacity	Interest in shares	Percentage of the issued share capital of the Company
Ms. Ma Jun Li (<i>note 1</i>)	Spouse interest	2,197,460,000	36.33%
Mr. Ng Tang (<i>note 2</i>)	Controlled corporation	42,864,000	0.70%
Mr. Ng Tang	Beneficial owner	10,000,000	0.16%
Mr. Ren Zheng	Beneficial owner	2,000,000	0.03%

Notes:

- The shares represent deemed interest of Ms. Ma Jun Li by virtue of her spouse, Mr. Wang Jian Hua, being a substantial shareholder of the Company having a notifiable interest in the Company of such 2,113,872,000 shares were held by Best Chance Holdings Limited. By virtue of the SFO, Mr. Wang Jian Hua holding more than one third of voting rights of Best Chance Holdings Limited. Besides, 83,588,000 shares are held and beneficially owned by Mr. Wang Jian Hua.
- 42,864,000 shares were held by Power Win Group Limited. By virtue of the SFO, Mr. Ng Tang holding more than one third of voting rights of Power Win Group Limited, was deemed to be interested in the same 42,864,000 shares held by Power Win Group Limited.

Save as disclosed above and other than certain nominee shares in subsidiaries held by directors in trust for the Company or its subsidiaries, as at 31st December, 2006, none of the directors, nor their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

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SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 32 to the consolidated financial statements.

The following table discloses movements in the share options of the Company during the year:

2002 Scheme

	Date of grant	Exercisable period	Exercise price HK\$	Number of share options				
				Outstanding at 1.1.2006	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.12.2006
I. Employees	5.10.2004	5.10.2004 to 5.10.2014	0.0712	24,000,000	-	-	(9,000,000)	15,000,000
	26.9.2005	26.9.2005 to 25.9.2015	0.083	36,700,000	-	-	(9,500,000)	27,200,000
Sub-total				60,700,000	-	-	(18,500,000)	42,200,000
II. Other eligible persons	23.9.2004	23.9.2004 to 23.9.2014	0.070	190,000,000	-	-	-	190,000,000
	5.10.2004	5.10.2004 to 5.10.2014	0.0712	67,000,000	-	-	-	67,000,000
	26.9.2005	26.9.2005 to 25.9.2015	0.083	481,000,000	-	(100,000,000)	-	381,000,000
Sub-total				738,000,000	-	(100,000,000)	-	638,000,000
Total categories				798,700,000	-	(100,000,000)	(18,500,000)	680,200,000

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the option holdings 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 or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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.

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SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2006, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO, other than the interests disclosed in "Directors' Interests in Shares", the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Long position

Ordinary shares of HK\$0.05 each of the Company

Name of shareholders	Capacity	Interest in shares	Percentage of the Company's issued share capital
Mr. Wang Jian Hua	Controlled corporation (<i>Note 1</i>)	2,113,872,000	34.95%
	Beneficial owner	83,588,000	1.38%
Best Chance Holdings Limited	Beneficial owner (<i>Note 1</i>)	2,113,872,000	34.95%
Asset Managers (China) Fund Co., Ltd	Beneficial owner	841,110,376	13.90%
Asset Investors Co., Ltd	Controlled corporation (<i>Note 2</i>)	841,110,376	13.90%
Asset Managers (China) Company Limited	Controlled corporation (<i>Note 2</i>)	841,110,376	13.90%
Asset Managers Co, Ltd	Controlled corporation (<i>Note 2</i>)	841,110,376	13.90%
Red Rock Investment Co., Ltd	Controlled corporation (<i>Note 2</i>)	841,110,376	13.90%
Detsche Bank Aktiengesell Schaft	Beneficial owner	423,500,000	7.00%

Notes:

- 2,113,872,000 shares were held by Best Chance Holdings Limited, in which Mr. Wang Jian Hua holding more than one third of its voting rights, was therefore deemed to be interested in the same 2,113,872,000 shares held by Best Chance Holdings Limited.
- Asset Managers (China) Fund Co., Ltd was owned as to 50% by Asset Investors Co., Ltd (which was owned as to 57.69% by Asset Managers Co., Ltd) and 50% by Asset Managers (China) Company Limited (which was owned as at 70% by Red Rock Investment Co., Ltd). Red Rock Investment Co., Ltd was a wholly owned subsidiary of Asset Managers Co., Ltd. By virtue of the SFO, Asset Investors Co., Ltd, Asset Managers (China) Company Limited, Asset Managers Co., Ltd and Red Rock Investment Co., Ltd were deemed to be interested in the interests held by Asset Managers (China) Fund Co., Ltd.

Save as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 31st December, 2006.

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MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers for the year ended 31st December, 2006 were less than 30% of the total sales. The aggregate purchase attributable to the Group's five largest suppliers for the year ended 31st December, 2006 were less than 30% of the total purchases.

EMOLUMENT POLICY

The Board established the Remuneration Committee in accordance with the Listing Rules. The Committee comprises Ms. Ma Jun Li, Mr. Ng Tang, Ms. Chung Kwo Ling, Mr. Sun Yeung Yeung and Mr. Lee Yuen Kwong.

Summary of duties and works of the Remuneration Committee is set out in the "Corporate Governance Report" in this annual report.

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout 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

Ma Jun Li
CHAIRMAN
28th April, 2007