

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are set out in note 18 to the financial statements.

During the year ended 31 December 2006, the Group principally carried out its operation through 張家口興發農林發展有限公司(Zhangjiakou Xing Fa Agricultural Development Company Limited*), its 70% owned subsidiary.

FINANCIAL RESULTS

The results for the Group for the year ended 31 December 2006 are set out in the financial statements of the Group on pages 27 to 78.

CASH FLOW POSITION

The cash flow position of the Group for the year ended 31 December 2006 is set out and analysed in the consolidated cash flow statement on page 30.

DIVIDEND

The directors of the Company have resolved not to declare any dividend (2005: Nil).

CHANGE OF COMPANY'S NAME

By a special resolution passed on 9 June 2006, the name of the Company was changed from First Dragoncom Agro-Strategy Holdings Ltd. to Ever Fortune International Holdings Limited and the Company adopted 連發國際股份有限公司 as part of its legal name.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the current year and the last four financial year is set out on pages 3 and 4.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 29.

Movement in the reserves of the Company during the year are set out in note 27 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

The movements of the property, plant and equipment of the Group for the year ended 31 December 2006 are set out in note 14 to the financial statements.

SUBSIDIARIES

Particulars of the subsidiaries are set out in note 18 to the financial statements.

** for identification purposes only*

Report of the Directors

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, sales to the Group's five largest customers accounted for approximately the total sales for the year and sales to the largest customer included therein amounted to approximately 95%. There were no purchase of inventories during the year as the sales were fulfilled by existing inventories.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has any interest in the share capital of the five largest customers or the largest supplier of the Group.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options as of 31 December 2006 are set out in notes 26 (a) and 26 (b) to the financial statements respectively.

The Company has adopted a share option scheme on 21 June 2002 (the "Scheme"). All outstanding options have been cancelled during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report are as follows:

Executive directors:

Mr. Zhou Wenjun (<i>Chairman</i>)	(appointed on 12 April 2006)
Mr. Ji Kewei (<i>Deputy Chairman and Chief Executive Officer</i>)	(appointed on 12 April 2006)
Mr. Ding Jianguyong	(appointed on 31 October 2005)
Mr. Dai Jun	(appointed on 12 April 2006)
Mr. Sun Kejun	(appointed on 12 April 2006)
Mr. Jiang Guoan	(appointed on 31 October 2005 and resigned on 12 April 2006)
Dr. Cheng Chuange	(appointed on 31 October 2005 and resigned on 12 April 2006)
Ms. Zhao Ping	(appointed on 31 October 2005 and resigned on 12 April 2006)
Mr. Gong Zeng Li	(appointed on 30 December 2005 and resigned on 12 April 2006)

Independent non-executive directors:

Mr. So Hoi Pan	(appointed on 12 April 2006)
Mr. Yim Hing Wah	(appointed on 12 April 2006)
Mr. Zhao Wen	(appointed on 12 April 2006)
Ms. Lee Chunxiu	(appointed on 1 November 2005 and resigned on 12 April 2006)
Mr. Chen Bin	(appointed on 7 September 2005 and resigned on 12 April 2006)
Mr. Qin Li	(appointed on 7 September 2005 and resigned on 12 April 2006)

In accordance with bye-law 99 of the bye-laws of the Company, Mr. Ding Jianguyong, Mr. Dai Jun, Mr. Sun Kejun, will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.



Report of the Directors

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2006, none of the directors and chief executive of the Company had any interests or short positions 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 ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") or which were required to be entered in the register required to be kept by the Company under section 352 of the SFO.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

So far as is known to the directors of the Company, as at 31 December 2006, the persons or companies (other than the directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in the shares of the Company

Name of shareholders	Capacity	Number of shares	Percentage of shareholding
Ever Fortune Holdings Group Limited (Formerly Chinabold International Investment Limited)	Beneficial owner	530,530,000	20.95%
Wonderland Group (Hong Kong) Corporation Limited	Interest of a controlled corporation	530,530,000	20.95%
Jiangsu Jinhai Investment Company Limited	Interest of a controlled corporation	530,530,000	20.95%
Concord Group (B.V.I.) Limited	Interest of a controlled corporation	550,530,000 (Note 1)	21.74%
Legend (Group) Investment Limited	Interest of a controlled corporation	550,530,000 (Note 1)	21.74%
China Wallink Holding Group Co., Ltd.	Interest of a controlled corporation	550,530,000 (Notes 1 and 2)	21.74%
Evertop Investment Holdings Limited	Interest of a controlled corporation	550,530,000 (Note 1)	21.74%
Mr. Ji Da Wei	Interest of a controlled corporation	550,530,000 (Notes 1 and 3)	21.74%
China Huaxing (HK) International Company Limited	Interest of a controlled corporation	550,530,000 (Note 1)	21.74%
China Huaxing Group Company	Interest of a controlled corporation	550,530,000 (Notes 1 and 4)	21.74%
Mr. Chen Xin	Beneficial owner	430,000,000	16.98%
Mr. Chan Hung Shek	Beneficial owner	334,000,000	13.19%

Report of the Directors

Notes:

1. Ever Fortune Holdings Group Limited (Formerly Chinabond International Investment Limited) ("Ever Fortune Holdings") is now holding 530,530,000 shares in the company, is owned as to 60% by Wonderland Group (Hong Kong) Corporation Limited ("Wonderland Group") and 40% by Concord Group (B.V.I.) Limited ("Concord Group").

Wonderland Group is wholly owned by Jiangsu Jinhai Investment Company Limited ("Jinagsu Jinhai").

Concord Group is held by Legend (Group) Investment Limited ("Legend"), Evertop Investment Holdings Limited ("Evertop"), and China Huaxing (HK) International Company Limited ("Huaxing (HK)") as to 33%, 34% and 33%, respectively.

In addition, Concord Group also directly holds 20,000,000 shares in the Company. Accordingly, Jiangsu Jinhai and Wonderland Group were deemed to be interested in 530,530,000 shares held by Ever Fortune Holdings under the SFO.

Legend, Evertop and Huaxing (HK) were deemed to be interested in 550,530,000 held by Ever Fortune Holdings and Concord Group under the SFO.

2. Legend was 99% owned by China Wallink Holding Group Co., Ltd. Accordingly, China Wallink Holding Group Co., Ltd. was deemed to be interested in 550,530,000 shares held by Concord Group under the SFO.
3. Evertop was wholly beneficially owned by Mr. Ji Da Wei. Accordingly, Mr. Ji Da Wei was deemed to be interested in 550,530,000 shares held by Concord Group under the SFO.
4. Huaxing (HK) was 98% owned by China Huaxing Group Company. Accordingly, China Huaxing Group Company was deemed to be interested in 550,530,000 shares held by Concord Group under the SFO.

Save as disclosed above, as at 31 December 2006, the Company had not been notified by any persons or companies (other than the directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year ended 31 December 2006 was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company, its subsidiaries or any other body corporate; and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 32 to the financial statements, no contracts of significance in relation to the Group's businesses 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.

DIRECTORS' SERVICE CONTRACTS

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



Report of the Directors

MANAGEMENT CONTRACTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which oblige the Company to offer new shares on a pro-rata basis to existing shareholders. Such obligations are provided for in the Listing Rules.

CORPORATE GOVERNANCE

Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 11 to 17.

AUDIT COMMITTEE

The current audit committee of the Company currently comprises Mr. So Hoi Pan, Mr. Yim Hing Wah and Mr. Zhao Wen who are independent non-executive directors of the Company. The audit committee has reviewed the audited financial statements of the Company for the year ended 31 December 2006.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors confirmation of his/her independence to Rule 3.13 of the Listing Rules. The Board has assessed the independence of all the independent non-executive directors and is satisfied with their independence.

PUBLIC FLOAT

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

AUDITORS

The financial statements for the year ended 31 December 2006 were audited by CCIF CPA Limited who retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting.

Report of the Directors

PROCEEDINGS INVOLVING THE COMPANY

- (a) On 31 May 2005, Tiffit Securities (Hong Kong) Limited ("Tiffit") issued a writ of summons in the High Court of Hong Kong against the Company, claiming an amount of HK\$1,600,000, being commission for services allegedly provided by Tiffit to the Company. On 10 May 2006, the Court ordered the parties to exchange evidence and to fix a date for hearing of the action. Tiffit has not been able to comply with the Court's order to exchange evidence with the Company. On 27 February, 2007, provisional liquidators were appointed for Tiffit and as a result the action has been stayed since then.
- (b) On 18 July 2006, the Company issued a writ of summons in the High Court of Hong Kong against Tsun & Partners (the "Defendant") in relation to certain invoices for legal services purported rendered and a purported deed of settlement dated 25 November 2005 (the "purported Deed"), which purported to constitute or represent or agree remuneration of the Defendant (the "Action"). The Company claims, amongst others, that the Defendant has grossly overcharged the Company in sums that are grossly excessive and that the purported Deed is illegal and unenforceable and/or was signed under duress, undue influence and/or coercion. The Company seeks, amongst others, the Court to tax or assess the fair and reasonable costs of the services rendered and the Defendant's proper remuneration, and for cancellation of the purported Deed and/or cancellation that it is illegal and/or unenforceable. On 16 October 2006, the Company has paid an amount of HK\$3,300,000 as security (the "Security Deposit") for the Action. The amount will be applied in accordance with the direction of the Court pending the outcome of the Action. On 15 November 2006, the Defendant filed a defence and counterclaim, claiming for the amount of HK\$3,223,190 and interest at the rate of 6% per annum thereon. In the event the Court ruled in favour of the Defence, the amount payable to the Defendant by the Company will be paid out of the HK\$3,300,000 Security Deposit. The parties have completed the exchanges of pleadings. The Company has applied to the Court for delivery of certain documents in the possession of the Defendant and the application will be heard on a date to be fixed.
- (c) On 10 August 2006, Zhengzhou Arbitration Centre issued an arbitration notice to 張家口興發農林發展有限公司 (Zhangjiakou Xing Fa Agricultural Development Company Limited*) ("Zhangjiakou Xing Fa"), naming it as one of the four respondents, in relation to, among others, the arbitration proceedings by Henan branch of the China Agricultural Bank (the "Bank") for the amount of RMB63.10 million due under a guarantee dated 4 July 2005 provided by the Bank to secure a loan in the amount of RMB63.10 million granted by the Bank to 河南省龍浩實業有限公司 (Henan Dragoncom Co., Ltd.*) ("Henan Dragoncom"). Henan Dragoncom, a company which to the best of the knowledge of the Directors was owned by Han Jide, a former director of the Company, who resigned on 26 August 2005. At a hearing on 6 March 2007, the Zhengzhou Arbitration Centre ordered the verification of the authentication of certain evidence so as to determine whether it would have jurisdiction to hear the case. The Directors will continue to seek legal advice as to the appropriate steps to protect the interest of the Company.
- (d) On 13 March 2007, an enforcement notice was issued by the People's Court of Luoyang High-tech Development Zone pursuant to which Zhangjiakou Xing Fa was ordered to pay a sum of approximately RMB27.5 million to the People's Court of Luoyang High-tech Development Zone in satisfaction of a judgment rendered by the People's Court of Luoyang High-tech Development Zone against Zhangjiakou Xing Fa on 5 March 2007 in relation to a claim by the Luoyang City Commercial Bank for the amount of approximately RMB27.5 million due under the guarantee dated 15 June 2005 provided by Zhangjiakou Xing Fa in favour of the Commercial Bank to secure the loan in the amount of RMB27.5 million from Commercial Bank to Henan Dragoncom. As at the date of this announcement, no transfer of assets of Zhangjiakou Xing Fa has been effected. The Directors will continue to seek legal advice as to the appropriate steps to protect the interest of the Company.

On behalf of the Board

Zhou Wenjun
Chairman

20 April 2007

** for identification purposes only*

