

Directors' Report

The Board is pleased to present their report and the audited financial statements for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in notes 28 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 27 of the annual report.

DIVIDENDS

The Board did not recommend the payment of a dividend during the year.

FINANCIAL SUMMARY

The summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 66 of the annual report.

INVESTMENT PROPERTIES

Details of movements during the year in investment properties of the Group are set out in note 16 to the financial statements.

PLANT AND EQUIPMENT

Details of movements during the year in plant and equipment of the Group are set out in note 15 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2006 are set out in note 35 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 27 to the financial statements.



RESERVES

Details of movement in reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DIRECTORS

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

Executive Directors

Cheung Chung Leung, Richard (*appointed on 8 June 2006*)
Sun Bo (*appointed on 8 June 2006*)
Christian Emil Toggenburger (*appointed on 12 June 2006 and resigned on 1 June 2007*)
Beat Rene Saxer (*appointed on 12 June 2006 and removed on 21 March 2007*)
Li Guanghao (*retired on 29 June 2006*)
Li Zhaohui (*removed on 12 June 2006*)
Chen Baodong (*removed on 12 June 2006*)

Non-Executive Directors

Hans-Peter Adelrich Josef Hess (*appointed 12 June 2006*)
Mai-San Young (*appointed 12 June 2006 and resigned on 19 April 2007*)
Simon Gordon Littmann (*appointed on 16 April 2007 and resigned on 1 June 2007*)

Independent Non-Executive Directors

Cheng Hong Kei (*appointed on 8 June 2006*)
Leung Kwan, Hermann (*appointed on 8 June 2006*)
Ku Yee Hong, Derek (*appointed on 8 June 2006 and retired on 29 June 2006*)
Tang Ka Siu, Johnny (*appointed on 8 June 2006 and resigned on 4 April 2007*)
William Montgomerie Courtauld (*appointed on 12 June 2006 and resigned on 19 April 2007*)
Frank Yu (*appointed on 19 April 2007*)
Lou Aidong (*removed on 12 June 2006*)
Wang Ligui (*removed on 12 June 2006*)
Lu Wennian (*removed on 12 June 2006*)

In accordance with clause 103(A) of the Company's Articles of Association, Mr. Hans-Peter Adelrich Josef Hess and Ms. Sun Bo will retire by rotation at the forthcoming annual general meeting.

In accordance with clause 94 of the Company's Articles of Association, Mr. Frank Yu, being the newly appointed directors will retired by rotation at the forthcoming annual general meeting.

The term of office of each independent non-executive director is the period from the date of appointment up to his retirement by rotation as required by the Company's Articles of Association.

Directors' Report

SERVICE CONTRACTS OF DIRECTORS

No director has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2006, the interests and short positions of the Directors and their respective associated in the shares, underlying shares and convertible notes of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which 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 Issuers (the "Model Code"), were as follows:

Name of Directors	Type of Interests	Total number of shares held	% of total issued shares
Ms. Sun Bo	Corporate (<i>Note</i>)	98,000,000	27.89
Mr. Christian Emil Toggenburger	Personal	94,079,000	26.77
Mr. Hans-Peter Adelrich Josef Hess	Personal	1,290,000	0.36

Note:

The interest disclosed represents the 98,000,000 shares held by Smartmax Holdings Limited which is 90% owned by Ms. Sun Bo. The other 10% was held by Mr. Cheung Chung Leung, Richard, another Director of the Company.

All the interests stated above represented long positions in the shares of the Company as at 31 December 2006, there were no short positions recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year was the Company or its subsidiaries or jointly controlled entity a party to any arrangement that enabled any Director to acquire benefits by means of the acquisition of shares in the Company or of any other body corporate.

None of the Directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year.



DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was party and in which a director of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit scheme for the year ended 31 December 2006 are set out in note 30 to the financials statements.

COMPETITION AND CONFLICTS OF INTEREST

During the year up to the date hereof, none of the Directors or the management shareholders or the substantial shareholders of the Company, or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors written confirmation of their independency pursuant to Rule 3.13 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, so far as is known to the Directors, save as for the interest of the directors which had been disclosed in the foregoing paragraph on Directors' Interest in Securities, there was no interest or short positions of the persons, other than the directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year under review.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

The Group has no major supplier nor major customer, as defined under the Listing Rules of the Stock Exchange of Hong Kong Limited.

At no time during the year, were any of the Director, their associates or the shareholders of the Company, which to the knowledge of the directors own more than 5% of the Company's issued share capital, have any interest in any of the above suppliers or customers.

RELATED PARTY TRANSACTIONS

Details of related party transactions are disclosed in note 34 to the financial statements.

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

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association which would oblige the Company to offer new shares on pro-rata basis to the existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2006.

CORPORATE GOVERNANCE

The information set out in pages 20 to 24 and information incorporated by reference constitute the Corporate Governance Report of the Company.



AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the recommendations set out in "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code. The duties of the audit committee include reviewing the Company's annual reports and interim reports and providing advice and comments thereon to the Directors. The audit committee is also responsible for reviewing and supervising the financial reporting and internal control procedure of the Group.

As at the date of this report, the audit committee comprises three members, two independent non-executive Directors, namely, Mr. Cheng Hong Kei and Mr. Leung Kwan, Hermann and one non-executive director, Mr. Hans-Peter Adelrich Josef Hess with Mr. Cheng Hong Kei being the chairman of the committee. During the year, the audit committee has held one meeting. The audited financial statements of the Company for the year ended 31 December 2006 have been reviewed by the audit committee.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint SHINEWING (HK) CPA Limited as auditors of the Company.

On behalf of the Board

Cheung Chung Leung, Richard

Chairman

Hong Kong, 6 June 2007