

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

### ■ PRINCIPAL ACTIVITIES ■

The principal activity of the Group is investment holding, and the activities of its principal subsidiaries and jointly-controlled entity are set out in notes 17 and 19 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

### ■ RESULTS ■

The results of the Group for the year are set out in the consolidated income statement on page 25.

### ■ DIVIDENDS ■

The Directors do not recommend payment of dividend.

### ■ PROPERTY, PLANT AND EQUIPMENT ■

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

### ■ PRINCIPAL SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY ■

Details of the Company's principal subsidiaries and a jointly-controlled entity are set out in notes 17 and 19 to the financial statements.

### ■ SHARE CAPITAL AND SHARE OPTION SCHEME ■

Details of movement in the share capital and share option scheme of the Company are set out in notes 31 to 32 to the financial statements.

### ■ RESERVES ■

Movements in the reserves of the Group and the Company during the year are set out in note 33 to the financial statements.

### ■ PRE-EMPTIVE RIGHTS ■

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

### ■ SUMMARY OF FIVE-YEAR FINANCIAL RESULTS ■

The summary of five-year financial results of the Group is set out on page 83 to the annual report.

### ■ PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY ■

During the year, the Company has not redeemed any of its shares and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's share.



### ■ DISTRIBUTABLE RESERVES ■

At 31 December 2006, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company for an amount of HK\$178,927,000 is not available for distribution.

### ■ MAJOR CUSTOMERS AND SUPPLIERS ■

In the year under review, sales to the Group's five largest customers accounted for approximately 61% of the total turnover for the year and sales to the largest customer included therein accounted for approximately 34%.

Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year and purchases from the largest supplier included therein accounted for approximately 16%.

### ■ DIRECTORS ■

The Directors of the Company during the year and up to the date of this Report were:

#### Executive Directors

Mr. Zhou Chu Jian He (*Chairman*)

Mr. Yiu Yu Keung, George (*Deputy Chairman*)

Mr. Li Jong Tong, Timothy

Mr. Zhang Xiao Bing, Adam

Mr. Liu Zhongsheng

(appointed on 10 March 2007)

Mr. Ng Man Chung, Siman

(appointed on 10 March 2007)

#### Independent Non-Executive Directors

Mr. Leung Man Kit

Mr. Chan Kwok Wai

Mr. Lam Man Sum, Albert

In accordance with Bye-Law 87, Mr. Liu Zhongsheng and Mr. Ng Man Chung, Siman, who were appointed as Executive Directors of the Company on 10 March 2007, shall retire at the Annual General Meeting and, being eligible, shall offer themselves for re-election. Mr. Zhang Xiao Bing, Adam, an Executive Director, Mr. Leung Man Kit and Mr. Chan Kwok Wai, both Independent Non-Executive Directors, shall retire by rotation at the Annual General Meeting and, being eligible, shall offer themselves for re-election.



## ■ BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT ■

Biographical details of Directors and Senior Management of the Company are set out on pages 8 to 10 to the annual report.

## ■ DIRECTORS' SERVICE CONTRACTS ■

Each of Mr. Zhou Chu Jian He, Mr. Yiu Yu Keung, George and Mr. Li Jong Tong, Timothy have service contracts with the Company for a term of two years which commenced on 2 October 2005.

Mr. Zhang Xiao Bing, Adam has a service contract with the Company for a term of two years which commenced on 26 February 2006.

Each of Mr. Liu Zhongsheng and Mr. Ng Man Chung, Siman have service contracts with the Company for a term of two years which commenced on 10 March 2007.

Mr. Lam Man Sum, Albert has a service contract with the Company for a term of two years which commenced on 24 September 2006.

Each of Mr. Leung Man Kit and Mr. Chan Kwok Wai have service contracts with the Company for a term of two years which commenced on 31 December 2006.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

## ■ CONNECTED TRANSACTIONS ■

Details of the Discloseable and Connected Transactions involving Acquisitions and Connected Transactions involving Disposals of properties in the PRC for the year are set out in note 20 to the financial statements. Save as disclosed therein, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of Chapter 14A of the Listing Rules.

## ■ DIRECTORS' INTERESTS IN CONTRACTS ■

No Director had material interests, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its holding companies and subsidiaries was a party during the year.



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2006, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### Interests in the shares

Name of director	Number of shares held through a controlled corporation	Percentage of the Company's issued share capital
Zhou Chu Jian He (note)	220,870,500	52.35

Note: Mr. Zhou Chu Jian He is beneficially interested in 220,870,500 shares being held by Prime Century Investments Limited, a wholly-owned subsidiary of Junefield (Holdings) Limited.

Save as disclosed above, as at 31 December 2006, so far as is known to the Directors and the chief executives of the Company, no other person had interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO); or are required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosure in note 32 to the financial statements, at no time during the year 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, or any of its holding companies and subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.



## ■ SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES ■

As at 31 December 2006, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the persons or corporations (other than Directors or chief executives of the Company) in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Note	Capacity and nature of interest	Number of shares	Percentage of the Company's issued share capital
Prime Century Investments Limited	(1)	Directly beneficially owned	220,870,500	52.35
Junefield (Holdings) Limited	(1)	Through a controlled corporation	220,870,500	52.35
Zhou Chu Jian He	(1)	Through a controlled corporation	220,870,500	52.35
Ranbridge Finance Limited	(2)	See note (2) below	215,416,500	51.05
Liu Xiao Fang		Directly beneficially owned	38,236,000	9.06
Yuan Ling		Directly beneficially owned	25,490,000	6.04

Notes:

- (1) Mr. Zhou Chu Jian He is beneficially interested in 220,870,500 shares being held by Prime Century Investments Limited, a wholly-owned subsidiary of Junefield (Holdings) Limited.
- (2) Prime Century Investments Limited, being the immediate holding company of the Company, has executed a debenture dated 26 February 2005 incorporating a first floating charge over its undertaking, property and assets in favor of Ranbridge Finance Limited.

Save as disclosed above, as at 31 December 2006, the Company had not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.



### ■ SUBSEQUENT EVENTS ■

Details of the subsequent events after the balance sheet date of the Group are set out in note 39 to the financial statements.

### ■ LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER ■

According to Rule 13.21 of the Listing Rules, details of the loan agreement with covenants relating to specific performance of the controlling shareholder for the year are set out in note 28 to the financial statements.

### ■ SUFFICIENCY OF PUBLIC FLOAT ■

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this Report, at least 25% of the total issued share capital of the Company was held by the public as required under the Listing Rules.

### ■ CORPORATE GOVERNANCE ■

The Corporate Governance Report of the Company is set out on page 17 of this annual report.

### ■ PROPOSED AMENDMENTS TO BYE-LAWS ■

The Directors of the Company proposed to amend the Bye-Laws to, inter-alia, reflect the Listing Rules. As such, the directors propose to seek approval of the shareholders for approval of the amendments. Details of the proposed amendments will be set out in a circular to be dispatched to shareholders of the Company as soon as possible.

### ■ AUDITORS ■

The financial statements have been audited by HLB Hodgson Impey Cheng who retire and, being eligible, offer themselves for re-appointment.

ON BEHALF OF THE BOARD

**Zhou Chu Jian He**  
*Chairman*

Hong Kong, 24 April 2007