

Report of the Directors



The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 79.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 80 of the Annual Report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. Details of movements in the Company's share options during the year are set out in note 26 to the 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2006, the Company had no reserves available for distribution. However, the Company's share premium account, in the amount of approximately HK\$154,699,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 84% (2005: 83%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 33% (2005: 30%).

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr Zhang Zhao Dong	
Mr Cheung Shuen Lung	(resigned on 22 May 2006)
Professor Wei Xin	(resigned on 22 May 2006)
Mr Xia Yang Jun	
Mr Xie Ke Hai	
Mr Chen Geng	(appointed on 22 May 2006)
Mr Zheng Fu Shuang	(appointed on 1 August 2006)

Non-executive directors:

Mr Yung Chih Shin, Richard	(resigned on 15 September 2006)
Mr Li Fat Chung*	
Ms Wong Lam Kit Yee*	
Ms Cao Qian*	

* Independent non-executive directors

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DIRECTORS *(continued)*

In accordance with the Company's Bye-laws, Mr Li Fat Chung, Ms Wong Lam Kit Yee, Ms Cao Qian and Mr Zheng Fu Shuang will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mr Li Fat Chung, Ms Wong Lam Kit Yee and Ms Cao Qian, and still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 13 to 14 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2006, the interests and short positions of the directors in the share capital and underlying shares of the Company or 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 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 (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

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

Long positions in ordinary shares of the Company:

Name of director	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Mr Zhang Zhao Dong	3,956,000	—	3,956,000	0.36
Mr Zheng Fu Shuang <i>(Note)</i>	—	240,425,000	240,425,000	21.85

Note: Mr Zheng Fu Shuang is interested in these shares through Shining Wisdom Group Limited ("Shining Wisdom"), a company which is beneficially owned by Mr Zheng Fu Shuang.

The interests of the directors in the share options of the Company are separately disclosed in note 26 to the financial statements.

Save as disclosed above, as at 31 December 2006, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above and in the share option schemes disclosures in note 26 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in 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 subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

At 31 December 2006, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
北京北大資產經營有限公司 (Peking University Asset Management Company Limited*)	1	Through a controlled corporation	363,265,000	33.00
北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder")	2	Through a controlled corporation	363,265,000	33.00
Founder Holdings Limited ("FHL")		Directly beneficially owned	363,265,000	33.00
Shining Wisdom	3	Directly beneficially owned	240,425,000	21.85
Peking University Education Foundation		Directly beneficially owned	93,240,000	8.47
Peking University Education Foundation		Beneficiary of a trust	2,330,000	0.21
Mr Yung Chih Shin, Richard Ricwinco Investment Limited ("Ricwinco")	4	Through a controlled corporation Directly beneficially owned	87,680,000 87,680,000	7.97 7.97
Ms Li Yong Hui	5	As trustee	60,671,000	5.51
Ms Ying Yu Ling	5	As trustee	60,671,000	5.51
F2 Consultant Limited	5	Owned as nominee	60,671,000	5.51
HSBC International Trustee Limited	6	Through a controlled corporation	60,500,000	5.50
Sun Hung Kai Properties Limited	6	Through a controlled corporation	60,500,000	5.50
Sunco Resources Limited	6	Through a controlled corporation	60,500,000	5.50
SUNeVision Holdings Ltd.	6	Through a controlled corporation	60,500,000	5.50
Hugh Profit Investments Ltd.	6	Through a controlled corporation	60,500,000	5.50
Well Drive Holdings Limited		Directly beneficially owned	60,500,000	5.50

* For identification purpose only

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

(continued)

Notes:

1. Peking University Asset Management Company Limited is deemed to be interested in the 363,265,000 shares of the Company under the SFO by virtue of its interest in Peking Founder.
2. Peking Founder is deemed to be interested in the 363,265,000 shares of the Company under the SFO by virtue of its interest in FHL.
3. Mr Zheng Fu Shuang is interested in these shares through Shining Wisdom.
4. Mr Yung Chih Shin, Richard is interested in these shares through Ricwinco.
5. F2 Consultant Limited holds the shares of the Company as nominee on behalf of the directors of Founder Data Corporation International Limited ("FDC") who are acting in their capacity as the trustees of a discretionary trust for the employees of FDC and its subsidiaries. Ms Li Yong Hui and Ms Ying Yu Ling are the directors of FDC.
6. Each of HSBC International Trustee Limited, Sun Hung Kai Properties Limited, Sunco Resources Limited, SUNeVision Holdings Ltd. and Hugh Profit Investments Ltd. is deemed to be interested in the 60,500,000 shares of the Company under the SFO by virtue of its, direct or indirect, interests in Well Drive Holdings Limited.

Save as disclosed above, as at 31 December 2006, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

Details of the continuing connected transactions are set out in notes 31(I)(a), 31(I)(b) and 31(I)(c) to the financial statements.

The independent non-executive directors of the Company have reviewed the continuing connected transactions as set out in notes 31(I)(a), 31(I)(b) and 31(I)(c) to the financial statements, and have confirmed that the continuing connected transactions were entered into (i) in the ordinary and usual course of the business of the Group; (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, the directors confirmed that the Company has maintained the amount of public float as required under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited during the year.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 33 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Zhang Zhao Dong

Chairman

Hong Kong

20 April 2007