



Directors' Report

The directors submit their report together with the audited financial statements of the Company and its subsidiaries for the year ended 30 June 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 13 to the financial statements.

An analysis of the Group's performance for the year by business segment is set out in note 4 to the financial statements. The activities of the Group are mainly carried out in Hong Kong.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 38.

The directors do not recommend the payment of a dividend.

RESERVES

Movements in reserves of the Group and of the Company during the year are set out in note 25 to the financial statements.

As at 30 June 2006, the reserves of the Company available for distribution to shareholders amounted to HK\$77,526,000 and details of the distributable reserves are set out in note 25(c) to the financial statements.

DONATIONS

During the year the Group did not make any charitable and other donations.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 23 to the financial statements.



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FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 86.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

DIRECTORS

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

Executive Directors

Mr. Yip Man Fan	<i>(Chairman)</i>
Mr. Kwok Kam Hoi	<i>(Deputy Chairman, resigned as Chief Executive on 1 August 2006)</i>
Mr. Tsunoyama Toru	
Ms. Wong, Vicky Lai Ping	<i>(appointed on 1 July 2006)</i>
Mr. Lee, Edmund Kit Ming	<i>(resigned on 7 July 2005)</i>

Independent Non-executive Directors

Mr. Lam, Andy Siu Wing, JP	
Mr. Ma, Andrew Chiu Cheung	
Mr. Yu King Tin	
Mr. Sun Shuyi	<i>(resigned on 3 March 2006)</i>

In accordance with Bye-law 86(2) of the Company's Bye-laws, Ms. Wong, Vicky Lai Ping ("Ms. Wong") shall only hold her office until the next following annual general meeting of the Company ("AGM"). Ms. Wong will, being eligible, offer herself for re-election at the forthcoming AGM.

In accordance with Bye-law 87 of the Company's Bye-laws, the chairman and/or the managing director and/or the chief executive officer of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. As such provision is deviated from the Code of Corporate Governance Practices contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), the Board has proposed to amend the Bye-laws of the Company. The Chairman, Mr. Yip Man Fan, volunteered to, and Mr. Kwok Kam Hoi will, retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.



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DIRECTORS' SERVICE CONTRACTS

The Company has entered into service agreements with all the executive directors of the Company for the provision of management services to the Group for a term of two years and shall be terminated by either party by serving a prior written notice of not less than three months.

Save as the above, none of the directors has entered into or is proposing to enter into a service contract with the Company or its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year ended 30 June 2006, members of the Group had connected transactions as defined under the Listing Rules but are exempt from all the reporting, announcement and independent shareholders' approval requirements pursuant to the provisions under Chapter 14A.31 of the Listing Rules. Details of the connected transactions are set out in Note 27 to the financial statements under the heading of "Related Party Transactions"

Save as the above, no contracts of significance in relation to the Group's business to which the Company or 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.

MANAGEMENT CONTRACTS

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

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DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2006, the interests and short positions of the directors and the chief executive of the Company and their associates 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 (the "SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained 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 for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules were as follows:

Interests in long positions in the shares and underlying shares of the Company

	Number of ordinary shares held				Number of underlying shares <i>(Note 3)</i>	Total
	Personal interests	Family interests	Corporate interests	Other interests		
Yip Man Fan	–	7,500,000 <i>(Note 1)</i>	–	120,000,000 <i>(Note 2)</i>	4,000,000	131,500,000
Kwok Kam Hoi	–	–	–	–	4,000,000	4,000,000
Tsunoyama Toru	22,500,000	–	–	–	3,950,000	26,450,000
Wong, Vicky Lai Ping <i>(Note 4)</i>	–	–	–	–	870,000	870,000



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DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY *(Continued)*

Interests in long positions in the shares and underlying shares of the Company *(Continued)*

Notes:

1. Shares are held by Ms. Tang Yuk Lan, the spouse of Mr. Yip Man Fan.
2. Shares are held by discretionary trusts of which Mr. Yip Man Fan and members of his family are beneficiaries.
3. These interests represent the interests in the underlying shares in respect of share options granted by the Company to the directors of the Company as beneficial owners.
4. Ms. Wong, Vicky Lai Ping was appointed as executive director of the Company with effect from 1 July 2006 and the interests disclosed for her represents her interests in underlying shares as a continuous contract employee as at the year end date.

Save as disclosed above, as at 30 June 2006, none of the directors, chief executive or their associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations which had been entered in the register kept by the Company 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 OR DEBENTURES

Apart from the "Share Option Schemes" disclosed below and in note 24 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 or any other body corporate granted to any directors or their respective spouse or children under 18 years of age, 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 Company's directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

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SHARE OPTION SCHEMES

a) Pre-Listing Share Option Scheme

The Pre-Listing Share Option Scheme ("Pre-Listing Scheme") was adopted on 7 January 2002. The summary of the Pre-Listing Scheme is as follows:

1. The purpose of the Pre-Listing Scheme is to enable the Company to grant share options to eligible persons as an incentive or reward for their contributions to the Group.
2. The participants of the Pre-Listing Scheme include any employee, executive or non-executive director or bona fide consultant of the Company or any of its subsidiaries.
3. The total number of shares available for issue is 17,770,000, which represents 8.9% of the existing issued share capital of the Company as at the year end date.
4. The total number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company in issue, unless shareholders' approval has been obtained in general meeting.
5. Share options may be exercised in accordance with the terms of the Pre-Listing Scheme at any time during a period commencing one year from the date of grant of the option and expiring on the earlier of the last day of (i) a ten year period from the date of grant of the option or (ii) ten years from the adoption date.
6. A non-refundable consideration of HK\$1 for the grant of each lot of options is required to be paid by each grantee upon acceptance of the option.
7. The subscription price of the shares shall be determined by the Board of Directors, but shall not be less than the higher of (i) the closing price per share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option; and (ii) the average of the closing prices per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option.
8. The Pre-Listing Scheme will expire on the last day of ten years from the adoption date.

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a) Pre-Listing Share Option Scheme (Continued)

Details of the share options outstanding as at 30 June 2006 which have been granted under the Pre-Listing Scheme are as follows:

	Number of share options				Held at 30 June 2006	Sub- scription price HK\$	Grant date	Exercisable from	Exercisable until
	Held at 1 July 2005	Granted during the year	Exercised during the year	Lapsed during the year (Note 3)					
Directors:									
Yip Man Fan	2,000,000	-	-	-	2,000,000	0.72	22 February 2002	22 February 2003	7 January 2012
	-	2,000,000	-	-	2,000,000	0.61	19 December 2005	19 December 2006	7 January 2012
Kwok Kam Hoi	2,000,000	-	-	-	2,000,000	0.72	22 February 2002	22 February 2003	7 January 2012
Tsunoyama Toru	1,950,000	-	-	-	1,950,000	0.72	22 February 2002	22 February 2003	7 January 2012
	-	2,000,000	-	-	2,000,000	0.61	19 December 2005	19 December 2006	7 January 2012
Continuous	7,990,000	-	-	2,410,000	5,580,000	0.72	22 February 2002	22 February 2003	7 January 2012
contract employees	-	1,300,000	-	-	1,300,000	0.61	19 December 2005	19 December 2006	7 January 2012
Bona fide	170,000	-	-	30,000	140,000	0.72	22 February 2002	22 February 2003	7 January 2012
consultants of the Group	-	800,000	-	-	800,000	0.61	19 December 2005	19 December 2006	7 January 2012

Notes:

1. The closing price immediately before the date on which the option granted on 22 February 2002 was HK\$0.65.
2. The closing price immediately before the date on which the option granted on 19 December 2005 was HK\$0.60.
3. Share options had lapsed in accordance with the terms and conditions of the Pre-Listing Scheme following the resignation of employees and cessation of consultancy services.



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b) Post-Listing Share Option Scheme

The Post-Listing Share Option Scheme ("Post-Listing Scheme") was adopted on 30 January 2004. The summary of the Post-Listing Scheme is as below:

1. The purposes of the Post-Listing Scheme are to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants, business associates and advisors and to promote the success of the Group.
2. The participants of the Post-Listing Scheme include all employees, executive or non-executive directors, consultants, business associates and advisors of the Company or any of its subsidiaries.
3. The total number of shares available for issue is 12,738,000, representing 6.4% of the existing issued share capital of the Company as at the year end date.
4. The total number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company in issue, unless shareholders' approval has been obtained in general meeting.
5. Share options may be exercised in accordance with the terms of the Post-Listing Scheme at any time during a period not less than one year and not more than ten years from the date of grant of the relevant option.
6. No consideration for the grant of an option is required to be paid upon acceptance of the option.
7. The subscription price for the shares shall be determined by the Board of Directors, but shall not be less than the highest of (i) the closing price of each share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option; (ii) the average of the closing prices per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares.
8. The Post-Listing Scheme will expire on 29 January 2014.

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b) Post-Listing Share Option Scheme *(Continued)*

Details of the share options outstanding as at 30 June 2006 which have been granted under the Post-Listing Scheme are as follows:

	Number of share options				Held at 30 June 2006	Sub- scription price HK\$	Grant date	Exercisable from	Exercisable until
	Held at 1 July 2005	Granted during the year	Exercised during the year	Lapsed during the year <i>(Note 3)</i>					
Directors:									
Kwok Kam Hoi	2,000,000	-	-	-	2,000,000	0.67	27 April 2004	27 April 2005	26 April 2014
Lee, Edmund Kit Ming	1,000,000	-	-	1,000,000	-	0.80	1 February 2005	N/A	N/A
Lee, Caesar Chi Shing	1,000,000	-	-	1,000,000	-	0.80	1 February 2005	N/A	N/A
Continuous contract employees	11,084,000	-	-	3,402,000	7,682,000	0.67	27 April 2004	27 April 2005	26 April 2014
Consultants/Advisors	3,380,000	-	-	324,000	3,056,000	0.67	27 April 2004	27 April 2005	26 April 2014
Continuous contract employees	600,000	-	-	600,000	-	0.80	1 February 2005	N/A	N/A

Notes:

1. The closing price immediately before the date on which the option granted on 27 April 2004 was HK\$0.67.
2. The closing price immediately before the date on which the option granted on 1 February 2005 was HK\$0.81.
3. Share options had lapsed in accordance with the terms and conditions of the Post-Listing Scheme following the resignation of directors, employees and cessation of consultancy services.

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SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2006, the persons (other than a director and chief executive of the Company whose interests or short positions have been disclosed above) who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO are as follows:

Name of shareholders	Note	Number of ordinary shares	Number of underlying shares held under share options	Total	Percentage of holding
Aceland Holdings Ltd.	1, 2 & 4	120,000,000	–	120,000,000	60.00%
Redwood Pacific Limited	2 & 4	120,000,000	–	120,000,000	60.00%
HSBC International Trustee Limited	3 & 4	120,000,000	–	120,000,000	60.00%
Tang Yuk Lan	5	127,500,000	4,000,000	131,500,000	65.75%

Notes:

1. Aceland Holdings Ltd. is the trustee of The Yip Unit Trust, which holds 60% of the shareholdings of the Company.
2. Redwood Pacific Limited is the trustee of The Yip Man Fan Unit Trust, which holds 100% of those units in The Yip Unit Trust.
3. HSBC International Trustee Limited is the trustee of The Yip Man Fan Family Trust, which holds 99.99% of the units in The Yip Man Fan Unit Trust.
4. Under Part XV of the SFO, each of Redwood Pacific Limited, and HSBC International Trustee Limited is taken to have an interest in the same 120,000,000 ordinary shares held by Aceland Holdings Ltd., on trust for The Yip Unit Trust. These shares therefore duplicate each other.
5. Ms. Tang Yuk Lan is the spouse of Mr. Yip Man Fan. Under Part XV of the SFO, each of Mr. Yip Man Fan and Ms. Tang Yuk Lan is taken to have an interest in the shares held by each other. These shares therefore duplicate each other.



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PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS

Income from the Group's five largest customers in aggregate contributed to less than 30% of the Group's total income during the year.

The Group is a provider of financial services. In the opinion of the directors, it is therefore of no value to disclose details of the Group's suppliers.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the directors of the Company.

AUDITORS

During the year, the auditors, PricewaterhouseCoopers, resigned and Messrs. Moores Rowland Mazars, Chartered Accountants, Certified Public Accountants, were appointed as auditors of the Company. Messrs. Moores Rowland Mazars, will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

On behalf of the Board

Yip Man Fan

Chairman

Hong Kong, 22 September 2006