

REPORT OF THE DIRECTORS

The Directors of the Company (the "Directors") have pleasure in submitting their report and the audited financial statements of the Group for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 19 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 19. An interim dividend of HK\$36 million representing HK3 cents per share (2005: Nil) was proposed and paid by the Company. The Board has resolved not to recommend any final dividend for the financial year ended 31 December 2006 (2005: Nil).

SEGMENTAL INFORMATION

An analysis of the Group's performance for the year ended 31 December 2006 is set out in note 5 to the financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity on page 23 respectively.

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company as at 31 December 2006 are set out in note 30 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 17 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 19 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2006, the Group had total borrowings amounted to approximately HK\$327 million, as compared to approximately HK\$515 million at last financial year end, representing bank loans and overdrafts. As at 31 December 2006, the Group's net gearing ratio, measured on the basis of total borrowings less bank and cash balances over net assets was approximately 9% (2005: 16%).

Details of the bank loans and other borrowings of the Group are set out in notes 25 and 26 to the financial statements respectively.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2006, the shareholders' fund and net current assets of the Group amounted to approximately HK\$2,590 million and HK\$172 million respectively. On the same date, the Group had cash and bank balance of HK\$96 million and the current ratio was 6 (31 December 2005: 2).

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 31 December 2006.

CHANGE OF BOARD

Mr. CHU, Nicholas Yuk-yui was appointed as the Non-executive Director and the Chairman of the Board on 10 February 2006. On the same date, Mr. LEE Wai Man resigned as Non-executive Director and Mr. CHEUNG Yu Shum, Jenkin resigned as Executive Director and Chairman of the Board.

CAPITAL STRUCTURE

Pursuant to a special resolution passed on 29 June 2006, a capital reorganization was undertaken which involved:-

- (a) Capital Reduction under which the nominal value of each issued ordinary share of HK\$0.10 each ("Ordinary Share") in the capital of the Company be reduced by cancelling paid-up capital to the extent of HK\$0.09 per Ordinary Share ("Capital Reduction") so that the nominal value of each such Ordinary Share be reduced to HK\$0.01;
- (b) immediately upon the Capital Reduction becoming effective, each authorised but unissued Ordinary Share (including those Ordinary Shares arising from the Capital Reduction) be sub-divided into the Ordinary Shares of HK\$0.01 each;

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CAPITAL STRUCTURE (CONTINUED)

- (c) the amount of approximately HK\$218.94 million standing to the credit of the share premium account of the Company as at 31 December 2005 be cancelled; and
- (d) all credits arising from the Capital Reduction and the Existing Share Premium Cancellation be transferred to the contributed surplus account of the Company where they, together with the amount of approximately HK\$448 million standing to the credit of the employee share-based payment reserve, may be utilised as the Directors may direct in accordance with the bye-laws of the Company and all applicable laws including to set off the accumulative losses of the Company as at 31 December 2005.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers were approximately 73% of the Group's total revenue and the revenue attributable to the Group's largest customer were approximately 69% of the Group's total revenue for the year.

The aggregate purchases during the year attributable to the Group's five largest suppliers were less than 20% of the Group's total purchases. At no time during the year, did a Director, an associate of a Director or a shareholder of the Company, which to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, have an interest in the share capital of any of the five largest customers of the Group.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out as below:

	2006	2005	2004 (restated)	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover					
Continuing operation	453,388	253,806	15,479	4,752	–
Discontinued operation	64,349	128,024	126,176	85,270	112,825
	517,737	381,830	141,655	90,002	112,825
Profit/(loss) attributable to shareholders					
Continuing operation	121,669	(290,172)	(5,693)	(2,489)	(8,184)
Discontinued operation	(1,199)	(2,582)	(5,442)	2,345	(17,314)
	120,470	(292,754)	(11,135)	(144)	(25,498)
Total assets	2,951,865	3,015,620	795,554	63,338	54,521
Total liabilities	(351,998)	(601,891)	(72,754)	(49,615)	(52,673)
Minority interest	(10,136)	–	–	–	–
Shareholders' fund	2,589,731	2,413,729	722,800	13,723	1,848

SHARE OPTIONS AND SHARE CAPITAL

Details of the movements in the share options and share capital of the Company during the year are set out in notes 27 and 29 to the financial statements respectively.

SHARE OPTION SCHEMES

Details of the share option are set out in note 27 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision 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 pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

For the year ended 31 December 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive directors

Mrs. CHU Yuet Wah (*Chief Executive Officer*)

Mr. WONG Hin Shek

Mr. CHI Chi Hung, Kenneth

Mr. CHEUNG Yu Shum, Jenkin

(resigned on 10 February 2006)

Non-executive Directors

Mr. CHU, Nicholas Yuk-yui (*Chairman*)

Mr. LEE Wai Man

(appointed on 10 February 2006)

(resigned on 10 February 2006)

Independent Non-executive Directors

Mr. LAU Man Tak

Ms. LO Miu Sheung, Betty

Dr. WONG Yun Kuen

In accordance with the bye-law 87(1), Mrs. CHU Yuet Wah, Mr. WONG Hin Shek and Mr. CHI Chi Hung, Kenneth will retire by rotation at the forthcoming annual general meeting.

The term of office for each of the Non-executive Director and Independent Non-executive Directors is the period up to his retirement by rotation and re-election at annual general meeting of the Company in accordance with the Company's bye-laws.

The Company has received from each of Mr. LAU Man Tak, Ms. LO Miu Sheung, Betty and Dr. WONG Yun Kuen an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers the independent Non-executive Directors to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

The biographical details of Directors of the Group as at the date of this report are as follows:-

Chairman and Non-executive Director

Mr. CHU, Nicholas Yuk-yui, aged 54, holds a Bachelor's degree in Accounting and a Master of Business Administration from the Louisiana State University. He has over 24 years of experience in commercial property leasing and management, and more than a total of 14 years of experience in corporate finance, foreign exchange, lending, securities and futures trading

industries. He is a member of Hong Kong Securities Institute and a responsible officer under the Securities and Futures Ordinance for type 1 and 2 activities. He is also the husband of Mrs. CHU Yuet Wah and he joined the Group in February 2006.

The Chief Executive Officer and Executive Directors

Mrs. CHU Yuet Wah, aged 48, is the Chief Executive Officer also an Executive Director of the Company. She has been involved in gaming entertainment related services and has profound knowledge in the development of the gaming entertainment industry in Macau. She is also the controlling shareholder of the Kingston group of companies which are engaged in securities, investment banking, financing and the financial services business in Hong Kong. She is the 2006 Election Committee Member, Member of Guangdong Committee of Chinese People's Political Consultative Conference, Vice Chairman of The Chamber of Hong Kong Listed Companies, Vice Chairman of Hong Kong Youth Science Foundation, Director of Po Leung Kuk for years 2005-2007, Chairman of Aplichau Promotion of Tourism Association, School Manager of Aplichau KaiFong Primary School, Deputy Vice Chairman of The Aplichau KaiFong Welfare Association and Honorary President of Hong Kong Federation of Women. She holds a Bachelor of Science in Management degree from Golden Gate University, the U.S.A. She is also the wife of Mr CHU, Nicholas Yuk-yui and she joined the Group in April 2005.

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Executive Directors

Mr. WONG Hin Shek, aged 37, is an Executive Director of the Company. He has over 13 years of experience in corporate finance transactions, including mergers and acquisitions, initial public offerings and equity syndication. He is a responsible officer under the Securities and Futures Ordinance for type 6 regulated activity (advising on corporate finance). He holds a Master of Science (Financial Management) degree from University of London in United Kingdom and a Bachelor of Commerce degree from University of Toronto in Canada. He joined the Group in February 2005.

Mr. CHI Chi Hung, Kenneth, aged 38, is an Executive Director of the Company. He has over 16 years of experience in accounting and financial control. He holds a Bachelor of Accountancy Degree from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Company Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom. He was an executive Director, Chairman and Company Secretary of Hong Kong Health Check and Laboratory Holdings Company Limited until 13 March 2007. He joined the Group in June 2005.

Independent Non-executive Directors

Dr. WONG Yun Kuen, aged 49, received a Ph.D. Degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. He has worked in financial industries in the United States and Hong Kong for more than 10 years, and has considerable experience in Corporate Finance, Investment and Derivative Products. He is a member of Hong Kong Securities Institute, Master Financial Professional and Fellow of American Academy of Financial Management and a Certified E-Commerce Consultant of the Institute of E-Commerce Consultant, U.S.A. He is an executive director of UBA Investments Limited, and an Independent Non-executive Director respectively of Grand Field Group Holdings Limited, Harmony Asset Limited, Bauhaus International (Holdings) Limited, Ultra Group Holdings Limited, and Poly Investments Holdings Limited. He joined the Group in June 2005.

Ms. LO Miu Sheung, Betty, aged 44, graduated from the University of Hong Kong with a Bachelor degree in Law (LL.B). She is a qualified solicitor in Hong Kong and has over 17 years of experience in general legal practices. She is also an Independent Non-executive Director of Kong Sun Holdings Limited. She joined the Group in June 2005.

Mr. LAU Man Tak, aged 37, holds a bachelor degree in Accountancy from the Hong Kong Polytechnic University. He has more than 10 years of experience in corporate finance, accounting and auditing. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities Institute. He is an Executive Director and the Company Secretary of Solartech International Holdings Limited and Hua Yi Copper Holdings Limited. He joined the Group in October 2005.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Particulars of the Directors' emoluments and of the five highest paid individuals of the Group are set out in note 15 and 16 to the financial statements respectively.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are 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' INTERESTS IN CONTRACTS

Saved as disclosed in note 36 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party in which any Director 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 concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

At 31 December 2006 the following Directors had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company or the Stock Exchange pursuant to 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 (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the requirements of the Model Code for Securities Transactions by Directors of Listed Companies:

Long positions in the Shares:

Name of Directors	Number of shares of the Company		No. of underlying shares of the Company	Total	Approximate percentage of shareholding
	Personal Interests	Corporate Interests			
Mrs. CHU Yuet Wah	44,326,000 <i>(Note 1)</i>	557,978,336 <i>(Note 2)</i>	85,000,000 <i>(Note 3)</i>	687,304,336	55.77%
Mr. CHU, Nicholas Yuk-yui	44,326,000 <i>(Note 1)</i>	557,978,336 <i>(Note 2)</i>	85,000,000 <i>(Note 3)</i>	687,304,336	55.77%
Mr. WONG Hin Shek	–	–	12,120,000 <i>(Note 4)</i>	12,120,000	1.00%
Mr. CHI Chi Hung, Kenneth			12,120,000 <i>(Note 4)</i>	12,120,000	1.00%

Notes:

- (1) As at 31 December 2006, 44,326,000 Shares are personally held by Mrs. CHU Yuet Wah ("Mrs. CHU"). Mr. CHU, Nicholas Yuk-yui, ("Mr. CHU") the husband of Mrs. CHU, is deemed to be interested in these 44,326,000 Shares.
- (2) As at 31 December 2006, of the 557,978,336 Shares, 552,663,998 Shares are held by Sure Expert, 5,313,333 Shares are held by Kingston Capital Limited and 1,005 Shares are held by Kingston Securities Limited. Both Kingston Capital Limited and Kingston Securities Limited are controlled by Mrs. CHU. Mr. CHU, the husband of Mrs. CHU, is deemed to be interested in these 557,978,336 Shares.
- (3) As at 31 December 2006, Mrs. CHU, through Sure Expert held 80,000,000 warrants conferring rights to subscribe for up to HK\$200,000,000 in aggregate in cash for 80,000,000 new shares at an adjusted subscription price of HK\$2.50 per share (the "Warrants"). Each of Mr. CHU, and Mrs. CHU personally held 2,500,000 Share Options
- conferring rights to subscribe for 2,500,000 Shares. Mr. CHU, the husband of Mrs. CHU, is deemed to be interested in the 82,500,000 underlying Shares held by Mrs. CHU. Mrs. CHU is deemed to be interested in the 2,500,000 underlying shares held by Mr. CHU.
- (4) As at 31 December 2006, 12,120,000 Share Options conferring rights to subscribe for 12,120,000 Shares.

Save for those disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director of the Chief Executive of the Company or their respective 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 SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.

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DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section "Directors' and Chief Executive's interests and short positions in securities", at no time during the year was the Company or any of its associated corporations a party to any arrangement to enable the Directors or Chief Executive of the Company to acquire benefits by means of the

acquisition of shares in, or underlying shares in, or debentures of, the Company or any other body corporate, and none of the Directors or Chief Executives, nor any of their spouses or children under the age of 18, had any rights to subscribe the securities of the Company, or had exercised any such rights during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of Shareholders	Number of shares of the Company		No. of underlying shares of the Company	Total	Approximate percentage of shareholding
	Personal Interests	Corporate Interests			
Sure Expert Limited <i>(Note)</i>	–	552,663,998	80,000,000	632,663,998	51.33%
Choose Right Limited	–	127,250,000	–	127,250,000	10.32%

Note: Sure Expert is wholly owned by Mrs. CHU. The interests of Mrs. CHU and Sure Expert in the Company are stated under the section headed "Directors' and Chief Executive's interests and short positions in securities" above.

Save for those disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2006.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, Mrs. CHU Yuet Wah has beneficial interests as a partner in several self managed VIP Rooms in Macau, which compete or are likely to compete, either directly or indirectly, with the business of the Group. The Board is of the view that in the performance of her duties as Director of the Company, Mrs. CHU has acted and will continue to act in the commercial best interest of the Group and all its shareholders.

Save as disclosed above, as at 31 December 2006, to the best knowledge of the Board, none of the Directors or their respective associates was interested in any business which competes or is likely to compete with the business of the Group.

CONNECTED TRANSACTION

Details of the connected transactions entered into by the Company are set out in note 36 to the financial statements.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three Independent Non-executive Directors.

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MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. The Company confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code during the year.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in the Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report, except that the Non-executive Director and Independent Non-executive Directors are not appointed for specific terms and are subject to re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

Graham H Y Chan & Co. retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board
CHU, Nicholas Yuk-yui
Chairman

Hong Kong, 28 March 2007