

Directors' Report

for the year ended 31 December 2006

The Directors present their report and the audited financial statements for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries and associates are set out in notes 17 and 18 to the financial statements respectively. There were no significant changes in the nature of the Group's principal activities during the year. The analysis of the principal activities and geographical locations of the operations are set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 30 to 87.

The Directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 29 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$3,000 (2005: HK\$80,500).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 28 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2006, the distributable reserves of the Company available for distribution as dividend amounted to HK\$62,399,000 represented by the contributed surplus of HK\$213,978,000 after compensating the accumulated losses of HK\$151,579,000. Under the Bermuda Companies Act, the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued capital and share premium accounts.

Directors' Report

for the year ended 31 December 2006

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda.

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 88.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

DIRECTORS

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

Executive Directors:

Mr. TSANG Chiu Mo Samuel	(Executive Chairman)
Ms. CHU Ming Tak Evans Tania	
Mr. TSANG Chiu Ching	
Mr. WU Binqun	(appointed on 1 February 2006)

Independent Non-executive Directors:

Mr. HUI Yan Kit	
Mr. WONG Tak Ming Gary	(appointed on 1 September 2006)
Mr. TANG Man Ching	(appointed on 17 October 2006)
Mr. YU Yun Kong	(resigned on 17 October 2006)
Mr. HUNG Sui Kwan	(resigned on 1 September 2006)

In accordance with Bye-law 87 of the Company's bye-laws, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation.

Directors' Report

for the year ended 31 December 2006

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service agreement with the Company which runs for an initial term of two years commencing on 16 September 2005 except for Mr. WU Binqun commencing on 1 February 2006, and will be renewable for successive terms of one year until terminated by either party by giving to the other not less than six months prior written notice.

Each of the Independent Non-executive Directors has entered into a service agreement with the Company for a fixed term of one year until terminated by either party by giving to the other not less than one month prior written notice.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 31 to the financial statements, no other contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or holding companies 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.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors:

Mr. TSANG Chiu Mo Samuel, aged 33, brother of the Company's Executive Director, Mr. TSANG Chiu Ching, was appointed as Executive Chairman in April 2004. He is responsible for the Group's strategic planning, business development and corporate finance portfolio. Mr. Tsang is a director of Barsmark Investments Limited, a substantial shareholder of the Company, and a director of ST Investments Holding Limited (formerly known as China Sky Investments Limited) and China Sky Finance Limited.

Mr. TSANG holds a Master degree in Corporate Finance. Prior to joining the Group, he had gained broad experience working with international firms in building construction, hotel management, financing and strategic investment.

Directors' Report

for the year ended 31 December 2006

Ms. CHU Ming Tak Evans Tania, aged 49, joined the Group in 1999 and was appointed as Executive Director in January 2001. She is responsible for overseeing the Group's financial and investment related activities.

Ms. CHU received her tertiary education in Canada. Prior to joining the Group, she had more than 12 years of experience working in the financial field of various commercial enterprises both in Hong Kong and Canada.

Mr. TSANG Chiu Ching, aged 30, brother of the Company's Executive Chairman, Mr. TSANG Chiu Mo Samuel, was appointed as Executive Director in September 1999. He is responsible for the evaluation and implementation of business development strategies, as well as investment activities. Mr. Tsang is also a director of Barsmark Investments Limited, a substantial shareholder of the company and a director of ST Investments Holding Limited (formerly known as China Sky Investments Limited) and China Sky Finance Limited.

Before joining the Group, Mr. TSANG worked in a finance company responsible for corporate finance functions, direct investments and project financing.

Mr. WU Binqun, aged 53, was appointed as an Executive Director of the Company on 1st February 2006. Mr. WU has over 20 years of experience in hotel industry and is responsible for overseeing finance and operation. After joining the Company, Mr. WU is responsible for overseeing finance and operation of hotel related investment.

Independent Non-executive Directors:

Mr. HUI Yan Kit, aged 33, was appointed as an Independent Non-executive Director in July 2004. Before joining the Group, Mr. HUI had more than 8 years experience in sales and marketing both in Hong Kong and China. He is currently a sales and marketing manager of an international corporation engaged in plastic material manufacturing and trading.

Mr. WONG Tak Ming Gary, aged 31, was appointed as an Independent Non-executive Director in September 2006. He obtained his honors degree in Applied Accounting in the United Kingdom. He is a practicing certified public accountant and fellow member of both the Association of Chartered Certified Accountants and the Taxation Institution of Hong Kong. Mr. WONG had over 10 years experience in auditing and accounting and has been a sole proprietor of a local certified public accountant firm since 2004. He is currently the independent non-executive director of Emperor Entertainment Group Limited ("EEG"), a company listed on the GEM board of the Stock Exchange of Hong Kong Limited.

Mr. TANG Man Ching, aged 36, was appointed as an Independent Non-executive Director in October 2006. Mr. TANG obtained his honors degree in University of East Anglia in England. He is a practicing solicitor. Before joining the Group, Mr. TANG had over 10 years experience in providing legal advice and has been a partner of a local legal firm since 2000.

Directors' Report

for the year ended 31 December 2006

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2006, the interests and short positions of each of the Directors and Chief Executives 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 (the "SFO")) which (i) were required to be 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 are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO; or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position in shares

Name of Director	Nature of interest	Name of company in which shares/ securities are held	Number of shares/ securities held	Approximate % of total shareholding
Mr. TSANG Chiu Ching	Beneficial interest	The Company	499,500	0.3%
	Interest of controlled corporation	The Company	86,011,665 (Note 1)	43.3%
	Interest of controlled corporation	Investgiant Limited	2 shares (Note 2)	100%
	Interest of controlled corporation	Fastpro Investments Limited	1 share (Note 2)	50%
	Interest of controlled corporation	Longnex Limited	5,000,000 shares (Note 2)	100%
Mr. TSANG Chiu Mo Samuel	Interest of controlled corporation	The Company	86,011,665 (Note 1)	43.3%
	Interest of controlled corporation	Investgiant Limited	2 shares (Note 2)	100%
	Interest of controlled corporation	Fastpro Investments Limited	1 share (Note 2)	50%
	Interest of controlled corporation	Longnex Limited	5,000,000 shares (Note 2)	100%

Directors' Report

for the year ended 31 December 2006

Notes:

1. These shares are beneficially owned by Barsmark Investments Limited, the issued share capital of which is indirectly beneficially owned as to one-third by each of Mr. TSANG Chiu Mo Samuel, Mr. TSANG Chiu Ching and Ms. TSANG Chiu Yuen Sylvia. Ms. TSANG Chiu Yuen Sylvia is the sister of Mr. TSANG Chiu Mo Samuel and Mr. TSANG Chiu Ching.
2. The entire issued share capital of Longnex Limited is held by Fastpro Investments Limited. 50% of the issued share capital of Fastpro Investments Limited is held by Investgiant Limited, which in turn is held as to 50% by HKM Hotels Limited (a wholly-owned subsidiary of the Company) and as to 50% by Century Legend Properties Limited. The entire issued share capital of Century Legend Properties Limited is held by ST Investments Holdings Ltd (formerly known as China Sky Investments Limited) ("ST Investments"). ST Investments is indirectly beneficially owned as to one-third by each of Mr. TSANG Chiu Ching, Mr. TSANG Chiu Mo Samuel and Ms. TSANG Chiu Yuen Sylvia.

Save as disclosed above, none of the Directors and Chief Executive (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Division 7 & 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2006, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those in respect of the Directors and Chief Executive as disclosed above.

Directors' Report

for the year ended 31 December 2006

Long position in shares

Name	Nature of interests	Number of shares held	Approximate percentage of total shareholding
Barsmark Investments Limited	Beneficial interest	86,011,165	43.3%
ST Investments Holding Limited (formerly known as China Sky Investments Limited) (Note 1)	Interest of controlled company	86,011,165	43.3%
Conba Investments Ltd. (Note 1)	Interest of controlled company	86,011,165	43.3%
Ssky Investments Limited (formerly known as Sky Shore Limited) (Note 1)	Interest of controlled company	86,011,165	43.3%
Fortune Ocean Limited (Note 1)	Interest of controlled company	86,011,165	43.3%
Ms. TSANG Chiu Yuen Sylvia (Note 1)	Interest of controlled company	86,011,165	43.3%
Szeto Investments Holdings (Amusement) Ltd. (Note 2)	Beneficial interest	19,687,500	9.9%
Szeto Investments Holdings Ltd. (Note 2)	Interest of controlled corporation	19,687,500	9.9%
Szeto International Holdings Ltd. (Note 2)	Interest of controlled corporation	19,687,500	9.9%
Ms. Szeto Yuk Lin (Note 2)	Interest of controlled corporation	19,687,500	9.9%

Notes:

1. Barsmark Investments Limited is wholly and beneficially owned by ST Investments Holding Limited (formerly known as China Sky Investments Limited), the issued share capital of which is beneficially owned as to one-third by each of (i) Conba Investments Ltd. (a company wholly and beneficially owned by Mr. TSANG Chiu Mo Samuel); (ii) Ssky Investments Limited (a company wholly and beneficially owned by Ms. TSANG Chiu Yuen Sylvia, the sister of Mr. TSANG Chiu Mo Samuel and Mr. TSANG Chiu Ching); and (iii) Fortune Ocean Limited (a company wholly and beneficially owned by Mr. TSANG Chiu Ching).
2. Szeto Investments Holdings (Amusement) Ltd. is wholly-owned by Szeto Investments Holdings Ltd., the issued share capital of which is wholly-owned by Szeto International Holdings Ltd.. Ms. Szeto Yuk Lin is wholly and beneficially interested in the entire issued share capital of Szeto International Holdings Ltd..

Directors' Report

for the year ended 31 December 2006

Save as disclosed above, no other person other than the Directors or Chief Executives of the Company had interests or short positions in the Shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

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.

MAJOR CUSTOMERS AND SUPPLIERS

The five major customers of the Group were attributable to the money lending business and general merchandise trading business. The five major suppliers of the Group were attributable to travel agency business, general merchandise trading business and health and beauty services. The percentages of the sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales

- the largest customer	1%
- five largest customers combined	1%

Purchases

- the largest supplier	99%
- five largest suppliers combined	99%

At no time during the year, Directors, their associates or any shareholder (which, to the knowledge of the Directors, owns more than 5% of the Company's share capital) had any interest in these major customers or suppliers.

CORPORATE GOVERNANCE

The Company has complied throughout the year with the code provisions same as disclosed in the Corporate Governance Report and most of the recommended best practices in the Code on Corporate Governance Practices as set out in the Listing Rules.

Directors' Report

for the year ended 31 December 2006

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Board of Directors and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Audit Committee comprises three Independent Non-Executive Directors, namely Mr. HUI Yan Kit, Mr. WONG Tak Ming Gary and Mr. TANG Man Ching. Two meetings were held during the current financial year. Audit Committee had met with the management of the Company and the auditors to review the final results, considered the significant accounting policies, and discussed with the management of the Group's internal control system. The Group's consolidated financial statements for the year ended 31 December 2006 have been reviewed and approved by the Audit Committee.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Mr. TSANG Chiu Ching and Mr. TSANG Chiu Mo Samuel are the Directors of China Sky Finance Limited ("China Sky Finance"). The provision of personal and commercial loan service of China Sky Finance constitutes a competing business to the Group. Apart from the foregoing, none of the management shareholders or substantial shareholders of the Company or any of their respective associates have engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group, or has any other conflict of interests with the Group during the year.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of its Directors, at least 25% of the Company's total issued share capital are held by the public at all times during the year.

AUDITORS

Grant Thornton have acted as auditors of the Company for the three years ended 31 December 2006. A resolution will be submitted to the forthcoming annual general meeting to re-appoint them as auditors of the Company.

On behalf of the Board

CHU Ming Tak Evans Tania

Executive Director