



REPORT OF THE DIRECTORS

The Directors are pleased to present their annual report and the audited financial statements of the Company for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment in listed and unlisted companies established in the People's Republic of China (the "PRC"), Hong Kong, Taiwan, Australia and United States.

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2006 and the state of affairs at that date are set out in the financial statements on pages 19 to 20.

The Directors do not recommend the payment of a dividend.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 20 to the financial statements.

RESERVES

Details of the movements in the reserves of the Company during the year are set out in the statement of changes in equity on page 21.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to the shareholders subject to the provisions of its Memorandum and Articles of Association and a statutory solvency test. In accordance with Article 143 of the Company's Articles of Association, dividends may be declared and paid out of the profits of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account. The Company's reserves available for distribution amounted to HK\$44,166,724 as at 31 December 2006.



REPORT OF THE DIRECTORS

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate, is set out on page 50. This summary does not form part of the audited financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

The Company has not purchased, sold or redeemed any of its own shares during the year.

DIRECTORS

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

Executive Directors:

Mr. Li Ji Ning
Mr. Ma Kam Fook, Robert*
Mr. Chu Wai Lim
Mr. Lau Shun Chi, Benjamin (appointed on 9 November 2006)

Independent Non-executive Directors:

Ms. Yin Ling (appointed on 18 January 2006)
Mr. Shiu Kwok Keung (appointed on 1 March 2006)
Mr. Chen Man Lung (appointed on 29 September 2006)
Ms. Li Pik Ha (resigned on 30 June 2006)
Mr. Wong Chi Keung (resigned on 18 January 2006)
Mr. Foo Chi Ming (resigned on 18 January 2006)

* Subsequent to the year end, Mr. Ma Kam Fook, Robert resigned as Executive Director with effect from 1 April 2007.

In accordance with the Company's Bye-laws, Mr. Li Ji Ning, Mr. Chu Wai Lim, Mr. Lau Shun Chi, Benjamin and Mr. Chen Man Lung will retire at the forthcoming annual general meeting and, being eligible, offers themselves for re-election.



REPORT OF THE DIRECTORS

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 AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31 December 2006, the interests and short positions of each Director in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance "SFO"), as recorded in the register maintained by the Company under Section 352 of Part XV 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:

Name of Director	Number of Issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Li Ji Ning	18,100,000 ^(L)	14.64

(L) – Long position

Save as disclosed above, as at 31 December 2006, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of Part XV 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

Save as disclosed in the share option scheme 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 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 a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.



REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2006, the register of substantial shareholders maintained by the Company under Section 336 of Part XV of the SFO showed that 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.

Name of shareholder	Capacity	Note	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
First Pink Limited	beneficial	(1)	10,000,000	8.09%

Note:

(1) Mr. Chan Tak Hung is the director of First Pink Limited.

Save as disclosed above, as at 31 December 2006, no person, other than the Director whose interests are set out in the section "Directors' interests and short positions in the shares, underlying shares and debentures of the company or any associated corporation" 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 Part XV of the SFO.

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.

EVENTS AFTER THE BALANCE SHEET DATE

Details of the significant post balance sheet events of the Company are set out in note 27 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.



REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

Details of the connected transactions are set out in note 25 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACT

Except as detailed in note 25 to the financial statements, 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.

AUDITORS

During the year, Grant Thornton resigned as auditors of the Company and Lau & Au Yeung C.P.A. Limited was appointed to fill the casual vacancy. In the past three years, the Company has another change of auditor on 17 January 2006 from Deloitte Touche Tohmatsu to Grant Thornton. Save as aforesaid, there have been no other changes of auditors in the past three years.

Lau & Au Yeung C.P.A. Limited will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Chu Wai Lim

Director

Hong Kong
17 April 2007