

Report of the Directors

The directors of the Company (the “Directors”) are pleased to present their report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 31 December 2006 (the “Year”).

PRINCIPAL ACTIVITIES

The principal activities of the Company and the Group are investment holding. During the Year, the Group has been engaged principally in the investments in listed and unlisted companies.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated income statements on page 25.

The Board does not recommend the payment of a final dividend for the year (2005: Nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, with any restated or reclassified figure if applicable, is set out on page 65. This summary does not form part of the audited financial statements.

CAPITAL STRUCTURE AND SHARE CAPITAL

Details of the movements during the Year in the share capital of the Company are set out in note 17 to the financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the Year are set out in note 18 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

DONATION

During the Year, the Group made charitable donations amounting to HK\$440,000 (2005: HK\$150,000).

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DIRECTORS

The directors of the Company during the year and up to the date of this annual report were:

Dr. PANG Shuen Wai, Nichols	<i>(resigned as executive director and chairman on 12 June 2006)</i>
Mr. CHUNG Wilson	<i>(appointed as executive director and chairman on 12 June 2006)</i>
Mr. KITCHELL Osman Bin	
Ms. AU Shuk Yee, Sue	<i>(resigned as executive director on 17 January 2006)</i>
Ms. CHOI Ka Wing	<i>(appointed as executive director on 9 October 2006)</i>
Mr. WONG Man Hon, Frederick	<i>(appointed as executive director on 24 January 2006 and re-designated as non-executive director on 13 June 2006)</i>
Mr. LAM Ping Cheung#	<i>(resigned as independent non-executive director on 26 June 2006)</i>
Mr. CHUNG Kong Fei, Stephen#	
Mr. TSANG Wing Ki#	
Mr. CHEN Henri Wei Hwa#	<i>(appointed as independent non-executive director on 28 June 2006)</i>

Independent non-executive directors

In accordance with Article 157 of the Company's Articles of Association, Mr. CHUNG Kong Fei, Stephen and Mr. TSANG Wing Ki will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. In accordance with Article 123 of the Company's Articles of Association, Mr. CHUNG Wilson, Ms. CHOI Ka Wing and Mr. CHEN Henri Wei Hwa will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST-PAID EMPLOYEES

Particulars of the emoluments of the Directors and the five highest-paid employees of the Company during the Year are set out in notes 10 to the financial statements.

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 within one year without payment of compensation, other than statutory compensation.

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DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

The investment management agreement (the "Agreement") between the Company and CU Investment Management Limited ("CUIM") was renewed on 15 December 2005, CUIM was entitled to a monthly management fee payable in advance at a flat rate of HK\$50,000 which was expired on 31 December 2006.

Dr. PANG Shuen Wai, Nichols, was a director of CUIM during the Year until 30 June 2006 and resigned as an executive director of the Company on 12 June 2006.

Apart from the above, no other contracts of significance in relation to the Company'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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2006, the interest and short positions of the directors and chief executive in the share capital, underlying shares and debentures 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, were as follows:

(1) Long positions in shares of the Company

Directors	Type of interest	Number of shares held	Percentage of issued share capital of the Company
WONG Man Hon, Frederick	Beneficial owner	87,590,000	7.80%
CHUNG Wilson	Beneficial owner	15,000,000	1.33%
CHOI Ka Wing	Beneficial owner	11,080,000	0.99%

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(2) Long positions in underlying shares of the Company — share options

Under the share option scheme adopted on 2 May 2003 (the “Share Option Scheme”), the directors of the Company may grant share options to those participants who, in the opinion of the Board, have contributed or may contribute to the development and growth of the Group and any entity in which the Group holds any equity interest.

No share options were granted under the Share Option Scheme during the Year.

Save as disclosed above, as at 31 December 2006, none of the directors and chief executive and their associates had registered an interest or short positions 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 the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Mode Code for Securities Transactions by Directors of Listed Issuers.

ARRANGEMENT TO ACQUIRE SHARE OR DEBENTURES

At no time during the Year was the Company or its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

None of the directors of the Company (including their spouses and children under 18 years of age) had any interests in, or had been granted, or exercised any rights to subscribe for, shares in the Company and its associated corporations within the meaning of the SFO.

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SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, the register maintained by the Company pursuant to Section 336 of the SFO recorded interests (as defined in the SFO) in the Company by the following:

Name of substantial shareholders	Type of interest	Number of shares held	Percentage of issued share capital of the Company
Radford Capital Investment Limited (Note 1)	Interest in controlled corporation	103,930,000	9.26%
Heritage International Holdings Limited (Note 2)	Interest in controlled corporation	84,500,000	7.53%

Notes:

- (1) Radford Capital Investment Limited is deemed to be interested in 103,930,000 shares held by Winning Horsee Limited, its direct wholly owned subsidiary, for the purpose of the SFO.
- (2) Heritage International Holdings Limited is deemed to be interested in 84,500,000 shares held by Dollar Group Limited, its indirect wholly owned subsidiary, for the purpose of the SFO.

All the interests stated above represent long position.

Saved as disclosed above, as at 31 December 2006, no person, other than the directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had notified the Company of 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.

RENEWAL OF INVESTMENT MANAGEMENT AGREEMENT

The investment management agreement (the "Agreement") between the Company and CU Investment Management Limited ("CUIM") expired on 31 December 2006. The Company and CUIM renewed the Agreement on 15 December 2006 for another one-year up to 31 December 2007 at a revised investment management fee of HK\$70,000 per month payable in advance.

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PURCHASE, SALE OR REDEMPTION OF SHARES

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

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this annual report, there is at least of 25 per cent of Company's total issued share capital being held by the public and is in compliance with Rule 8.08 of the Listing Rules.

POST BALANCE SHEET EVENT

On 9 October 2006, the Company proposed reorganised its capital by reducing the paid-up and nominal value of the issued shares by HK\$0.09 per share to HK\$0.01 per share ("Reduced Share") and consolidated every ten issued Reduced Shares of HK\$0.01 each to one consolidated shares of HK\$0.10 each. The resolution for the proposed capital reorganisation was approved by shareholders at the extraordinary general meeting held on 17 November 2006 and was approved by the Grand Court of the Cayman Islands on 9 February 2007. The capital reorganisation became effective after 4:00 p.m. on 13 February 2007 upon filing of court order to the Company Registry in the Cayman Islands.

On 15 February 2007, the Company granted share options to 7 parties, of which including 3 existing executive directors of 1,100,000 shares each, under the share option scheme adopted on 2 May 2003 at an exercise price of HK\$0.53 per share. All grantees opted to vest and, as a result, a total of 7,270,000 shares of HK\$0.10 each were issued and allotted on 2 March 2007.

The Company entered into underwriting agreement and a supplemental agreement with Get Nice Investment Limited on 9 March 2007 and 13 March 2007 respectively in relation to Rights Issue. By an ordinary resolution passed at the extraordinary general meeting held on 19 April 2007, 1,194,991,160 shares ("Rights Shares") pursuant to an offer by way of rights to holders of shares in the Company at HK\$0.10 per Rights Share in the proportion of ten Rights Shares for every one share of the Company held on 19 April 2007 will subsequently be issued.

RETIREMENT SCHEME

The Group provides a defined contribution retirement scheme under the Mandatory Provident Fund Scheme (the "Scheme") in Hong Kong to all staff. Under the Scheme, employer and employees are each required to make contributions to the Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000 and contributions to the Scheme vested immediately.

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MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has complied with the requirements for director's securities transactions stated in the Model Code for Securities Transactions (the "Model Code") as set out in Appendix 10 of the Listing Rules. All Directors have confirmed that they have complied with the required standards as set out in the Model Code for the Year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association although there are no restrictions against such rights under the laws in the Cayman Islands.

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, internal controls and risk evaluation. The Audit Committee provides an important link between the Board and the Company's auditor in matters coming within the scope of audit. 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 has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, financial report process and internal control matters including a review of the audited financial statements for the year ended 31 December 2006.

The Audit Committee of the Company comprises three independent non-executive directors, namely Messrs. CHUNG Kong Fei, Stephen, TSANG Wing Ki and CHEN Henri Wei Hwa.

AUDITORS

The financial statements for the year ended 31 December 2004 were audited by Messrs. PricewaterhouseCoopers, while the financial statements for the year ended 31 December 2005 and 2006 were audited by Messrs. Moores Rowland Mazars. A resolution for the re-appointment of Messrs. Moores Rowland Mazars as the auditors is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

CHUNG Wislon

Chairman

Hong Kong, 25 April 2007