

# Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31 December 2006.

## PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries during the year are investment in securities listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and unlisted investments with a potential for earnings growth and capital appreciation. The activities of the principal subsidiaries are set out in Note 11 to the accounts.

The Group’s turnover for the year comprised dividends and interest income from investments.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 21.

The directors do not recommend payment of a dividend.

## RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 18 to the accounts.

## FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in Note 10 to the accounts.

## SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 17 to the accounts.

## DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2006 are set out in Note 18 to the accounts.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company’s Memorandum and Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## 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 48.

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## **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. Choi Wai Yin

Mr. Wong Wai Kwong, David

Mr. Wong Wing Hong, Benny

### **Independent Non-executive Directors**

Mr. Kong Tze Wing

Mr. Siu Siu Ling, Robert

Mr. Ng Yick Man, Andy

In accordance with Article 88 of the Company's Articles of Association, Mr. Wong Wing Hong Benny and Mr. Kong Tze Wing shall retire by rotation from office and all of them being eligible, offer themselves for re-election at the annual general meeting. All other directors continue in office.

Mr. Kong Tze Wing, Mr. Siu Siu Ling, Robert and Mr. Ng Yick Man, Andy are independent non-executive directors.

The term of office of each of the independent non-executive directors is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

## **DIRECTORS' SERVICE CONTRACTS**

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

## **DIRECTORS' INTERESTS IN CONTRACTS**

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.

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## BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors are set out below:

### Executive Directors:

**Mr. Choi Wai Yin**, aged 48, is an executive director. Mr. Choi holds a bachelor degree in Business Administration from the Chinese University of Hong Kong, a master degree of Science in Finance from the City University of Hong Kong and a bachelor degree in Laws from the Beijing University. He has over 18 years of experience in finance and fund management. From 1992 to 1994, he was a manager of the assessing department of BOCI Direct Investment Management Limited managing direct investment funds of approximately US\$120 million. From 1994 to 1998, he was an executive director of CEF New Asia Partners Limited managing two direct investment funds, namely CEF New Asia Company Limited and CEFNA Greater China Investments Company Limited, of approximately US\$180 million on behalf of independent third parties. Mr. Choi is currently an investment adviser registered under the Securities and Futures Ordinance. He is an executive director of Success Talent Investments Limited which is the investment manager of Earnest Investment Holdings Limited and China Treasure (Greater China) Investments Limited and an independent non-executive director of Fushan Holdings Limited. The shares of which are listed on the main board of the Stock Exchange. Mr. Choi will contribute to formulate the business direction of the Company, structure investment deals and monitor the performance of individual projects.

**Mr. Wong Wai Kwong, David**, age 49, is a company secretary and an executive director of the Company. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants, and a Certified Public Accountant. He has over 25 years of experience in finance, accounting, corporate and taxation affairs. Mr. Wong is an independent non-executive director of Yugang International Limited, Y. T. Realty Group Limited, The Cross-Harbour (Holdings) Limited, Upbest Group Limited, UBA Investments Limited, and CC Land Holdings Limited, a non-executive director of Tonic Industries Holdings Limited, and a director of EganaGoldpfeil (Holdings) Limited. All of the above companies are listed in Hong Kong. Mr. Wong ceased to be a non-executive director of Cardlink Technology Group Limited in March 2007, and an executive director of Egana Jewellery & Pearls Limited which was privatized in November 2006. Save as disclosed above, Mr. Wong has not held any directorship in any other listed public company in the last three years.

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**Mr. Wong Wing Hong, Benny**, aged 47, is an executive director of the Company and is involved in formulating the business direction of the Company's structured investment deals and monitor the performances of individual projects. He is responsible for formulating investment strategies and structuring investment prospects. Mr. Wong has over 20 years' experience in commercial banking. He had been the senior manager and member of the Credit Committee of Ansbacher Hong Kong Limited, member of Henry Ansbacher Group of United Kingdom ("UK") for 13 years and had served in a UK-based international bank for 6 years. His duties included credit review of corporate clients including Hong Kong listed and unlisted companies involved in the manufacturing, trading and investment industries. Mr. Wong completed a study in corporate financial management given by the Graduate School of Business, Stanford University.

## **Independent Non-executive Directors:**

**Mr. Kong Tze Wing**, aged 56, is an independent non-executive Director. Mr. Kong is a fellow member of the Association of Chartered Certified Accountants since 1985 and became a fellow member of Hong Kong Institute of Certified Public Accountant in 1995. He became a ACA of The Institute of Chartered Accountants in England and Wales in October 2004. He was a former Vice President and Former Chairman of Mainland Affairs Committee of Hong Kong Institute of Accredited Accounting Technicians. He is also the Hon. President of The Institute of Financial Accountants in Hong Kong. Mr. Kong has been a Certified Public Accountants since 1981. He holds a bachelor degree in Accounting and a bachelor degree in Business Administration. He is a sole practitioner of the firm Messrs. James T. W. Kong & Co., Certified Public Accountants (Practising). Mr. Kong was an elected District Board member since 1991 and is currently an elected District Council member. He is actively participating in community services and has been appointed by the Hong Kong SAR Government to sit on various committees and appeal boards in Hong Kong. Mr. Kong is also an independent non-executive director of SMI Publishing Group Limited. He ceased to be an independent non-executive director of Ultra Group Holdings Limited in November 2006.

**Mr. Siu Siu Ling, Robert**, aged 54, is an independent non-executive director. Mr. Siu has been a solicitor since 1992 and has been admitted as a solicitor in England and Wales since 1993. Mr. Siu holds a bachelor degree in law and a postgraduate certificate in law. Mr. Siu was a partner of the former firm Messrs. Joseph Chu, C.P. Cheung & Co. from 1997 to 1998 and partner of the firm Messrs. C.P. Cheung & Co. from 1997 to 2000. He is now a partner of the firm Messrs. Robert Siu & Co., Solicitors. Mr. Siu's practice is mainly in the field of commercial and corporate finance. Mr. Siu is also an independent non-executive director of Ultra Group Holdings Limited. He ceased to be an executive director of MAXX Bioscience Holdings Ltd. in June 2006.

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**Mr. Ng Yick Man, Andy**, age 49, is an independent non-executive director. Mr. Ng has over 23 years' experience in the fields of finance, accounting, taxation and corporate governance. He is currently a Teaching Fellow of the Faculty of Business Administration of The Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and CPA Australia. Mr. Ng is an independent non-executive director of EganaGoldpfeil (Holdings) Limited. He ceased to be an independent non-executive director of Egana Jewellery & Pearls Limited which was privatized in November 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, none of the directors or chief executive (including their spouses and children under 18 years of age) of the Company had any interest or short position in the shares, underlying shares or 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 required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he was taken or deemed to have under 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 for Securities Transactions by Directors of Listing Companies (the "Model Code") in the Listing Rules, to be notified to the Company and the Stock Exchange.

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

At no time during the year was the Company, its subsidiaries or its associated companies a party to any arrangement to enable the directors or chief executives (including their spouses and children under 18 years of age) of the Company to hold any interests or short positions in the shares, underlying shares in or debentures of, the Company or its associated corporations.

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

As at 31 December 2006, the following persons or corporations, interest in 5% or more in the shares and underlying shares of the Company have been notified to the Company and recorded in the register of substantial shareholders' interests in shares and short positions required to be kept under Section 336 of Part XV of the SFO:

Name of shareholder	Number of ordinary shares	% of total issued shares
Endless Wealth Limited <sup>#</sup>	15,000,000	20.83%

<sup>#</sup> Principally engaged in investment holding business, and wholly owned by and controlled by Mr. Chin Melvyn Michael.

Save as disclosed above, as at 31 December 2006, the Directors are not aware of any other persons who have interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would be required to be disclosed to the Company pursuant to Part XV of the SFO.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, as at the date of this report, there is sufficient public float of more than 25% of the issued share capital of the Company as required under the Listing Rules.

## MANAGEMENT CONTRACTS

Details of the significant management contracts in relation to the Group's business are set out in Note 23 to the accounts.

Save as disclosed in Note 23 to the accounts, 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.

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## CONNECTED TRANSACTIONS

- (a) Significant related party transactions entered by the Group during the year ended 31 December 2006, which do not constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”), are disclosed in Note 24 to the accounts.
- (b) Other related party transactions, which also constitute connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14 of the Listing Rules, are disclosed in Note 23 to the accounts.

The investment manager of the Company is regarded as a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the investment management agreement constitutes a connected transaction of the Company.

The management fee paid during the year amounted to HK\$1,081,787 (2005: HK\$1,155,692). The transaction was entered into by the Company in the ordinary and usual course of business in accordance with the terms of the agreement, conducted on normal commercial terms and did not exceed the cap amount as prescribed in the waiver granted by the Stock Exchange. The transaction had been reviewed by the independent non-executive directors and received approval from the Company’s board of directors.

## AUDIT COMMITTEE

The Company has established an audit committee in accordance with rule 3.21 of the Listing Rules.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. The audit committee has reviewed the annual results for the year ended 31 December 2006.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The audit committee has discussed the internal control system effectiveness review report with the management, and is satisfied with the conclusion reached by the management that “the management is satisfied that prevailing internal control system is adequately in place, and has been implemented by the company properly. In addition, there revealed no significant areas of improvement which are required to be brought to the attention of the Board.”

The Company has complied with the Code throughout the financial year ended 31 December 2006, with deviation from code provision A.4.1 of the Code only in respect of the service term of the directors.

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None of the existing non-executive directors (including independent non-executive directors) of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all the directors of the Company are subject to the retirement provisions under paragraph (1) of article 88 of the Articles of Association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code during the year.

## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

Set out below is information disclosed pursuant to paragraph 8.10(2) of the Listing Rules:

Mr. Choi Wai Yin is an executive director of Success Talent Investments Limited, which is the investment manager of Earnest Investment Holdings Limited and China Treasure (Greater China) Investments Limited, the shares of which are listed on the main board of the Stock Exchange. In view of the differences in the investment objectives, it is believed that his roles in these companies would not result in any conflicts of interest with the Company. Mr. Choi will abstain from voting on transactions where conflicts of interest arise between the Company, Earnest Investment Holdings Limited, and China Treasure (Greater China) Investments Limited.

## **AUDITORS**

The accounts have been audited by Baker Tilly Hong Kong Limited.

By order of the Board

**Choi Wai Yin**

*Executive Director*

Hong Kong, 18 April 2007.