

Directors' Report

The directors present their annual 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.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the research, development, sale of biopharmaceutical products and provision of gaming systems.

RESULTS AND FINANCIAL POSITION

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 25.

The state of the Group's affairs at 31 December 2006 is set out in the consolidated balance sheet on pages 26 and 27.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTY

The investment property of the Group was re-valued on an open market value basis as at 31 December 2006 as set out in note 17 to the financial statements. There was a surplus of HK\$150,000 arising on the revaluation as at 31 December 2006.

SHARE CAPITAL

Details of changes in the Company's share capital during the year are set out in note 30 to the financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 28 and in note 32(b) to the financial statements.

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DIRECTORS AND SERVICE CONTRACTS

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

Executive directors:

Mr. Jay Chun, <i>Chairman and Managing Director</i>	(alternate director to Mr. Shan Shiyong)
Mr. Shan Shiyong (alias, Mr. Sin Sai Yung)	
Dr. Ma Xianming (alias, Dr. Ma Yin Ming)	
Mr. Law Wing Kit, Stephen	(Appointed on 1 April 2007)
Mr. Park Aaron Changmin	(Appointed on 1 April 2007)

Independent non-executive directors:

Mr. Frank Hu
Mr. Wang Faqi
Ms. Ma Shiwei

The biographical details of the directors of the Company and senior management of the Group are set out on pages 9 and 10.

In accordance with the Company's Bye-laws, Mr. Jay Chun, Mr. Shan Shiyong (alias, Mr. Sin Sai Yung), Mr. Law Wing Kit, Stephen and Mr. Park Aaron Changmin will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of Mr. Jay Chun, Mr. Shan Shiyong, Mr. Law Wing Kit, Stephen and Mr. Park Aaron Changmin does not have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The terms of office of each independent non-executive director is a period up to his/her retirement by rotation in accordance with the Company's Bye-laws.

The Company has received from each of its independent non-executive directors an annual confirmation of his/her independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considered them to be independent as at the date of this report.

DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

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DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2006, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive 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 to be 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 set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

Name of Directors	Name of company/ associated corporation	Capacity/ Nature of interests	Interests in shares (other than pursuant to equity derivatives) ⁽¹⁾	Interests in underlying shares pursuant to equity derivatives ⁽¹⁾	Total interests in shares/underlying shares	Approximate aggregate percentage of interests
Mr. Jay Chun	The Company	Beneficial owner	68,568,000	2,500,000	398,558,000	13.12%
	The Company	Interest of controlled corporation	327,490,000 ⁽²⁾	-		
Mr. Shan Shiyong, alias, Sin Sai Yung	The Company	Interest of controlled corporation	353,190,000 ⁽³⁾	-	353,190,000	11.62%
Dr. Ma Xianming, alias, Ma Yin Ming	The Company	Beneficial owner	-	2,900,000	2,900,000	0.10%

Notes:

- (1) All interests in shares stated above represent long positions.
- (2) These shares were held by August Profit Investments Limited, a company which is wholly owned by Mr. Jay Chun.
- (3) These shares were held by Best Top Offshore Limited, a company which is wholly owned by Mr. Shan Shiyong, alias, Sin Sai Yung.

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2006.

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SHARE OPTIONS

On 15 July 2002, the Company terminated the share option scheme of the Company adopted on 3 January 1997 (the "Old Share Option Scheme") and adopted a new share option scheme (the "Existing Share Option Scheme") as a result of the changes in the Listing Rules in relation to share option scheme.

Particulars of the Old Share Option Scheme and the Existing Share Option Scheme are set out in note 33 to the financial statements.

There are no outstanding options granted under the Old Share Option Scheme during the year.

A summary of the movements in share options granted under the Existing Share Option Scheme during the year is as follows:

	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options			
				Outstanding at 1.1.2006	Granted during the year	Exercised during the year	Outstanding at 31.12.2006
Category: Directors							
Jay Chun	27.11.2003	27.11.2003 to 26.11.2008	0.088	2,500,000	-	-	2,500,000
Dr. Ma Xianming	27.11.2003	27.11.2003 to 26.11.2008	0.088	1,000,000	-	-	1,000,000
Dr. Ma Xianming	30.11.2006	30.11.2006 to 29.11.2011	0.095	-	1,900,000	-	1,900,000
Category: Employees							
	13.08.2004	01.09.2004 to 12.08.2009	0.081	4,000,000	-	-	4,000,000
	03.01.2006	03.01.2006 to 02.01.2011	0.081	-	12,000,000	-	12,000,000
	20.02.2006	20.02.2006 to 19.02.2011	0.081	-	4,000,000	-	4,000,000
Category: Consultants							
	27.11.2003	27.11.2003 to 26.11.2008	0.088	23,375,000	-	-	23,375,000
	13.08.2004	01.09.2004 to 12.08.2009	0.081	125,000,000	-	(125,000,000)	-
	01.11.2004	01.11.2004 to 31.10.2009	0.086	50,000,000	-	(25,000,000)	25,000,000
	20.02.2006	20.02.2006 to 19.02.2011	0.081	-	250,000,000	(125,000,000)	125,000,000
	31.07.2006	31.07.2006 to 30.07.2011	0.091	-	280,000,000	-	280,000,000
Total all categories				205,875,000	547,900,000	(275,000,000)	478,775,000

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The fair value of the options granted on 3 January 2006, 20 February 2006, 31 July 2006 and 30 November 2006 measured on the date of grant amounted to approximately HK\$470,000, HK\$8,253,000, HK\$10,786,000 and HK\$73,000 respectively. The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

	3 January 2006	20 February 2006	31 July 2006	30 November 2006
1) Expected volatility based on historical volatility of share prices	71.26%	62.37%	65.07%	56.81%
2) Expected annual dividend yield, based on historical dividends	–	–	–	–
3) Expected life of options	3 years	3 years	3 years	3 years
4) Hong Kong Exchange Fund Notes rate for corresponding estimated expected life indicated at the date of grant	4.060%	4.055%	4.326%	3.678%

For the purposes of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited, due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

The closing price of the Company's shares immediately before 3 January 2006, 20 February 2006, 31 July 2006 and 30 November 2006, the dates on which options were granted during the year, were HK\$0.080, HK\$0.080, HK\$0.090 and HK\$0.093 per share respectively.

HK\$19,582,000 has been charged to the consolidated income statement for the year in respect of the value of options granted during the year.

As at the date of this report, the total number of options available for issue under the Existing Share Option Scheme is 3,929,791 options, representing 10% of the shares of the Company in issue as at the date of refreshment of the scheme mandate limit on 29 May 2006 less the number of options granted under the Existing Share Option Scheme pursuant to the scheme mandate limit as refreshed.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option schemes disclosed under the section headed "Share Options" above, at no time during the year was the Company or any of 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. In addition, none of the directors, or their spouse or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year.

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SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2006, so far as is known to the directors, the interests and short positions of the persons or corporations, other than directors and chief executive of the Company, in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name	Total interests in shares⁽¹⁾	Approximate percentage of interests
Best Top Offshore Limited	353,190,000	11.62%
August Profit Investments Limited	327,490,000	10.78%

Note:

(1) All interests in shares stated above represent long positions.

Save as disclosed above, as at 31 December 2006, the Company had not been notified of any other person who was interested in or had a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2006, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 45.2% of the Group's total turnover and the turnover attributable to the Group's largest customer was approximately 13.9% of the Group's total turnover.

For the year ended 31 December 2006, the aggregate amount of purchase attributable to the Group's five largest suppliers accounted for approximately 83.7% of the Group's total purchase and the turnover attributable to the Group's largest supplier was approximately 26.9% of the Group's total purchase.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest customers or suppliers.

CONVERTIBLE SECURITIES, OPTIONS, OR SIMILAR RIGHTS

Other than the share option schemes disclosed under the section headed "Share Options", the Company had no outstanding convertible securities or other similar rights as at 31 December 2006.

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PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

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 the existing shareholders.

CORPORATE GOVERNANCE

In the opinion of the board of directors of the Company (the "Board"), the Company has complied with the Code of Corporate Governance Practices ("the Code") set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2006 except for certain deviations. For further information on the Company's corporate governance practices and details of deviations, please refer to the Corporate Governance Report on pages 18 to 21.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct regarding directors' securities transactions of Listed Issuers. Having made specific enquiry of all directors, the directors have confirmed that they have complied with the requirements set out in the Model Code during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the latest practicable date prior to the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. RSM Nelson Wheeler as auditors of the Company.

On behalf of the Board

Jay Chun
Chairman

Hong Kong, 27 April 2007