

The Directors have pleasure in presenting to the shareholders their annual report together with the audited consolidated financial statements for the year ended 31st December, 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31st December, 2006 are set out in the consolidated income statement on page 28 of the annual report.

The directors do not recommend the payment of a dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31st December, 2006 and 2005, the Company had no reserves available for distribution to shareholders as the contributed surplus is less than the accumulated losses of the Company.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Mr. Wong Pak Ming (*Chairman*)
 Ms. Wong Kit Fong
 Ms. Wong Yee Kwan, Alvina
 Mr. Ko Tin Chow

Independent non-executive directors:

Mr. Wan Ngar Yin, David
 Mr. Lai Voon Wai
 Mr. Tang Kai-Kui, Terence

In according with Bye-law 87(1), Mr. Wong Pak Ming, Ms. Wong Kit Fong and Ms. Wong Yee Kwan, Alvina will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office of each of the independent non-executive directors is for an initial term of one year except for Mr. Wan Ngar Yin, David which is for an initial term of two years and thereafter all of which may be extend for such period as both parties agree in writing and the independent non-executive directors are subject to retirement by rotation in accordance with the Company's Bye-laws.

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 Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all of the independent non-executive directors are independent.

Each of the executive directors has entered into a service contract with the Company for an initial term of two years which commenced on 1st September, 2001, except for Ms. Wong Yee Kwan, Alvina which commenced on 1st September, 2003 and Mr. Ko Tin Chow which commenced on 1st December, 2005 and all of which continue thereafter unless and until terminated by either party by giving to the other party not less than three months' prior written notice.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES OF THE COMPANY

At 31st December, 2006, the interests of the directors, the chief executive and their associates in the shares, underlying shares and debentures of the Company and its associated corporation as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("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 Companies (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions

- (a) Ordinary shares of HK\$0.10 each of the Company

Name of director	Capacity	Number of issued ordinary shares held (<i>Note 1</i>)	Percentage of the issued share capital of the Company
Mr. Wong Pak Ming ("Mr. Wong")	Held by controlled corporations (<i>Note 2</i>)	152,200,000	46.12%
	Beneficial owner	200,000	0.06%
	Held by spouse	114,000	0.03%
		<u>152,514,000</u>	<u>46.21%</u>
Mr. Wan Ngar Yin, David	Beneficial owner	2,388,000	0.72%
Ms. Wong Kit Fong	Beneficial owner	2,300,000	0.70%
Ms. Wong Yee Kwan, Alvina	Beneficial owner	2,106,000	0.64%

- (b) Directors' interests in the underlying shares of the share options of the Company

Name of director	Number of Options held	Exercisable Period	Exercise price per share
Mr. Wong	328,000	24.12.2006 to 20.8.2011	HK\$0.938
Ms. Wong Kit Fong	328,000	24.12.2006 to 20.8.2011	HK\$0.938
Ms. Wong Yee Kwan, Alvina	328,000	24.12.2006 to 20.8.2011	HK\$0.938
Mr. Ko Tin Chow	328,000	24.12.2006 to 20.8.2011	HK\$0.938
Mr. Wan Ngar Yin, David	328,000	24.12.2006 to 20.8.2011	HK\$0.938
Mr. Tang Kai Kui, Terence	328,000	24.12.2006 to 20.8.2011	HK\$0.938
	<u>1,968,000</u>		

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES OF THE COMPANY (continued)

Notes:

- Shares of HK\$0.10 each in the capital of the Company.
- These shares are held as to 30,000,000 shares by Capeland Holdings Limited and 122,200,000 shares by Idea Storm Holdings Limited, both companies are incorporated in the British Virgin Islands and are wholly-owned by Mr. Wong beneficially.

Save as disclosed above, at 31st December, 2006, none of the directors, the chief executive or their associates had any interests or short positions in shares on underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 29 to the consolidated financial statements.

Details of the share option granted under the share option scheme to certain directors of the Company to subscribe for shares in the Company are as follows:

Name of director	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding as at 1.1.2006	Granted during the year	Outstanding at 31.12.2006
Mr. Wong	23.6.2006	24.12.2006 to 20.8.2011	0.938	-	328,000	328,000
Ms. Wong Kit Fong	23.6.2006	24.12.2006 to 20.8.2011	0.938	-	328,000	328,000
Ms. Wong Yee Kwan, Alvina	23.6.2006	24.12.2006 to 20.8.2011	0.938	-	328,000	328,000
Mr. Ko Tin Chow	23.6.2006	24.12.2006 to 20.8.2011	0.938	-	328,000	328,000
Mr. Wan Ngar Yin, David	23.6.2006	24.12.2006 to 20.8.2011	0.938	-	328,000	328,000
Mr. Tang Kai Kui, Terence	23.6.2006	24.12.2006 to 20.8.2011	0.938	-	328,000	328,000
				-	1,968,000	1,968,000
				-	1,968,000	1,968,000

DIRECTORS' REPORT

SHARE OPTIONS (continued)

Details of the share options granted under the share option scheme to certain employees of the Company for shares in the Company are as follows:

Name of employee	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding as at 1.1.2006	Granted during the year	Outstanding as at 31.12.2006
Mr. Wong Chi Woon, Edmond	23.6.2006	24.12.2006 to 20.8.2011	0.938	–	328,000	328,000
Ms. Chan Yuen Yee	23.6.2006	24.12.2006 to 20.8.2011	0.938	–	328,000	328,000
				–	656,000	656,000

The closing price of the Company's shares immediately before 23rd June, 2006, the date of grant of the options, was HK\$0.96.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed under the heading "Share Options", at no time during the year was the Company, or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the directors or their spouses 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.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions

(a) Ordinary shares

Name of shareholder	Capacity	Number of issued ordinary shares held <i>(Note 1)</i>	Percentage of the issued share capital of the Company
Mr. Wong	Held by controlled corporations <i>(Note 2 and 3)</i>	152,200,000	46.12%
	Beneficial owner <i>(Note 3)</i>	200,000	0.06%
	Held by spouse <i>(Note 4)</i>	114,000	0.03%
		<u>152,514,000</u>	<u>46.21%</u>
Mr. Zhang Xun	Beneficial owner	<u>40,040,000</u>	<u>12.13%</u>
Mr. Fang Shu An ("Mr. Fang")	Beneficial owner <i>(Note 5)</i>	13,000,000	3.94%
	Held by spouse <i>(Note 6)</i>	12,000,000	3.64%
		<u>25,000,000</u>	<u>7.58%</u>

(b) Share options

Name of shareholder	Capacity	Number of shares options	Number of underlying shares
Mr. Wong	Beneficial owner	328,000	328,000

Notes:

1. Shares of HK\$0.10 each in the capital of the Company.
2. These shares are held as to 30,000,000 shares by Capeland Holdings Limited and 122,200,000 shares by Idea Storm Holdings Limited, both of which are incorporated in the British Virgin Islands and are wholly-owned by Mr. Wong beneficially.
3. In accordance to SFO, Mr. Wong's spouse is also deemed to be interested in the shares held by Mr. Wong or in which he is interested.
4. These shares are held by Mr. Wong's spouse in which Mr. Wong is also deemed to be interested.
5. In accordance to SFO, Mr. Fang's spouse is also deemed to be interested in the shares held by Mr. Fang or in which he is interested.
6. These shares are held by Mr. Fang's spouse in which Mr. Fang is also deemed to be interested.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS (continued)

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 31st December, 2006.

DIRECTORS' INTEREST IN CONTRACTS AND CONNECTED TRANSACTIONS

During the year, certain transactions that have been entered into by the Group constituted connected transactions under Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Details are set out below:

During the year, a further advance of HK\$1,925,000 was received from Mr. Zhang Xun, a substantial shareholder of the Company, this further advance bears interest at 3% per annum and will be repayable on or before 31st January, 2008. At 31st December, 2006, the remaining loans from Mr. Zhang Xun in the amount of HK\$11,121,000 bear interest from 1% to 3% per annum and will be repayable on or before 31st January, 2008.

Other than disclosed above, no contract 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 or indirectly, subsisted at the end of the year or at any time during the year.

FINANCIAL ASSISTANCE TO AFFILIATED COMPANY

As at 31st December, 2006, the advances made to a jointly controlled entity in the amount of HK\$11,529,000, represent approximately 10.5% of the total assets of the Group before the respective allowance. Pursuant to Rule 13.22 of the Listing Rules, the balance sheet of the affiliated company as at 31st December, 2006 is presented below:

	HK\$'000
Non-current assets	34
Current assets	1,702
Current liabilities	496
Net current assets	1,206
Shareholders' funds	1,240

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2006 with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, which it is required to report compliance.

EMOLUMENT POLICY

The Group remunerates its employees including the directors, based on their performance, experience and prevailing market rate. Other employee benefits included insurance and medical cover, subsidised training programme as well as share option scheme. Details of the share option scheme is set out in note 29 to the consolidated financial statements.

The determination of emoluments of the directors of the Company had taken into consideration of their expertise and job specifications.

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.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for 12% and 40%, respectively, of the Group's total revenue for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for 13% and 33%, respectively, of the Group's total purchases for the year.

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2006.

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

WONG Pak Ming
CHAIRMAN

Hong Kong, 20th April, 2007