



The directors present their annual report and the audited consolidated financial statements for the Year.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 35 to the financial statements.

## RESULTS

The results of the Group for the Year are set out in the consolidated income statement on page 27.

The directors do not recommend the payment of a dividend and propose that the profit for the Year be retained.

## POST BALANCE SHEET EVENT

Details of the post balance sheet event is disclosed in note 34 to the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 15 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements during the Year in the Company's share capital are set out in note 28 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distributions to shareholders as at 31 December, 2006 represent the share premium, contributed surplus and accumulated losses with an aggregate amount of approximately HK\$118,795,000 (2005: HK\$76,753,000).

## ■ DIRECTORS' REPORT

### DIRECTORS

The Directors of the Company during the Year and up to the date of this report were:

#### Executive directors:

Mr. Wong Yin Sen (*Chairman*)  
Mr. Hon Lik (*Chief Executive Officer*)  
Mr. Wong Hei Lin (*Vice president*)  
Mr. Li Kim Hung

#### Non-executive director:

Ms. Cheng Kong Yin

#### Independent non-executive directors:

Mr. Pang Hong  
Mr. Cheung Kwan Hung, Anthony  
Mr. Ding Xun (appointed on 27 July, 2006)  
Mr. Song Xiao Hai (resigned on 27 July, 2006)

In accordance with Articles 86 and 87 of the Articles of Association, Messrs. Wong Yin Sen, Wong Hei Lin, Cheung Kwan Hung, Anthony and Ding Xun shall retire by rotation and, being eligible, offer themselves for re-election.

The non-executive director has no set term of office but are subject to retirement by rotation, and being eligible, offer themselves for re-election, in accordance with the Articles of Association.

### DIRECTORS' SERVICE CONTRACTS

None of the directors 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' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December, 2006, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations (written the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange pursuant to the Model Code in the Listing Rules, were as follows:

### Long positions in the ordinary shares of HK\$0.10 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Wong Yin Sen	Interest of a controlled corporation (Note 1)	388,000,000	55.36%
Mr. Hon Lik	Interest of a controlled corporation (Note 1)	388,000,000	55.36%
Mr. Wong Hei Lin	Other (Note 1)	388,000,000	55.36%
Ms. Cheng Kong Yin	Interest of spouse (Note 2)	388,000,000	55.36%
Mr. Li Kim Hung	Interest of individual	220,000	0.03%

Notes:

- (1) Messrs. Wong Yin Sen, Hon Lik and Wong Hei Lin are beneficially interested in 46.25%, 42.50% and 11.25% of the entire issued share capital of the major shareholder, Absolute Target Limited, which holds 388,000,000 shares in the Company, representing 55.36% of the entire issued shares in the Company.
- (2) As Ms. Cheng Kong Yin is the spouse of Mr. Wong Yin Sen, she is deemed to be interested in these shares owned by her spouse.

## DIRECTORS' REPORT

### Long positions in the shares of associated corporation of the Company

<b>Name of director</b>	<b>Name of associated corporation</b>	<b>Number of shares held</b>	<b>Approximate percentage of shareholding</b>
Mr. Wong Yin Sen	Absolute Target Limited	4,625	46.25%
Mr. Hon Lik	Absolute Target Limited	4,250	42.50%
Mr. Wong Hei Lin	Absolute Target Limited	1,125	11.25%

Save as disclosed above, as at 31 December, 2006, none of the directors nor their associates had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### SHARE OPTION SCHEME

In accordance with the terms of the share option scheme, the board of directors of the Company is authorised, at its absolute discretion, to grant options to the participants, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company. Options granted may be exercised at any time during the five-year period commencing on the date on which the option is accepted and expire on the last day of the five-year period.

As at the date of the report, no options have been granted to any participants nor outstanding under the Company's share option scheme.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Year was the Company, its holding company, or any of its subsidiaries or fellow 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.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

The Group received management fee of approximately HK\$980,000 from SBT (Holdings) Company Limited ("SBT (Holdings)"), in which certain directors have interests in by virtue of their shareholdings in the ultimate holding company of SBT (Holdings) and are the directors of SBT (Holdings).

The Group received rental income of approximately HK\$234,000 from Shenyang SBT Technology Development Company Limited ("Shenyang SBT"), in which certain directors have interests in by virtue of their shareholdings in the ultimate holding company of Shenyang SBT and are the directors of Shenyang SBT.

Details of the transactions are set out in note 33 to the consolidated financial statements.

The above transaction and the transaction disclosed in the section "Continuing Connected Transactions" above were reviewed and confirmed by the independent non-executive directors that they were conducted on normal commercial terms, in the ordinary course of business of the Group and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Other than as disclosed above, no contracts of significance to which the Company, its ultimate holding company, or any subsidiaries of its ultimate holding company 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.

## CONTINUING CONNECTED TRANSACTIONS

On 4 November, 2004, Shenyang Jinlong Pharmaceutical Company Limited ("Jinlong Pharmaceutical"), a wholly owned subsidiary of the Group, entered into a supply of products agreement with Beijing SBT. On 16 November, 2006, Jinlong Pharmaceutical entered into a new supply of products agreement with Beijing SBT to renew and amend the terms and conditions of the existing agreement. The transaction is regarded as "continuing connected transaction" pursuant to Chapter 14A of the Listing Rules and particulars of the transaction are disclosed as follows:

Connected person	Date of agreement	Terms	Products
Beijing SBT	4 November, 2004	From 20 December, 2004 to 31 December, 2006	Alkaloid liquid as contained in alkaloid liquid containers together with inhaler installed for one-off consumption purpose as refills into electronic cigarettes
	16 November, 2006	From 1 January, 2007 to 31 December, 2009	

During the Year, the Group supplied merchandise amounting to HK\$102,719,000 to Beijing SBT, in which certain directors of the Company have interests in by virtue of their shareholdings in AAI, the ultimate holding company of Beijing SBT and are the directors of Beijing SBT.

## DIRECTORS' REPORT

Pursuant to Rule 14A.38 of the Listing Rules, the board of directors engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the board of directors. The independent non-executive directors have reviewed the continuing connected transactions and the report of the auditors and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

### MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company and the Group was entered into or existed during the Year.

### SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at 31 December, 2006, the persons or companies (other than directors or chief executive) who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register of substantial shareholders required to be kept by the Company under section 336 of the SFO were as follows:

#### Long positions in the ordinary shares of HK\$0.10 each of the Company

<b>Name</b>	<b>Number of shares beneficially held</b>	<b>Percentage of holding</b>
Absolute Target Limited	388,000,000	55.36%

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

### APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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 Listing Rules. The Company considers all of the independent non-executive directors are independent.



## CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 8 to 14.

## EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the 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.

## MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the largest customer of the Group by itself and together with the next four largest customers accounted for about 47% and 78%, respectively, of the Group's turnover.

The largest supplier of the Group by itself and together with the next four largest suppliers accounted for about 19% and 59%, respectively, of the Group's purchases.

Other than as disclosed in the section "Directors' Interests in Contracts of Significance" above, at no time during the Year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

## PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the year 2006, the Company has not redeemed any of its listed securities. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the reporting period.

## SUFFICIENCY OF 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 annual report, there is sufficient public float, as not less than 25% of the Company's issued shares are held by the public.

## ■ DIRECTORS' REPORT

### AUDITOR

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

On behalf of the Board

**Mr. Wong Yin Sen**

*CHAIRMAN*

Hong Kong  
24 April 2007