

Report of the Directors

The directors present their report and the audited financial statements of Aurora Global Investment Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 17(a) to the financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

RESULTS AND APPROPRIATIONS

The Group’s loss for the year ended 31 December 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 31 to 86. The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated results of the Group for the years ended 31 December 2002, 2003, 2004, 2005 and 2006, and the assets, liabilities and minority interests of the Group as at each of the year end date prepared on the basis set out in the note below.

	Year ended 31 December				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
REVENUE – TURNOVER	26,523	40,982	19,560	127,338	182,062
OPERATING (LOSS)/PROFIT	(46,008)	(89,444)	(74,503)	(43,576)	11,630
Finance costs	(149)	(1,686)	(3,290)	(2,168)	(1,728)
(LOSS)/PROFIT BEFORE INCOME TAX	(46,157)	(91,130)	(77,793)	(45,744)	9,902
INCOME TAX	—	—	84	(3,500)	(1,053)
(LOSS)/PROFIT FOR THE YEAR	(46,157)	(91,130)	(77,709)	(49,244)	8,849
(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	(46,167)	(91,136)	(77,486)	(31,853)	4,879
MINORITY INTERESTS	10	6	(223)	(17,391)	3,970

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	At 31 December				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
NON-CURRENT ASSETS	82,614	83,403	118,406	161,226	120,885
CURRENT ASSETS	17,903	27,199	57,089	59,664	162,065
TOTAL ASSETS	100,517	110,602	175,495	220,890	282,950
CURRENT LIABILITIES	36,558	22,050	77,298	76,048	79,076
NON-CURRENT LIABILITIES	1,158	2,660	18,128	139	17,492
TOTAL LIABILITIES	37,716	24,710	95,426	76,187	96,568
NET ASSETS	62,801	85,892	80,069	144,703	186,382
MINORITY INTERESTS	(217)	(227)	(233)	317	14,223

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the share capital during the year together with the reasons therefore, are set out in note 28 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company of approximately HK\$100 million as at 31 December 2006, is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the sales to the Group's five largest customers accounted for approximately 34% of the Group's total sales for the year and sales to the largest customer included therein amounted to approximately 27%.

Purchases from the Group's five largest suppliers accounted for approximately 32% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 23%.

None of the directors of the Company, any of their associates or shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital), had any beneficial interests in the Group's five largest customers and/or suppliers.

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DIRECTORS

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

Executive directors

Mr. Pang Man Kin Nixon (*Chairman*)

Mr. Tsao Ke Wen Calvin (*Chief Executive Officer*)

Mr. Lam Shu Chung

Mr. Law Fei Shing

Mr. So Chi Keung

Mr. Fok Po Tin (appointed on 1 March 2007)

Mr. Leung Kai Hung (appointed on 1 March 2007)

Non-executive director

Dr. Ma Chung Wo Cameron

Independent non-executive directors

Mr. Lum Pak Sum

Mr. Wan Hon Keung (appointed on 4 April 2007)

Mr. Sun Tak Keung (appointed on 4 April 2007)

Mr. Poon Chiu (resigned on 4 April 2007)

Mr. Li Chak Hung (resigned on 4 April 2007)

In accordance with article 111 of the Company's Articles of Association, Messrs Fok Po Tin and Leung Kai Hung who were appointed as directors of the Company on 1 March 2007 and Messrs Wan Hon Keung and Sun Tak Keung who were appointed as directors of the Company on 4 April 2007, shall hold office until the forthcoming annual general meeting of the Company following their appointments and, being eligible, offer themselves for re-election.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considers all the independent non-executive directors are independent.

In accordance with Articles 108(A) and 108(B) of the Company's articles of association, no Director will retire and being eligible offer themselves for re-election at the forthcoming annual general meeting.

Mr. Lum Pak Sum, an independent non-executive director, and Dr. Ma Chung Wo Cameron, a non-executive director, are currently appointed with no specific length or proposed length of service with the Company in respect of the appointment and no specific terms of service have been agreed.

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 10 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Messrs Pang Man Kin, Nixon, Tsao Ke Wen, Calvin, Lam Shu Chung, Law Fei Shing and So Chi Keung have entered into service contracts with the Company commencing from 16 August 2005, 16 August 2005, 1 September 2004, 1 September 2004 and 1 September 2005 respectively which continue thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed elsewhere in the annual report, no director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or were in existence during the year.

PENSION SCHEME ARRANGEMENT

Particulars of the pension scheme arrangements are set out in note 3(r)(a) to the financial statements.

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DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2006, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) 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 of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) were as follows:

(a) Long Positions in Ordinary Shares of the Company

Name of Director	Nature of interests	Number of shares held	Approximate percentage of shareholding
Mr. Tsao Ke Wen, Calvin (Note 1)	Corporate	279,852,000	50.71%
Mr. Lam Shu Chung (Note 2)	Corporate & Personal	44,638,750 4,000,000	8.81%
Mr. Law Fei Shing	Personal	2,000,000	0.36%
Mr. So Chi Keung	Personal	3,800,000	0.69%
Mr. Lum Pak Sum	Personal	500,000	0.09%

Notes:

1. L & L Holdings Limited (“L & L”) owned ordinary shares of the Company. This company is incorporated in the Republic of the Marshall Islands. The entire issued share capital of L & L is wholly and beneficially owned by Mr. Tsao Ke Wen, Calvin.
2. Prime Orient International Limited (“Prime Orient”) owned 44,638,750 ordinary shares of the Company. This company is incorporated in the British Virgin Islands. The entire issued share capital of Prime Orient is wholly and beneficially owned by Mr. Lam Shu Chung.

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(b) Short Positions in Underlying Shares of the Company

Name of Director	Date of option granted	Number of Shares attached to the option	Exercised period	Subscription price	Approximate percentage of interest held
Pang Man Kin Nixon	7 March 2006	5,000,000	10 March 2006 to 9 March 2011	HK\$0.35	0.91%
Tsao Ke Wen Calvin	7 March 2006	500,000	10 March 2006 to 9 March 2011	HK\$0.35	0.09%
Law Fei Shing	7 March 2006	3,000,000	10 March 2006 to 9 March 2011	HK\$0.35	0.54%
Ma Chung Wo Cameron	7 March 2006	500,000	10 March 2006 to 9 March 2011	HK\$0.35	0.09%

Save as disclosed above, as at 31 December 2006, none of the directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) 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; and none of the directors or the 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

The register maintained by the Company pursuant to section 336 of the SFO recorded that, as at 31 December 2006, the following corporations had interests (as defined in the SFO) in the Company set opposite its respective name:

Name of Director	Number of shares held	Approximate percentage of shareholding
L & L Holdings Limited (Note 1)	279,852,000	50.71%
Mr. Tsao Ke Wen, Calvin (Note 1)	279,852,000	50.71%
Prime Orient International Limited (Note 1)	44,638,750	8.09%
Mr. Lam Shu Chung (Note 1)	44,638,750	8.09%
Ms. Choi Hing Lin, Lori(Note 2)	44,638,750	8.09%

Notes:

1. The shareholding are duplicated in the disclosure in the "Directors' Interests and short positions in the securities of the company and its associated corporations" section above.
2. Ms. Choi Hing Lin, Lori is the wife of Mr. Lam Shu Chung is deemed to be interested in shares which Mr. Lam Shu Chung is interested under the provisions of Divisions 2 and 3 of Part XV of the SFO.

All the interests stated above represent long positions in the ordinary shares of the Company. As at 31 December 2006, no short positions were recorded in the register maintained by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the, Group, any person or entity that provides research, development or other technological support to the Group and any minority shareholder in the Company's subsidiaries. The Scheme was adopted on 6 June 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time.

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Pursuant to the extraordinary general meeting passed on 10 March 2006, the general scheme limit of the Company's share option scheme has been reset to 52,520,000 shares, representing 10% of the Company's issued share capital on the date of meeting, with the passing of ordinary resolution, which allowing the Company to grant further options carrying the rights to subscribe for a maximum of 52,520,000 shares.

The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1%, of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors, in addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of:

- (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options;
- (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and
- (iii) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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Details of the movement of share options under the Share Option Scheme during the year are as follows:

Participants	Date of grant	Number of option granted ('000)	Exercise price per share HK\$	Exercise period	Options exercised during the year ('000)	Options lapsed/ cancelled during the year ('000)	Balance as at 31 December 2006 ('000)	Closing price immediately before the date on which the options were granted HK\$
Directors								
Mr. Pang Man Kin, Nixon	7 March 2006	5,000	0.350	10 March 2006 to 9 March 2011	—	—	5,000	0.350
Mr. Tsao Ke Wen, Calvin	7 March 2006	500	0.350	10 March 2006 to 9 March 2011	—	—	500	0.350
Mr. Lam Shu Chung	7 March 2006	5,000	0.350	10 March 2006 to 9 March 2011	5,000	—	—	0.350
Mr. Law Fei Shing	7 March 2006	5,000	0.350	10 March 2006 to 9 March 2011	2,000	—	3,000	0.350
Mr. So Chi Keung	7 March 2006	5,000	0.350	10 March 2006 to 9 March 2011	5,000	—	—	0.350
Dr. Ma Chung Wo, Cameron	7 March 2006	500	0.350	10 March 2006 to 9 March 2011	—	—	500	0.350
Mr. Poon Chiu	7 March 2006	500	0.350	10 March 2006 to 9 March 2011	500	—	—	0.350
Mr. Lum Pak Sum	7 March 2006	500	0.350	10 March 2006 to 9 March 2011	500	—	—	0.350
Mr. Li Chak Hung	7 March 2006	500	0.350	10 March 2006 to 9 March 2011	500	—	—	0.350
Directors of subsidiaries								
In aggregate	7 March 2006	6,500	0.350	10 March 2006 to 9 March 2011	5,000	—	1,500	0.350
	2 May 2006	4,000	0.365	2 May 2006 to 9 March 2011	4,000	—	—	0.365
	27 November 2006	8,720	0.540	27 November 2006 to 9 March 2011	—	—	8,720	0.540
Other employees								
In aggregate	7 March 2006	3,000	0.350	10 March 2006 to 9 March 2011	200	2,400	400	0.350
	2 May 2006	5,200	0.365	2 May 2006 to 9 March 2011	2,000	—	3,200	0.365
Third parties								
In aggregate	2 May 2006	5,000	0.365	2 May 2006 to 9 March 2011	2,000	—	3,000	0.365
Total		54,920			26,700	2,400	25,820	

Note : All of above share options can be exercised immediately upon acceptance of the offer by the grantee and there were no vesting conditions/period.

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CONNECTED TRANSACTIONS

Details of the connected transactions that are required to be disclosed for the year are set out in note 35 to the financial statements. Save as disclosed therein, there were no transactions required to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The independent non-executive directors of the Company are of the opinion that the terms of the above transactions are fair and reasonable so far as the shareholders of the Company are concerned; and that the transactions have been entered into by the Group in its ordinary and usual course of business and were carried out in accordance with the terms of the agreements governing such transactions.

DIRECTORS’ INTERESTS IN A COMPETING BUSINESS

During the year and up to date of this report, no directors of the Company are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, as defined by the Listing Rules, other than those businesses of which the directors of the Company have been appointed as directors to represent the interests of the Company and/or the Group.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 37 to the financial statements.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the audited financial statements of the Company for the year ended 31 December 2006. The Audit Committee comprises the three independent non-executive directors of the Company. During the year, two regular meetings of the audit committee have been held.

AUDITORS

The financial statements for the year ended 31 December 2006 have been audited by Grant Thornton, Certified Public Accountants, who retire and being eligible offer themselves for re-appointment.

On behalf of the Board
PANG MAN KIN NIXON
Chairman

Hong Kong, 27 April 2007