

Directors' Report

The directors present their annual report and 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 and associates are set out in notes 41 and 20 respectively to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2006 are set out in the consolidated income statement on page 24.

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 33 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 48.3% of the Group's turnover, with the largest customer accounted for approximately 16.4%. The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's purchases.

RESERVES

Under The Companies Act 1981 of Bermuda, the Company's contributed surplus account 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 its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the directors, the Company's reserves available for distribution to its shareholders as at 31st December, 2006 are approximately HK\$89,410,000, being the contributed surplus of approximately HK\$78,447,000 and retained profits of approximately HK\$10,963,000.

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS

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

Executive directors:

Mr. Lam Kwok Hing

(Chairman and Managing Director)

Mr. Nam Kwok Lun

(Deputy Chairman)

Independent non-executive directors:

Mr. Ng Chi Kin David

Mr. Cheung Kin Wai

Mr. Kwan Wang Wai Alan

In accordance with Clause 87 of the Company's Bye-laws, Mr. Cheung Kin Wai retires and, being eligible, offers himself for re-election.

The terms of office of each independent non-executive director are the period up to their retirement by rotation in accordance with the above clause.

The director being proposed for re-election at the forthcoming annual general meeting 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 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 of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all of the independent non-executive directors are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors had a service contract with the Company. These service contracts continued unless and until terminated by either the Company or the directors giving to the other party 6 months' notice in writing.

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DIRECTORS' INTERESTS IN SHARES

At 31st December, 2006, the interests of the directors in the share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position

Ordinary shares of HK\$0.01 each of the Company

Name of director	Number of issued ordinary shares held		Total	Percentage of the issued share capital of the Company
	Personal interest	Corporate interest		
Mr. Lam Kwok Hing	3,474,667	250,516,500 (Note)	253,991,167	59.56%

Note: The amount composed of 48,520,666 and 201,995,834 shares of the Company that were held by Medusa Group Limited ("Medusa") and Karfun respectively. Medusa is a company wholly owned by Mr. Lam Kwok Hing. Karfun is a wholly-owned subsidiary of KTH, a company in which Mr. Lam Kwok Hing is a major shareholder.

Save as disclosed above, except for nominee shares in certain subsidiaries held in trust for the Company by certain directors, none of the directors, the chief executive or their associates had any interests or short positions in any shares of the Company or any of its associated corporations as at 31st December, 2006.

CONNECTED TRANSACTIONS

- (1) During the year, the Group has paid approximately HK\$70,000 as brokerage commission to Karl Thomson Securities Company Limited, which is a wholly owned subsidiary of KTH in which Mr. Lam Kwok Hing is a controlling shareholder.
- (2) During the year, the Group has paid approximately HK\$15,000 as tickets distribution charges to Mr. Nam Kwok Wai, a brother of Messrs. Lam Kwok Hing and Nam Kwok Lun.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed under the heading "connected transactions" 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, 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 or their respective spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2006, the following persons (other than the Directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in the ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of Company's issued share capital
Karfun	Interest of controlled corporation	201,995,834	47.37
Medusa	Interest of controlled corporation	48,520,666	11.38

Please refer to the note under the section heading "Director's Interests in Shares" above.

Save as disclosed above, as at 31st December, 2006, no person (other than the Directors of the Company whose interests are set out under the heading "Directors' Interests in Shares" above) had an interest or a short position in the shares and underlying shares of the Company that was required to be recorded under Section 336 of SFO.

SHARE OPTIONS

A summary of the Share Option Scheme (the "Scheme") which came into effect from 13th June 2005, disclosed in accordance with the Listing Rules is as follows:

(1) Purpose of the Scheme

The purpose of the Scheme is to enable the Company to grant Option to the Eligible Participants as incentives and rewards for their contributions to the Company or such Subsidiaries.

(2) Participants of the Scheme

The Board may, at its discretion, to grant Options to any employees (whether full time or part time), executives or officers of the Company or any of the Subsidiaries (including executive and non-executive Directors) and any business consultants, agents, financial or legal advisers who will contribute or have contributed to the Company or any of the Subsidiaries.

(3) Total number of shares available for issue under the Scheme and % of issued share capital at 31st December, 2006

The number of shares available for issue under the Scheme was 42,646,340 Shares representing 10% of the issued share capital at 31st December, 2006.

(4) Maximum entitlement of each participant under the Scheme

The maximum number of shares issuable under the Scheme to each participant in any 12-month period up to the date of grant shall not exceed 1% of the shares unless it is approved by shareholders in a general meeting of the Company. Any share options granted 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 in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK\$5 million, in any 12-month period, are subject to shareholders' approval in general meeting of the Company.

(5) The period within which the shares must be taken up under an Option

The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no Option may be exercised more than 10 years after it has been granted.

(6) The minimum period for which an Option must be held before it can be exercised

There is no general requirement that an Option must be held for any minimum period before it can be exercised but the Board is empowered to impose as its discretion any such minimum period at the time of grant of any particular option.

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(7) The amount payable upon acceptance of Option

HK\$1.00 is payable by each Eligible Participant to the Company on acceptance of the Options on or before the 30th day after the Option is offered.

(8) The Basis of determining the exercise price

The exercise price must be at least the higher of:

- (i) the closing price of the Share as stated in the Stock Exchange's daily quotations sheet on the date of grant which must be a business day;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(9) The remaining life of the scheme

The Scheme will expiry at the close of business of 12th June, 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the law of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices of the Company is set out in the "Corporate Governance Report" on pages 17 to 21.



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SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the Company has maintained sufficient public floats as required under the Listing Rules 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

LAM KWOK HING

CHAIRMAN AND MANAGING DIRECTOR

Hong Kong
25th April, 2007