

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 16 to the financial statements. The Group principally invests in listed and unlisted companies in Hong Kong and in other parts of the PRC.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 19 to 53.

The directors do not recommend the payment of a dividend.

CHANGE OF COMPANY NAME

Pursuant to a resolution passed in the Extraordinary General Meeting held on 23rd June 2006, the Company changed its name from Haywood Investments Limited to Apex Capital Limited. As requested by the Hong Kong Companies Registry, the Company adopted a trade name of Apex Ding Yang Capital Limited in Hong Kong to avoid duplication of the same name already registered by an existing company incorporated in Hong Kong.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 21 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in notes 23 and 24 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 54.

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

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

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DIRECTORS

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

Executive Directors:

Mr. Mung Kin Keung (Chairman) (appointed on 9 March 2007)

Mr. Ha Wing Ho, Peter (appointed on 9 March 2007)

Mr. Leong Chi Wai (appointed on 9 March 2007)

Mr. Leung King Yue, Alex (appointed on 9 March 2007)

Mr. Zhou Chao (resigned on 9 March 2007)

Ms. Huang Song (resigned on 9 March 2007)

Mr. Phang Yul Cher Yeow (resigned on 9 March 2007)

Mr. Chu Kin Wang, Peleus (resigned on 9 March 2007)

Non-Executive Directors:

Mr. Fong Chi Hou (resigned on 9 March 2007)

Mr. Wang Yao Dong (resigned on 9 March 2007)

Independent Non-Executive Directors:

Mr. Chee Man Sang, Eric (appointed on 9 March 2007)

Mr. Lo Tak Kin (appointed on 9 March 2007)

Ms. Yu Tin Yan, Winnie (appointed on 9 March 2007)

Ms. Lam Lin Chu (resigned on 9 March 2007)

Mr. Liu Wing Ting, Stephen (resigned on 9 March 2007)

Ms. Tse Po Chu (resigned on 9 March 2007)

In accordance with Article 157 of the Articles of Association, one third of the directors shall retire from office by rotation at the AGM. Mr. Leung King Yue, Alex, Mr. Lo Tak Kin and Ms. Yu Tin Yan, Winnie who were appointed by the Directors after the 2006 AGM of the Company will in accordance with Article 157 of the Articles of Association, retire by rotation at the AGM and being eligible, offer themselves for re-election at the AGM.

The term of office of each of the independent non-executive directors is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

BIOGRAPHICAL DETAILS OF DIRECTORS AND INVESTMENT MANAGER

Brief biographical details of directors and investment manager are set out on pages 5 to 6.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not terminable within one year without payment of compensation, other than statutory compensation.

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DIRECTORS' INTERESTS IN CONTRACT

No contract of significance to which the Company and 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2006 and up to the date of this report, the directors of the Company do not have interests in companies of which their businesses compete or are likely to compete, either directly or indirectly, with the businesses of the Company as required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31 December 2006, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of Part XV of the SFO were as follows:

Ordinary shares of HK\$0.025 each in the Company as at 31 December 2006:

	Corporate interests	% of issued share capital of the Company
Mr. Mung Kin Keung (<i>Note 1</i>)	132,933,200	55.39%

Note:

- (1) 132,933,200 shares are held by 中國天地行物流控股集團有限公司 (for identification purpose China Tian Di Xing Logistics Holdings Limited), a Company in which Mr. Mung Kin Keung holds 99.99% equity interests.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") on 23 May 2002. The purpose of the Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Participants include (a) any full-time employee, directors (including any non-executive director or independent non-executive director) and part time employee of the Company or of any of its subsidiaries; (b) any adviser or consultant (in the areas of financial or corporate managerial) to the Company or to any of its subsidiaries; and (c) any adviser, consultant, agent, business affiliates or any person or entity who provides research or other support directly or indirectly to the Group, and any employee, adviser or consultant to the investment management company for the Company.

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The directors may, at their absolute discretion, make an offer to any participant to take up options. An offer is deemed to have been accepted by the grantee upon the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee and paying HK\$1 by way of consideration for the grant thereof.

The subscription price for shares in the Company under the Scheme shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date on which an option is granted, (ii) the average closing prices of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date on which an option is granted, and (iii) the nominal value of a share of the Company on the date on which an option is granted.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 12,000,000 shares of the Company, being 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme. An option may be exercised during a period to be notified by the directors but may not be exercised after the expiry of 10 years after the date of grant of the option.

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted or to be granted to each participant under the Scheme in any 12-month period must not exceed 1% of the total number of shares in issue of the Company. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting. The Scheme will remain in force for a period of 10 years from 23 May 2002.

No options have been granted since the adoption of the Scheme.

CONNECTED TRANSACTIONS

The following connected transactions occurred during the year.

1. Investment Management Agreements

The Company has appointed Hua Yu as its investment manager. As Hua Yu has extensive investment experience in the PRC and Hong Kong, the Company believes it will be beneficial to appoint Hua Yu as the investment manager in order to fully capture the investment opportunities in the PRC and Hong Kong.

Investment management fees to Hua Yu are calculated at 0.375% of the net asset value per quarter, subject to a minimum of HK\$150,000 per three months.

Hua Yu is regarded as a connected person of the Company for the purpose of the Listing Rules. Accordingly, the investment management agreement constitutes a continuing connected transaction of the Company.

The aggregate investment management fee paid/payable to Hua Yu for the year amounted to approximately HK\$600,000.

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2. Custodian Agreement

The Company has appointed Bank of Communications Trustee Limited (the "Custodian") as its custodian. The custodian agreement has no fixed term and shall continue in force until terminated by either party giving to the other not less than 30 days' notice in writing. During the year, the Company has paid HK\$18,200 to the Custodian.

The Custodian is regarded as a connected person of the Company for the purpose of the Listing Rules. Accordingly, the custodian constitutes a continuing connected transaction of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDIT COMMITTEE

The Audit Committee provides an important link between the Board and the company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of both the external and internal controls and risk evaluation. As at 31 December 2006, the committee members comprised Mr. Liu Wing Ting, Stephen (chairman of Audit Committee), Ms. Lam Lin Chu and Ms. Tse Po Chu. Two meetings were held by the committee during the year. On 9 March 2007, Mr. Liu Wing Ting, Stephen, Ms. Lam Lin Chu and Ms. Tse Po Chu resigned as Independent Non-Executive Directors. The Company appointed Mr. Chee Man Sang, Eric, Mr. Lo Tak Kin and Ms. Yu Tin Yan, Winnie as Independent Non-Executive Directors on the same date who became the committee members of the Audit Committee. The audited financial statements for the year ended 31 December 2006 have been reviewed by the Audit Committee.

AUDITORS

The Company's auditors, Grant Thornton retire and, being eligible, offer themselves for reappointment.

There have been no changes of auditors in the past three years.

On behalf of the Board

Mung Kin Keung

Chairman

Hong Kong, 26 April 2007