

The directors submit their report together with the audited financial statements for the year ended 31st December, 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries during the year are investments in securities listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and unlisted investments with a potential for earnings growth and capital appreciation. The activities of the subsidiaries are set out in Note 12 to the financial statements.

The Group's turnover for the year comprised dividends from listed and unlisted investments, and interest earned from investments in convertible notes, bank deposits and other sources.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 29.

The Board of Directors has recommended a dividend out of the share premium account of the Company of HK15 cents per share (2005: HK15 cents per share, as adjusted after consolidation of shares) in respect of the year ended 31st December, 2006, totaling not less than HK\$4,383,071 (2005: HK\$4,383,071) which is subject to approval of shareholders at the forthcoming annual general meeting to be held on 22nd June, 2007 and compliance with the Companies Law of the Cayman Islands.

If approved, the said dividend will be paid on or about 29th June, 2007 to shareholders whose names appear on the register of members of the Company at the close of business on 22nd June, 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 18th June, 2007 to Friday, 22nd June, 2007, both days inclusive. In order to qualify for the dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrars of the Company in Hong Kong, Computershare Investor Hong Kong Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:00 p.m. on Friday, 15th June, 2007.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 21 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 11 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 20 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December, 2006 are set out in Note 21 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Memorandum and Articles of Association or the laws of the Cayman Islands.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 88.

PURCHASE, SALE OR REDEMPTION OF 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.

SHARE OPTION

The Company has adopted a share option scheme (the "Share Option Scheme") at its annual general meeting held on 28th June, 2005. The purposes of the Share Option Scheme are 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.

All directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Company and its subsidiaries ("the Group") and consultants, advisors, agents, customers, service providers, contractors, business partners of any member of the Group or any member of it has a shareholding interest, in the sole discretion of the Board, has contributed to the Group or any member of it are eligible to participate in the Share Option Scheme.

As at the date of this report, a total of 1,906,047 shares (after adjustment of consolidation of shares), representing 6.52% of the existing issued share capital of the Company, are available for issue in respect of the remaining options which may be granted under the Share Option Scheme.

The total number of shares issued and to be issued upon exercise of options granted to each eligible participant (including both exercised and outstanding options) under the Share Option Scheme and any other share option schemes of the Company in any twelve-month period must not exceed 1% of the issued shares of the Company. Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any twelve-month period up to the date of grant should not exceed 0.1% of the issued shares of the Company or an aggregate value of HK\$5,000,000.

An option may be exercised at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof.

Unless otherwise determined by the Board at its sole discretion, the Share Option Scheme does not require a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised.

Upon acceptance of the options, the grantee shall pay HK\$1 to the Company by way of consideration for the grant.

The subscription price for the shares of the Company (the subject of an option) shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price will be determined by the Board at the time the option is offered to the relevant participant.

The Share Option Scheme will remain in force for a period of ten years from 28th June, 2005. The Company had granted share options to six directors and three employees on 17th January, 2006. After the share consolidation becoming effective on 14th December 2006, the number of share options had been adjusted from 5,080,000 to 1,016,000 with an exercise price of HK\$2.75 each which representing 3.48% of the existing issued share capital of the Company as at the date of this report. As at 31st December, 2006, no share options has been exercised by the Company's directors and employees.

The movement of share options granted under the Share Option Scheme is set out in Note 20(d) to the financial statements.

DIRECTORS

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

Lee Fong Lit David

Chow Pok Yu Augustine

Lam Andy Siu Wing, *JP*

Chan Shuen Chuen Joseph (appointed on 29th December, 2006)

Tong Kim Weng Kelly

Ho Man Kai Anthony

Wong Yun Kuen

In accordance with the Company's Article 93, Mr. Chan Shuen Chuen Joseph will retire from office at the forthcoming annual general meeting, being eligible, offer himself for re-election.

In accordance with the Company's Articles 98(b), Dr. Chow Pok Yu Augustine, Mr. Tong Kim Weng and Dr. Wong Yun Kuen shall retire from office by rotation at the forthcoming annual general meeting, being eligible, offer themselves for re-election.

Mr. Ho Man Kai Anthony, Mr. Tong Kim Weng Kelly and Dr. Wong Yun Kuen are independent non-executive directors.

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and consider that each of the independent non-executive directors is independent to the Company.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Details of Dr. Chow Pok Yu Augustine's interest in contracts of significance in relation to the Group's business are set out in Note 24 to the financial statements.

Save as disclosed above, no other contracts of significance in relation to the Group's business to which the Company or 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.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors are set out below:

Executive Directors:

Mr. Lee Fong Lit David, aged 60, joined the Company in February 1998. He is also the Chairman of the Board of the Company. He obtained his BSc degree from McGill University in Montreal and his MBA degree from Columbia University, New York. Mr. Lee has over 29 years experience in the international finance and investment management industry. He is involved in investing in equity markets of Singapore, Malaysia and Hong Kong. Mr. Lee is also a director of Sino Path Consultants Limited, a substantial shareholder of the Company, whose interest in shares of the Company is disclosed in the section "Directors' Interests in Equity or Debt Securities".

Dr. Chow Pok Yu Augustine, aged 54, joined the Company in June 1996, He is also the Chief Executive Officer of the Company. He holds a MSc from London Business School and Ph.D from University of South Australia. Dr. Chow has vast experience in managing public listed companies that are involved in manufacturing, marketing and financial services and specialising in mergers and acquisitions. Dr. Chow is also a director of Sino Path Consultants Limited.

Dr. Lam Andy Siu Wing, JP, aged 56, joined the Company in March 2004. He is also the qualified accountant of the Company. He has involved in strategic investment and planning for listed and unlisted companies over 21 years. He holds an MBA degree from Oklahoma City University. Professionally, Mr. Lam is an American Certified Public Accountant, a Certified Fraud Examiner, a Chartered Secretary and a Chartered Marketer. He also has served on a number of government committees, boards, and tribunals in Hong Kong and was appointed as a Justice of the Peace on 1st July, 2001.

Mr. Chan Shuen Chuen Joseph, aged 60, joined the Company in December 2006. He obtained his MBA degree from Heriot-Watt University, Edinburgh Business School, Scotland, UK. Mr. CHAN has over 30 years of accounting and management experience in the fields of industrial manufacturing, service industry, academic and Government. Professionally, Mr. CHAN is a Fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, and the Chartered Institute of Management Accountants, as well as a member of the Certified General Accounts' Association of Canada.

Independent Non-executive Directors:

Mr. Ho Man Kai, Anthony, aged 55, joined the Company in September 2004. He is also the Chairman of the audit committee and remuneration committee. He graduated from The Chinese University of Hong Kong with a BBA degree, an MBA degree from the University of East Asia, Macau and a Master of Professional Accounting Degree from The Hong Kong Polytechnic University. Mr. Ho has over 30 years' experience in management accounting, corporate administration and financial management. He held management positions before with Gammon-Swire Joint Venture, Drageges et Travaux Publics, Mass Transit Railway Corporation and The Hong Kong Jockey Club. He is a Fellow Professional National Accountant of the National Institute of Accountants in Australia and a Fellow Member of The Hong Kong Taxation Institute.

Mr. Tong Kim Weng Kelly, aged 58, joined the Company in November 1998. He is also a member of the audit committee of the Company. He holds degrees in Political Science BA (Hons) and Public Policy (Master of Public Policy) from Victoria University, New Zealand. He was a former senior officer in the New Zealand Trade Department. After leaving the public sector, he served in various capacities as a consultant involved in marketing and business development, IT and the financing services, sourcing and arranging private equity for a variety of projects.

Dr. Wong Yun Kuen, aged 49, joined the Company in September 2004. He is also a member of the audit committee and remuneration committee. He received a Ph.D. Degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for more than 10 years, and has considerable experience in Corporate Finance, Investment and Derivative Products. He is Member of Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited, and an independent non-executive director respectively of Grand Field Group Holdings Limited, Golden Resorts Group Limited, Bauhaus International (Holdings) Limited, Ultra Group Holdings Limited, Tak Shun Technology Group Limited and Poly Investments Holdings Limited. Dr. Wong was an independent non-executive director of Haywood Investments Limited until 7th July, 2005.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31st December, 2006, the interests of the directors and chief executive in the shares 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 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 Issuers (the “Model Code”) in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

(a) Ordinary shares of HK\$1 each in the Company

Name of director	Capacity	Number of shares				Percentage of issued share capital as at 31 December 2006
		Personal interests	Family interests	Corporate interests	Other interests	
Lee Fong Lit David	Interest of controlled corporation	-	-	7,200,315 (Note 1)	-	24.64%
Ho Man Kai Anthony	Beneficial owner	4,000	-	-	-	0.01%
Wong Yun Kuen	Beneficial owner	2,400	-	-	-	0.008%

Note 1: These 7,200,315 shares are held by Sino Path Consultants Limited in the capacity of beneficial owner, a company which is held 70% by Mr. Lee Fong Lit, David and 30% by Dr. Chow Pok Yu, Augustine. Mr. Lee Fong Lit, David and Dr. Chow Pok Yu Augustine are executive directors of the Company.

(b) Share options of the Company

The Company has adopted Share Option Scheme on 28th June, 2005. The Company had granted share options to six directors and three employees on 17th January, 2006. After the share consolidation becoming effective on 14th December, 2006, the number of share options had been adjusted from 5,080,000 to 1,016,000. As at 31st December, 2006, no share options has been exercised, cancelled or lapsed by the Company's directors and employees.

The movements of the unexpired and unexercised share options as at 31st December, 2006 are as follows:

Director	Date of grant	Exercise period	Number of options			Exercise price HK\$	Percentage of
			As at 1st January, 2006	Granted during the year	As at 31st December, 2006		issued share capital as at 31st December, 2006
Lee Fong Lit David	17/1/2006	17/1/2006 – 16/1/2009	–	28,000	28,000	2.75	0.1%
Chow Pok Yu Augustine	17/1/2006	17/1/2006 – 16/1/2009	–	28,000	28,000	2.75	0.1%
Lam Andy Siu Wing, JP	17/1/2006	17/1/2006 – 16/1/2009	–	292,000	292,000	2.75	1%
Tong Kim Weng Kelly	17/1/2006	17/1/2006 – 16/1/2009	–	28,000	28,000	2.75	0.1%
Ho Man Kai Anthony	17/1/2006	17/1/2006 – 16/1/2009	–	28,000	28,000	2.75	0.1%
Wong Yun Kuen	17/1/2006	17/1/2006 – 16/1/2009	–	28,000	28,000	2.75	0.1%
			–	432,000	432,000		
Employees in aggregate	17/1/2006	17/1/2006 – 16/1/2009	–	584,000	584,000	2.75	2%
			–	1,016,000	1,016,000		

Notes:

1. These options represent personal interest held by the relevant directors as beneficial owners.
2. The number of options granted during the year and the exercise price have been adjusted after consolidation of 5 shares of HK\$0.20 each into 1 share of HK\$1.00 each.
3. The closing price of share immediately before the date of grant was HK\$2.75.

Save as disclosed herein, none of the directors or chief executives of the Company had any interest in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 352 of the SFO.

At no time during the year did the directors and chief executive (including their spouses and children under 18 years of age) have any interest in, or been granted, or exercised, any rights to subscribe for shares or warrants of the Company and its associated corporations (within the meaning of the SFO).

At no time during the year was the Company or any of its 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.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2006, the person (other than those of the directors and chief executive as disclosed above) interested in 5% or more of the issued share capital of the Company as recorded in the register kept by the Company pursuant to Section 336 of SFO was as follows:

Name of shareholder	Capacity	Number of issued ordinary share held	Percentage of the issued share capital of the Company as at 31.12.2006
Leung Wai Cheung	Beneficial Owner	1,581,000	5.41%

Saved as disclosed above, the Company has not been notified of any other interests or short positions in the Shares or the underlying shares of the Company, representing 5% or more of the issued share capital of the Company as at 31st December, 2006.

MANAGEMENT CONTRACTS

Details of significant management contracts in relation to the Company's business are set out in Note 24 to the financial statements.

Save as disclosed above, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group earned less than 30% of its turnover from its five largest customers. The Group is an investment holding company. In the opinion of the directors, it is therefore of no value to disclose details of the Group's suppliers.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31st December, 2006, which also constitute connected transactions under the Listing Rules, are disclosed in Note 24 to the financial statements.

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's audit. It also reviews the effectiveness of the external audit and internal controls and risk evaluation. The Committee now comprises three independent non-executive directors, namely Mr. Ho Man Kai, Dr. Wong Yun Keun and Mr. Tong Kim Weng Kelly. Three meetings of the audit committee were held during the current financial year. The annual results for the year ended 31st December, 2006 was reviewed by the Audit Committee.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

SUBSEQUENT EVENTS

The Board has approved the disposal of a financial asset at fair value through profit or loss at a consideration of HK\$4,900,000. The carrying amount of the financial asset at the balance sheet date was HK\$3,850,000.

AUDITORS

During 2006, the former auditors, Messrs. Chu and Chu, Certified Public Accountants, resigned and BDO McCabe Lo Limited, Certified Public Accountants was appointed as auditor of the Company.

Messrs. BDO McCabe Lo Limited, Certified Public Accountants, are the Company's retiring auditor who, being eligible, offer themselves for re-appointment.

By order of the Board
Lee Fong Lit David
Chairman

Hong Kong, 18th April, 2007