

# DIRECTORS' REPORT

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31st December, 2005.

## **Principal Activities**

The Company acts as an investment holding company and also manufactures and trades electrical and electronic products.

The principal activities of the principal subsidiaries and associates are set out in Notes 45 and 46 to the financial statements, respectively.

## **Results and Appropriations**

The results of the Group for the year ended 31st December, 2005 are set out in the consolidated income statement on page 62.

An interim dividend of HK 6.00 cents per share amounting to HK\$81,818,000 was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of HK 12.60 cents per share to the shareholders on the register of members on 16th June, 2006, amounting to approximately HK\$184,177,000.

## **Property, Plant and Equipment**

The Group continued to expand its business, and during the year spent approximately HK\$178,914,000 on moulds and tooling and acquired office equipment, furniture and fixtures of approximately HK\$112,911,000, and plant and machinery of approximately HK\$127,517,000. In addition, property, plant and equipment with an aggregate net book value of approximately HK\$934,465,000 were acquired as a result of the acquisition of subsidiaries. Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in Note 17 to the financial statements.

### Share Capital

During the year, the Company issued 96,000,000 shares of HK\$0.1 each at a price of HK\$19.25 per share, with a total consideration of approximately HK\$1,848,000,000, pursuant to placement and subscription arrangements. The Company also issued shares of HK\$0.1 each at a total consideration of approximately HK\$119,642,000 pursuant to the exercise of share options granted by the Company. Details of movements in the share capital of the Company during the year are set out in Note 34 to the financial statements.

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

### Directors

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

#### Group Executive Directors:

Mr Horst Julius Pudwill, *Chairman and Chief Executive Officer*

Mr Roy Chi Ping Chung JP, *Group Managing Director*

Mr Kin Wah Chan

Mr Chi Chung Chan

#### Non-executive Director:

Mr Vincent Ting Kau Cheung

Dr Akio Urakami (resigned on 1st September, 2005)

#### Independent Non-executive Directors:

Mr Joel Arthur Schleicher

Mr Christopher Patrick Langley

Mr Manfred Kuhlmann

In accordance with Article 103 of the Company's Articles of Association, Messrs Kin Wah Chan, Chi Chung Chan and Joel Arthur Schleicher will retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election.

No director 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.

## Terms of Office of Non-executive Directors and Independent Non-executive Directors

The term of office for each of the Non-executive Directors and Independent Non-executive Directors is the period up to his retirement by rotation in accordance with Article 103 of the Company's Articles of Association.

## Directors' and Chief Executive's Interests in Shares

As at 31st December, 2005, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

| Name of directors              | Capacity/<br>Nature of interests   | Interests in<br>shares (other<br>than pursuant<br>to equity<br>derivatives) <sup>(1)</sup> | Interests in<br>underlying<br>shares pursuant<br>to equity<br>derivatives <sup>(1)</sup> | Total interests<br>in shares/<br>underlying<br>shares | Approximate<br>aggregate<br>percentage<br>of interests |
|--------------------------------|------------------------------------|--|--|---|--|
| Mr Horst Julius Pudwill        | Beneficial owner                   | 76,554,000   | 26,688,000   | 326,661,794   | 22.35%   |
|                                | Interest of spouse                 | 760,000  | –  | –   |  |
|                                | Interest of controlled corporation | 222,659,794 <sup>(2)</sup>   | –  | –   |  |
| Mr Roy Chi Ping Chung JP       | Beneficial owner                   | 113,541,948  | 13,824,000   | 164,576,978   | 11.26%   |
|                                | Interest of spouse                 | 136,000  | –  | –   |  |
|                                | Interest of controlled corporation | 37,075,030 <sup>(3)</sup>  | –  | –   |  |
| Mr Kin Wah Chan                | Beneficial owner                   | –  | 1,000,000  | 1,000,000   | 0.07%  |
| Mr Chi Chung Chan              | Beneficial owner                   | –  | 3,000,000  | 3,000,000   | 0.21%  |
| Mr Vincent Ting Kau Cheung     | Beneficial owner                   | 1,920,000  | –  | 1,920,000   | 0.13%  |
| Mr Joel Arthur Schleicher      | Beneficial owner                   | 200,000  | 400,000  | 600,000   | 0.04%  |
| Mr Christopher Patrick Langley | Beneficial owner                   | 400,000  | 300,000  | 700,000   | 0.05%  |
| Mr Manfred Kuhlmann            | Beneficial owner                   | –  | 100,000  | 100,000   | 0.01%  |

## Directors' and Chief Executive's Interests in Shares

(continued)

Notes:

- (1) Interests in shares and underlying shares stated above represent long positions.

The equity derivatives are physically settled and unlisted.

The interests of the directors of the Company in the underlying shares pursuant to equity derivatives represent options granted to them pursuant to the share option schemes adopted by the Company, details of which are separately disclosed in the section headed "Share Options" below.

- (2) These shares were held by the following companies in which Mr Horst Julius Pudwill has a beneficial interest:

|                                       | No. of shares |
|---------------------------------------|---------------|
| Sunning Inc.                          | 185,584,764   |
| Cordless Industries Company Limited * | 37,075,030    |
|                                       | 222,659,794   |

- (3) These shares were held by Cordless Industries Company Limited \* in which Mr Roy Chi Ping Chung JP has a beneficial interest.

\* Cordless Industries Company Limited is owned as to 70% by Mr Horst Julius Pudwill and as to 30% by Mr Roy Chi Ping Chung JP.

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 31st December, 2005.

## Share Options

### Scheme adopted on 25th May, 2001 and terminated on 28th March, 2002 ("Scheme B")

In accordance with the Company's share option scheme adopted pursuant to a resolution passed on 25th May, 2001, the Board of Directors of the Company may grant share options to eligible persons, including full-time officers, Executive Directors and full-time employees of the Company and its subsidiaries, to subscribe for shares in the Company. The purpose of the scheme is to provide incentives or rewards to directors and eligible persons.

## **Share Options** *(continued)*

### **Scheme adopted on 25th May, 2001 and terminated on 28th March, 2002 (“Scheme B”)** *(continued)*

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 in cash by way of consideration for the grant thereof. Share options may be exercised at any time from the date which the offer of share options is accepted to the fifth anniversary thereof. The subscription price is set at not less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the share option.

The maximum number of shares in respect of which share options may be granted under Scheme B is not permitted to exceed 10% of the issued share capital of the Company from time to time. No employee shall be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for more than 25% of the aggregate number of shares for the time being issued and issuable under Scheme B.

Scheme B was terminated on 28th March, 2002 pursuant to a resolution passed on that date.

### **Scheme adopted on 28th March, 2002 (“Scheme C”)**

Following the termination of Scheme B, a new share option scheme was adopted pursuant to a resolution passed on 28th March, 2002 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme will expire on 27th March, 2007. Under Scheme C, the Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

- (i) employees; or
- (ii) Non-executive Directors (including Independent Non-executive Directors); or
- (iii) suppliers or customers; or
- (iv) any person or entity that provides research, development or other technological support;  
or
- (v) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 in cash by way of consideration for the grant thereof. Share options may be exercised at any time from the date of grant to the fifth anniversary thereof. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option; or the average closing price of shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme C is not permitted to exceed 30% of the issued share capital of the Company from time to time or 10% of shares in issue as at the adoption date of Scheme C. No person shall be granted an option which exceeds 1% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

## DIRECTORS' REPORT

### Share Options *(continued)*

The following table discloses movements in the Company's share options during the year:

| Name of directors              | Date of share options granted | Share option scheme category | Outstanding at beginning of the year | Granted during the year | Exercised during the year | Lapsed or cancelled during the year | Outstanding at end of the year | Subscription price<br>HK\$ | Exercise period       |
|--------------------------------|-------------------------------|------------------------------|--------------------------------------|-------------------------|---------------------------|-------------------------------------|--------------------------------|----------------------------|-----------------------|
| Mr Horst Julius Pudwill        | 28.6.2002                     | Scheme C                     | 25,728,000                           | -                       | -                         | -                                   | 25,728,000                     | 3.6000                     | 28.6.2002 – 27.6.2007 |
|                                | 19.9.2003                     | Scheme C                     | 560,000                              | -                       | -                         | -                                   | 560,000                        | 8.6850                     | 19.9.2003 – 18.9.2008 |
|                                | 25.2.2004                     | Scheme C                     | 400,000                              | -                       | -                         | -                                   | 400,000                        | 12.1700                    | 25.2.2004 – 24.2.2009 |
| Mr Roy Chi Ping Chung JP       | 28.6.2002                     | Scheme C                     | 12,864,000                           | -                       | -                         | -                                   | 12,864,000                     | 3.6000                     | 28.6.2002 – 27.6.2007 |
|                                | 19.9.2003                     | Scheme C                     | 560,000                              | -                       | -                         | -                                   | 560,000                        | 8.6850                     | 19.9.2003 – 18.9.2008 |
|                                | 25.2.2004                     | Scheme C                     | 400,000                              | -                       | -                         | -                                   | 400,000                        | 12.1700                    | 25.2.2004 – 24.2.2009 |
| Mr Kin Wah Chan                | 25.2.2004                     | Scheme C                     | 1,000,000                            | -                       | 1,000,000                 | -                                   | -                              | 12.1700                    | 25.2.2004 – 24.2.2009 |
|                                | 1.3.2004                      | Scheme C                     | 1,000,000                            | -                       | -                         | -                                   | 1,000,000                      | 12.5250                    | 1.3.2004 – 28.2.2009  |
| Mr Chi Chung Chan              | 17.7.2003                     | Scheme C                     | 1,000,000                            | -                       | -                         | -                                   | 1,000,000                      | 7.6250                     | 17.7.2003 – 16.7.2008 |
|                                | 19.9.2003                     | Scheme C                     | 500,000                              | -                       | -                         | -                                   | 500,000                        | 8.6850                     | 19.9.2003 – 18.9.2008 |
|                                | 25.2.2004                     | Scheme C                     | 1,000,000                            | -                       | -                         | -                                   | 1,000,000                      | 12.1700                    | 25.2.2004 – 24.2.2009 |
|                                | 1.3.2004                      | Scheme C                     | 500,000                              | -                       | -                         | -                                   | 500,000                        | 12.5250                    | 1.3.2004 – 28.2.2009  |
| Dr Akio Urakami                | 25.2.2004                     | Scheme C                     | 300,000                              | -                       | 300,000                   | -                                   | -                              | 12.1700                    | 25.2.2004 – 24.2.2009 |
| Mr Vincent Ting Kau Cheung     | 30.4.2002                     | Scheme C                     | 400,000                              | -                       | 400,000                   | -                                   | -                              | 3.2000                     | 30.4.2002 – 29.4.2007 |
|                                | 17.7.2003                     | Scheme C                     | 300,000                              | -                       | 300,000                   | -                                   | -                              | 7.6250                     | 17.7.2003 – 16.7.2008 |
|                                | 25.2.2004                     | Scheme C                     | 100,000                              | -                       | 100,000                   | -                                   | -                              | 12.1700                    | 25.2.2004 – 24.2.2009 |
| Mr Joel Arthur Schleicher      | 30.4.2002                     | Scheme C                     | 200,000                              | -                       | 100,000                   | -                                   | 100,000                        | 3.2000                     | 30.4.2002 – 29.4.2007 |
|                                | 17.7.2003                     | Scheme C                     | 200,000                              | -                       | -                         | -                                   | 200,000                        | 7.6250                     | 17.7.2003 – 16.7.2008 |
|                                | 25.2.2004                     | Scheme C                     | 100,000                              | -                       | -                         | -                                   | 100,000                        | 12.1700                    | 25.2.2004 – 24.2.2009 |
| Mr Christopher Patrick Langley | 17.7.2003                     | Scheme C                     | 200,000                              | -                       | -                         | -                                   | 200,000                        | 7.6250                     | 17.7.2003 – 16.7.2008 |
|                                | 25.2.2004                     | Scheme C                     | 100,000                              | -                       | -                         | -                                   | 100,000                        | 12.1700                    | 25.2.2004 – 24.2.2009 |
| Mr Manfred Kuhlmann            | 7.2.2005                      | Scheme C                     | -                                    | 100,000                 | -                         | -                                   | 100,000                        | 17.7500                    | 7.2.2005 – 6.2.2010   |
| <b>Total for directors</b>     |                               |                              | 47,412,000                           | 100,000                 | 2,200,000                 | -                                   | 45,312,000                     |                            |                       |

## Share Options *(continued)*

|                      | Date of share options granted                                    | Share option scheme category | Outstanding at beginning of the year | Granted during the year | Exercised during the year | Lapsed or cancelled during the year | Outstanding at end of the year | Subscription price HK\$ | Exercise period         |  |
|----------------------|--|------------------------------|--------------------------------------|-------------------------|---------------------------|-------------------------------------|--------------------------------|-------------------------|-------------------------|--|
| Employees            | 23.7.2001  | Scheme B                     | 600,000                              | -                       | 300,000                   | -                                   | 300,000                        | 1.0580                  | 23.7.2001 – 22.7.2006   |  |
|                      | 30.4.2002  | Scheme C                     | 2,880,000                            | -                       | 1,000,000                 | -                                   | 1,880,000                      | 3.2000                  | 30.4.2002 – 29.4.2007   |  |
|                      | 5.7.2002   | Scheme C                     | 1,000,000                            | -                       | 500,000                   | -                                   | 500,000                        | 3.3500                  | 5.7.2002 – 4.7.2007     |  |
|                      | 17.7.2003  | Scheme C                     | 8,295,000                            | -                       | 4,793,000                 | 20,000                              | 3,482,000                      | 7.6250                  | 17.7.2003 – 16.7.2008   |  |
|                      | 1.9.2003   | Scheme C                     | 40,000                               | -                       | 40,000                    | -                                   | -                              | 8.8250                  | 1.9.2003 – 31.8.2008    |  |
|                      | 19.9.2003  | Scheme C                     | 204,000                              | -                       | -                         | -                                   | 204,000                        | 8.6850                  | 19.9.2003 – 18.9.2008   |  |
|                      | 18.12.2003   | Scheme C                     | 148,000                              | -                       | 148,000                   | -                                   | -                              | 10.3600                 | 18.12.2003 – 17.12.2008 |  |
|                      | 1.3.2004   | Scheme C                     | 11,026,000                           | -                       | 3,995,000                 | 64,000                              | 6,967,000                      | 12.5250                 | 1.3.2004 – 28.2.2009    |  |
|                      | 14.4.2004  | Scheme C                     | 200,000                              | -                       | -                         | -                                   | 200,000                        | 12.9500                 | 14.4.2004 – 13.4.2009   |  |
|                      | 5.5.2004   | Scheme C                     | 300,000                              | -                       | -                         | -                                   | 300,000                        | 11.0500                 | 5.5.2004 – 4.5.2009     |  |
|                      | 7.6.2004   | Scheme C                     | 200,000                              | -                       | -                         | -                                   | 200,000                        | 12.0000                 | 7.6.2004 – 6.6.2009     |  |
|                      | 25.6.2004  | Scheme C                     | 40,000                               | -                       | 40,000                    | -                                   | -                              | 11.5000                 | 25.6.2004 – 24.6.2009   |  |
|                      | 10.8.2004  | Scheme C                     | 400,000                              | -                       | 400,000                   | -                                   | -                              | 11.3000                 | 10.8.2004 – 9.8.2009    |  |
|                      | 18.8.2004  | Scheme C                     | 60,000                               | -                       | -                         | -                                   | 60,000                         | 11.2500                 | 18.8.2004 – 17.8.2009   |  |
|                      | 2.10.2004  | Scheme C                     | 1,000,000                            | -                       | -                         | -                                   | 1,000,000                      | 15.3500                 | 2.10.2004 – 1.10.2009   |  |
|                      | 13.12.2004   | Scheme C                     | 250,000                              | -                       | -                         | -                                   | 250,000                        | 15.7100                 | 13.12.2004 – 12.12.2009 |  |
|                      | 17.1.2005  | Scheme C                     | -                                    | 150,000                 | -                         | -                                   | 150,000                        | 16.5200                 | 17.1.2005 – 16.1.2010   |  |
|                      | 7.2.2005   | Scheme C                     | -                                    | 100,000                 | -                         | -                                   | 100,000                        | 17.7500                 | 7.2.2005 – 6.2.2010     |  |
|                      | 7.4.2005   | Scheme C                     | -                                    | 200,000                 | -                         | -                                   | 200,000                        | 17.2100                 | 7.4.2005 – 6.4.2010     |  |
|                      | 27.4.2005  | Scheme C                     | -                                    | 25,000                  | -                         | -                                   | 25,000                         | 17.6600                 | 27.4.2005 – 26.4.2010   |  |
|                      | 10.5.2005  | Scheme C                     | -                                    | 200,000                 | -                         | -                                   | 200,000                        | 17.2000                 | 10.5.2005 – 9.5.2010    |  |
|                      | 1.6.2005   | Scheme C                     | -                                    | 20,000                  | -                         | -                                   | 20,000                         | 17.4200                 | 1.6.2005 – 31.5.2010    |  |
|                      | 17.6.2005  | Scheme C                     | -                                    | 250,000                 | -                         | -                                   | 250,000                        | 17.9500                 | 17.6.2005 – 16.6.2010   |  |
|                      | 27.6.2005  | Scheme C                     | -                                    | 500,000                 | -                         | -                                   | 500,000                        | 19.2000                 | 27.6.2005 – 26.6.2010   |  |
|                      | <b>Total for employees</b>                                       |                              |                                      | 26,643,000              | 1,445,000                 | 11,216,000                          | 84,000                         | 16,788,000              |                         |  |
|                      | <b>Total for all categories</b>                                  |                              |                                      | 74,055,000              | 1,545,000                 | 13,416,000                          | 84,000                         | 62,100,000              |                         |  |
|                      | Percentage to total Company's shares in issue at end of the year |                              |                                      |                         |                           |                                     |                                |                         |                         |  |
| Total under Scheme B |  |                              | 600,000                              | -                       | 300,000                   | -                                   | 300,000                        |                         | 0.02%                   |  |
| Total under Scheme C |  |                              | 73,455,000                           | 1,545,000               | 13,116,000                | 84,000                              | 61,800,000                     |                         | 4.23%                   |  |
| <b>Total</b>         |  |                              | 74,055,000                           | 1,545,000               | 13,416,000                | 84,000                              | 62,100,000                     |                         | 4.25%                   |  |

### Share Options *(continued)*

The closing prices of the Company's shares immediately before various dates of grant ranged from HK\$16.35 to HK\$18.70.

The weighted average closing prices of the Company's shares immediately before various dates on which the share options were exercised ranged from HK\$16.52 to HK\$19.97.

The fair values of the share options granted in current year measured at various dates of grant ranged from HK\$3.78 to HK\$4.71 per option.

The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

| Date of grant | Expected life<br>of share options | Expected volatility                                  |  | Hong Kong<br>Exchange Fund<br>Notes rate | Expected annual<br>dividend yield |
|---------------|-----------------------------------|--|--|--|-----------------------------------|
|               |                                   | based on<br>historical volatility<br>of share prices |  |  |                                   |
| 17.1.2005     | 3 years                           | 35%  |  | 1.993%                                   | 1.5%                              |
| 7.2.2005      | 3 years                           | 35%  |  | 2.148%                                   | 1.5%                              |
| 7.4.2005      | 3 years                           | 35%  |  | 3.437%                                   | 1.5%                              |
| 27.4.2005     | 3 years                           | 35%  |  | 2.877%                                   | 1.5%                              |
| 10.5.2005     | 3 years                           | 35%  |  | 3.003%                                   | 1.5%                              |
| 1.6.2005      | 3 years                           | 35%  |  | 3.137%                                   | 1.5%                              |
| 17.6.2005     | 3 years                           | 35%  |  | 3.178%                                   | 1.5%                              |
| 27.6.2005     | 3 years                           | 35%  |  | 3.137%                                   | 1.5%                              |

For the purposes of the calculation of fair value, no adjustment has been made in respect of share options expected to be forfeited due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the Directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.



## 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 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 and neither the directors or the chief executive, nor any of their 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.

## Directors' Interests in Contracts of Significance

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.

## Substantial Shareholders' Interests in Shares

As at 31st December, 2005, the interests and short positions of the following persons, other than directors and chief executive of the Company, in the shares, underlying shares and debentures of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

| Name  | Total interests in shares <sup>(1)</sup> | Approximate aggregate percentage of interests |
|---|--|---|
| FMR Corp. <sup>(2)</sup>                      | 100,381,500                              | 6.87%   |
| Commonwealth Bank of Australia <sup>(3)</sup> | 73,551,000                               | 5.03%   |
| JPMorgan Chase & Co. <sup>(4)</sup>           | 190,326,425                              | 13.02%  |

Notes:

- (1) Interests in shares stated above represent long positions.
- (2) The capacity of FMR Corp. in holding the 100,381,500 shares was as Investment Manager. These interests were indirectly held by FMR Corp. through its 100% controlled corporations, namely, Fidelity Management & Research Company (as to 80,510,300 shares) and Fidelity Management Trust Company (as to 19,871,200 shares).
- (3) The following is a breakdown of the interests in shares of Commonwealth Bank of Australia:

**Substantial Shareholders' Interests in Shares** *(continued)*

| Name   | Remarks   | Total interests in shares |                  | Approximate percentage of interests |
|--|-----------|---------------------------|------------------|-------------------------------------|
|  |           | Direct interests          | Deemed interests |                                     |
| Commonwealth Bank of Australia                       | (a)       | –                         | 73,551,000       | 5.03%                               |
| Colonial Ltd.  | (b)       | –                         | 73,551,000       | 5.03%                               |
| Colonial Holding Company Limited                     | (b)       | –                         | 73,551,000       | 5.03%                               |
| Colonial Holding Company (No. 2) Pty Limited         | (b)       | –                         | 73,551,000       | 5.03%                               |
| Commonwealth Insurance Holdings Limited              | (b)       | –                         | 73,551,000       | 5.03%                               |
| The Colonial Mutual Life Assurance Society Ltd.      | (b)       | –                         | 73,551,000       | 5.03%                               |
| Colonial First State Group Ltd.                      | (b)       | –                         | 73,551,000       | 5.03%                               |
| First State Investment Managers (Asia) Ltd.          | (b)(c)    | –                         | 14,773,000       | 1.01%                               |
| First State Investment (UK Holdings) Limited         | (b)(c)(d) | –                         | 60,319,500       | 4.13%                               |
| Colonial First State Investments Limited             | (b)(d)    | 2,697,500                 | –                | 0.18%                               |
| First State Investment (Bermuda) Limited             | (b)(c)    | –                         | 14,773,000       | 1.01%                               |
| First State (Hong Kong) LLC                          | (b)(c)(e) | 531,500                   | 13,109,500       | 0.93%                               |
| First State Investment (Hong Kong) Limited           | (b)(c)(e) | 13,109,500                | –                | 0.90%                               |
| First State Investments Holdings (Singapore) Limited | (b)(e)    | –                         | 5,124,500        | 0.35%                               |
| First State Investments (Singapore)                  | (b)(e)    | 5,124,500                 | –                | 0.35%                               |
| SI Holdings Limited                                  | (b)(c)(d) | –                         | 60,319,500       | 4.13%                               |
| First State Investment Management (UK) Limited       | (b)(c)(d) | 42,407,800                | 17,911,700       | 4.13%                               |
| First State Investments International Limited        | (b)       | 17,911,700                | –                | 1.23%                               |

*Remarks:*

- (a) Commonwealth Bank of Australia is listed on the Australian Stock Exchange. The capacity of Commonwealth Bank of Australia in holding the 73,551,000 shares was as Controlled Corporation.
- (b) Colonial Ltd., Colonial Holding Company Limited, Colonial Holding Company (No. 2) Pty Limited, Commonwealth Insurance Holdings Limited, The Colonial Mutual Life Assurance Society Ltd., Colonial First State Group Ltd., First State Investment Managers (Asia) Ltd., First State Investment (UK Holdings) Limited, Colonial First State Investments Limited, First State Investment (Bermuda) Limited, First State (Hong Kong) LLC, First State Investment (Hong Kong) Limited, First State Investments Holdings (Singapore) Limited, First State Investments (Singapore), SI Holdings Limited, First State Investment Management (UK) Limited and First State Investments International Limited, were all direct or indirect subsidiaries of Commonwealth Bank of Australia and by virtue of the SFO, Commonwealth Bank of Australia was deemed to be interested in the shares held by these subsidiaries.
- (c) The 42,407,800 shares and the 13,109,500 shares held directly by First State Investment Management (UK) Limited and First State Investment (Hong Kong) Limited respectively included 1,622,000 shares held jointly by these subsidiaries. By virtue of the SFO, the deemed interests of First State Investment (UK Holdings) Limited, SI Holdings Limited, First State Investment Managers (Asia) Ltd., First State Investment (Bermuda) Limited and First State (Hong Kong) LLC also included the 1,622,000 shares.

## Substantial Shareholders' Interests in Shares *(continued)*

(d) The 42,407,800 shares and the 2,697,500 shares held directly by First State Investment Management (UK) Limited and Colonial First State Investments Limited respectively included 2,617,000 shares held jointly by these subsidiaries. By virtue of the SFO, the deemed interests of First State Investment (UK Holdings) Limited and SI Holdings Limited also included the 2,617,000 shares.

(e) The 5,124,500 shares and the 13,109,500 shares held directly by First State Investments (Singapore) and First State Investment (Hong Kong) Limited respectively included 3,992,500 shares held jointly by these subsidiaries. By virtue of the SFO, the deemed interests of First State Investments Holdings (Singapore) Limited and First State (Hong Kong) LLC also included the 3,992,500 shares.

(4) The following is a breakdown of the interests in shares of JPMorgan Chase & Co.:

| Name  | Remarks | Total interests in shares |                  | Approximate percentage of interests |
|---|---------|---------------------------|------------------|-------------------------------------|
|   |         | Direct interests          | Deemed interests |                                     |
| JPMorgan Chase & Co.                            | (a)     | –                         | 190,326,425      | 13.02%                              |
| JPMorgan Chase Bank, N.A.                       | (b)     | 79,470,708                | –                | 5.44%                               |
| JPMorgan Asset Management Holdings Inc.         | (b)     | –                         | 110,855,717      | 7.58%                               |
| J.P. Morgan Investment Management Inc.          | (b)     | 71,717                    | –                | 0.005%                              |
| JPMorgan Asset Management (Asia) Inc.           | (b)     | –                         | 110,765,500      | 7.58%                               |
| JF International Management Inc.                | (b)     | 963,500                   | –                | 0.07%                               |
| JF Asset Management (Singapore) Limited         | (b)     | 3,300,000                 | –                | 0.23%                               |
| JF Asset Management Limited                     | (b)     | 103,358,000               | 3,144,000        | 7.29%                               |
| JF Funds Limited                                | (b)     | –                         | 3,144,000        | 0.22%                               |
| JF Asset Management (Taiwan) Limited            | (b)     | 3,144,000                 | –                | 0.22%                               |
| JPMorgan Asset Management International Limited | (b)     | –                         | 18,500           | 0.001%                              |
| JPMorgan Asset Management Holdings (UK) Limited | (b)     | 18,500                    | –                | 0.001%                              |

### Remarks:

(a) JPMorgan Chase & Co. is listed on the New York Stock Exchange. The capacity of JPMorgan Chase & Co. in holding the 190,326,425 shares was, as to 110,855,717 shares, as Investment Manager and, as to 79,470,708 shares, as Custodian. The 190,326,425 shares included a lending pool of 79,470,708 shares.

### **Substantial Shareholders' Interests in Shares** *(continued)*

- (b) JPMorgan Chase Bank, N.A., JPMorgan Asset Management Holdings Inc., J.P. Morgan Investment Management Inc., JPMorgan Asset Management (Asia) Inc., JF International Management Inc., JF Asset Management (Singapore) Limited, JF Asset Management Limited, JF Funds Limited, JF Asset Management (Taiwan) Limited, JPMorgan Asset Management International Limited and JPMorgan Asset Management Holdings (UK) Limited, were all direct or indirect subsidiaries of JPMorgan Chase & Co. and by virtue of the SFO, JPMorgan Chase & Co. was deemed to be interested in the shares held by these subsidiaries.

Save as disclosed above, no other person was interested in or had a short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO as at 31st December, 2005.

### **Sufficiency of Public Float**

The Company has maintained a sufficient public float throughout the year ended 31st December, 2005.

### **Donations**

During the year, the Group made charitable and other donations totalling HK\$5,472,000.

### **Auditors**

A resolution will be submitted to the Annual General Meeting to re-appoint Messrs Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

#### **Horst Julius Pudwill**

Chairman and Chief Executive Officer

Hong Kong

12th April, 2006