

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, manufacturing and marketing of electrical appliances, property investment and development. Details of the activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 48 to note 50 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

## 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 19.

An interim dividend of 4.00 cents per share amounting to HK\$20,019,000 was paid to the shareholders during the year. Subject to the approval of shareholders at the forthcoming annual general meeting, the board of directors of the Company (the "Board") now recommend the payment of a final dividend of 8 cents per share to the shareholders on the register of members on 30 May 2006, thus giving rise to a final dividend distribution amounting to HK\$40,039,000 and the retention of the remaining profit for the year.

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements during the year in the share capital of the Company and outstanding share options of the Company and its subsidiaries are set out in note 35 to the financial statements.

## RESERVE

Details of the movements in the reserves of the Group and the Company during the year are set out in note 36 to the financial statements.

## DIVIDEND RESERVE

Dividend reserve of the Company at 31st December, 2005, calculated under section 79B of the Companies Ordinance amounted to HK\$40,039,000 (2004 : HK\$31,352,000).

## DONATIONS

During the year, the Group made charitable and other donations totalling HK\$1,297,000.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 16 to the financial statements.

## PRINCIPAL PROPERTIES

Details of the principal properties held for development and/or sale and for investment purposes are set out on page 86.

## 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 85.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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.

## DIRECTORS

The directors of the Company during the year were as follows:

### Executive directors

Mr. Billy K YUNG (*Group Chairman and Managing Director*)  
 Madam YUNG HO Wun Ching  
 Mr. LEUNG Chun Wah  
 Mr. Plato POON Chak Sang

### Non-executive director

Mr. Simon YUNG Kwok Choi

### Independent non-executive directors

Cav Gr Cr Dr. Leo Tung-Hai LEE, *GBS, OBE,*  
*Chev Leg d'Hon, Comm Leopold II, LLD, JP*  
 Mr. Shiu-Kit NGAI, *SBS, OBE, JP*  
 Mr. Peter WONG Chung On  
 Mr. Peter LAM

In accordance with Article 103 of the Company's Articles of Association, Madam Yung Ho Wun Ching, Mr. Leung Chun Wah and Mr. Plato Poon Chak Sang shall retire by rotation at the forthcoming annual general meeting 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 still considers such directors to be independent.

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).

Each non-executive director is subject to retirement by rotation in accordance with the Company's Articles of Association.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on page 8.

## DIRECTORS' SERVICE CONTRACTS

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

## DIRECTORS' INTERESTS

### (a) In contracts of significance

No contracts 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.

## (b) Shares

As at 31st December, 2005, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as 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 director	Capacity	Nature of interests	Number of ordinary shares beneficially owned	Aggregate long position	Percentage of aggregate long position in shares to the issued shares capital of the Company
Mr. Billy K Yung	Beneficial owner Interest of child under 18 or spouse (Note 1)	Personal	13,208,666	204,704,750	40.90%
		Other	181,496,084		
	Other	10,000,000	Interest held jointly with another person		
Dr. Leo Tung-Hai Lee	Beneficial owner	Personal	5,306,382	5,306,382	1.06%
Mr. Peter Lam	Beneficiary of a trust (Note 2)	Other	1,300,000	1,300,000	0.26%
Madam Yung Ho Wun Ching	Beneficial owner Interest of spouse (Note 3)	Personal	53,196,300	63,196,300	12.63%
		Family	10,000,000		
Mr. Leung Chun Wah	Beneficial owner	Personal	1,799,400	1,799,400	0.36%
Mr. Plato Poon Chak Sang	Beneficial owner	Personal	739,200	739,200	0.15%
Mr. Simon Yung Kwok Choi	Beneficial owner Interest of controlled corporation (Note 4)	Personal	39,147,911	43,677,351	8.73%
		Corporate	3,529,440		
	Interest of spouse (Note 5)	Family	1,000,000		

### Notes:

- (1) These shares are held by a trust for the benefit of Mr. Billy K Yung's family members.
- (2) These shares are held by a trust for the benefit of Mr. Peter Lam.
- (3) This interest represents the holding of shares held by the late Dr. Yung Yau.
- (4) These shares are held by Konvex Enterprises Limited, which is wholly-owned by Mr. Simon Yung Kwok Choi.
- (5) This interest represents the holding of shares held by Mr. Simon Yung Kwok Choi's spouse, Madam Chiu Man.

## (c) Share options

Particulars of the directors' interests in the share option schemes of the Company and its subsidiaries namely Apeon Corporation and Galactic Computing Corporation are set out in note 35 to the financial statements.

## (d) Disclosure of other interest

- (i) Certain directors held shares in subsidiaries as trustees for the Company.
- (ii) During the year ended 31st December, 2005, the Group's wholly owned subsidiary, Extra-Fund Investment Limited, entered into securities trading transactions with Tung Tai Securities Co., Ltd. of which the Group's independent non-executive director, Dr. Leo Tung-Hai Lee is both a director and a substantial shareholder. The transactions were conducted on an arm's length basis and gave rise to a broker's commission of approximately HK\$27,000 for the year ended 31st December, 2005 (2004: HK\$30,000).

Other than as disclosed above, none of the directors or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation as at 31st December, 2005.

## SUBSTANTIAL SHAREHOLDERS

At 31st December, 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of certain directors, the following shareholders had relevant interests and short positions in the issued share capital of the Company.

Name of substantial shareholder	Capacity	Nature of interests	Number of ordinary shares beneficially held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company
UBS Trustees (BVI) Limited	Trustee of a trust (Note 1)	Other	189,604,334	189,604,334	37.88%
Diamond Key Enterprises Inc.	Beneficial owner (Note 1)	Beneficial	108,779,287	108,779,287	21.73%
On Fat Profits Corporation	Beneficial owner (Note 1)	Beneficial	72,716,797	72,716,797	14.53%
Madam Yung Siu Chee Margaret	Beneficial owner	Personal	28,154,604	28,154,604	5.63%
Madam Chiu Man	Beneficial owner Interest of spouse (Note 2)	Personal Family	1,000,000 42,677,351	43,677,351	8.73%

Notes:

1. 72,716,797 shares and 108,779,287 shares form part of the 189,604,334 shares held by UBS Trustees (BVI) Limited which are disclosed in the section headed "DIRECTORS' INTEREST" above as being held under a trust with Mr. Billy K Yung's family members as the beneficiaries.
2. Madam Chiu Man's shares under personal and family interest are in fact the same block of shares already disclosed respectively under family interest, personal and corporate interests of her husband, Mr. Simon Yung Kwok Choi as disclosed in the section headed "DIRECTORS' INTEREST" above.

Other than as disclosed above, there was no person, other than the director of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company kept under section 336 of the SFO.

## ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Except for the share options granted to the directors pursuant to the schemes as set out in note 35 to the financial statements, 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.

## MAJOR SUPPLIERS AND CUSTOMERS

For the financial year ended 31st December, 2005, the five largest suppliers of the Group accounted for approximately 49% of the total purchases of the Group, of which 17% was attributable to the largest supplier and the five largest customers accounted for approximately 61% of the total sales of the Group's turnover, of which 31% was attributable to the largest customer.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in the major suppliers or customers noted above.

## FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

### (A) Advance to entities

In accordance with the requirements under Rule 13.20 of the Listing Rules, the Director of the Company reported that as at 31st December, 2005, a secured commercial loan of HK\$140,000,000 advanced to Pacific Top International Corp., the major shareholder of the Group's major associate, continued to exist. The loan carried an interest rate of 15% per annum and was repayable on or before 24th August, 2006.

### (B) Financial assistance and guarantees to affiliated companies

In accordance with the requirements under Rule 13.16 of the Listing Rules, the directors of the Company reported that as at 31st December, 2005, the Group had provided the following financial assistance and guarantees to certain affiliated companies, which, in aggregate, exceeded 8% of the market capitalization of the Company as at 31st December, 2005:

Name of affiliated companies	Attributable interest held by the Group %	Advances HK\$'000	Guarantees given for banking facilities granted HK\$'000	Total amount as at 31st December, 2005 HK\$'000
China Dynasty Development Limited	40	177,454	–	177,454
Hong Kong Construction SMC Development Limited	20	88,223	–	88,223
Yue Tian Development Limited	20	125,229	80,000	205,229
廣州市環博展覽有限公司	28	73,044	–	73,044
		<u>463,950</u>	<u>80,000</u>	<u>543,950</u>
		(note 1)	(note 2)	

Notes:

- (1) The above advances are unsecured and have no fixed terms of repayment. Except the advance to Hong Kong Construction SMC Development Limited which is subjected to interest rate at 10% per annum, all advances are interest-free.
- (2) As at 31st December, 2005, banking facilities utilized by Yue Tian Development Limited are HK\$30,588,000.

Pursuant to Rule 13.22 of the Listing Rules, the combined balance sheet, which has been realigned with the Group's accounting policies, of the affiliated companies to which financial assistance and guarantees for their benefit have been given by the Group as at 31st December, 2005 (the latest practicable date) is presented below:

	<b>Combined Total</b> <i>HK\$'000</i>	<b>Interest attributable to the Group</b> <i>HK\$'000</i>
Non-current assets	1,793,530	507,863
Current assets	3,645,393	1,045,798
Current liabilities	(2,094,942)	(668,797)
Non-current liabilities	<u>(1,783,729)</u>	<u>(463,045)</u>
	<u>1,560,252</u>	<u>421,819</u>

*Note:* Combined balance sheet has been realigned with the Group's accounting policies.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors and their respective associates have any interest in a business or are interested in any business which competes or may compete either directly or indirectly with, or is similar to, the business of the Group as at 31st December, 2005.

## 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.

## AUDITORS

During the year, Messrs. Deloitte Touche Tohmatsu resigned as auditors of the Company and Grant Thornton was appointed by the directors to fill the casual vacancy. There have been no other changes of auditors in the past three years.

On behalf of the Board

### **BILLY K YUNG**

*Chairman of the Board*

Hong Kong, 20th April, 2006