Chairman's Statement

FINANCIAL RESULTS

Bluetooth® Stereo Headphone - BluePRO

The Group's consolidated turnover for the year amounted to HK$2,587.8 million, 1% less than last year's, reflecting a 305% increase in property rental revenues offset by a 10% decline in manufacturing revenues. The Group's consolidated earnings before interest expense and taxation ("EBIT") for the year totalled HK$213.0 million, a 6% decrease compared to the HK$225.8 million reported last year. The EBIT decline was mainly due to extremely competitive environments in the Group's manufacturing divisions coupled with rising costs of material and labour plus one time charges of over HK$100 million for restructuring and re-engineering initiatives implemented by the new management team. This was covered by the improved results from the property division which reported an EBIT increase of HK$173.7 million; the profit on revaluation of the investment properties of HK$99.0 million (2005: HK$32.2 million); the profit on disposal of available-for-sale financial assets of HK$35.7 million (2005: HK$11.9 million); the profit on disposal of an office property in Hong Kong of HK$22.4 million (2005: Nil); and other one-time gains of HK$0.8 million (2005: HK$61.6 million).

The Group's interest expense for the year increased to HK$55.7 million (2005: HK$6.7 million) and the taxation charge increased to HK$105.7 million (2005: HK$26.5 million) reflecting a full year's interest on the debt to finance the acquisition of The Centre and taxation provisions on the increased property rental profits and on the revaluation of the investment property portfolio, respectively. As a result, consolidated profit attributable to shareholders of the Company amounted to HK$50.1 million compared to HK$186.0 million last year, and basic earnings per share was HK0.75 cents (2005: HK2.77 cents).

DIVIDEND

The directors recommend the payment of a final dividend of HK0.6 cents per share in respect of 2006 (2005: HK2.2 cents per share), to shareholders whose names appear on the Register of Members of the Company on 3 May 2007. The Register of Members will be closed from 25 April 2007 to 3 May 2007, both dates inclusive, and the proposed dividend will be paid on 4 May 2007 following approval at the Annual General Meeting.

BUSINESS REVIEW

The past year has been another very challenging year for the manufacturing industry characterised by strong competition and rising commodity and labour costs. To meet these challenges, the Group has strengthened its management team which has been rationalising and re-engineering its work flow and processes to reduce costs.

In 2006, the toy division again faced rising production costs, notably for plastics, metals and labour, and also the appreciation in the Renminbi relative to the Hong Kong dollar, resulting in a decrease in earnings compared with the previous year. Management has revitalised the Group's marketing strategies by targeting higher quality orders and implementing cost control measures. These actions are targeted to improve the performance of the division in 2007, despite continuing intense competition.

Chairman's Statement

During the year, the technology division continued to build its brand in the Bluetooth® market to maintain its position at the forefront of Bluetooth® technology. However, sales activity declined compared to last year mainly due to strong competition in this market. In addition, the division expanded its manufacturing facilities by taking over the toy division's surplus production facility in Panyu, which proved to be more production capacity than required and adversely affected profitability. The new management team has rationalised the sales and distribution channels in Europe, and the Group is focusing on improving the performance of this division in the coming year.

Bluetooth® Mono Headset - Clip D

The licensing and sourcing division made good progress in 2006. The opening of the Warner Bros. flagship store in Shanghai has established a foundation for the development and promotion of this retail sub-licensing business. In 2007, the Group plans to accelerate the establishment of a network of Warner Bros. retail sub-licensed outlets in Hong Kong, Mainland China and Macau, to capture opportunities arising from the continued growth of Mainland China's consumer market.

The property division continued to benefit from its acquisition of The Centre and the robust commercial property market in Shanghai. This division reported EBIT of HK$226.5 million, 329% higher than last year's EBIT of HK$52.8 million, reflecting a full year rental contribution from The Centre, an office tower in Shanghai, which was acquired in November 2005 to provide a solid and steady earnings and cashflow base to help offset the volatility of the Group's other businesses. Currently, the Group's property portfolio is over 99% let.

OUTLOOK

Under the guidance of new management, the Group has made good progress on its ongoing restructuring and re-engineering initiatives to effect ongoing cost savings which are targeted to be realised in 2007 and beyond. As a result, the toy division should benefit this year from more efficient, re-engineered processes and cost controls. The technology division continues to broaden its product portfolio and enhance its relationships with strategic global accounts in order to extend its market coverage. The licensing and sourcing division will be expanding its retail Warner Bros. sub-licensing business in Mainland China and at the same time seeking opportunities to broaden its product range through arrangements with other international brand owners. The property division continues to provide strong and steady cashflow and profits. Overall, the Group's new management team is targeting to achieve an improved performance from its recurring operations in 2007.

Bluetooth® Stereo Headset - Clip Radio

I would like to thank my fellow directors and all the Group's employees for their professionalism, hard work, support and commitment during the year.

Fok Kin-ning, Canning
Chairman

Hong Kong, 7 March 2007