

The audited turnover of the Group for the year ended 31 December 2006 was HK\$1,528,101,000, representing a decrease of 5% as compared with that of the continuing operations in 2005. The administrative expenses and the finance costs were HK\$199,060,000 and HK\$15,956,000 respectively, representing an increase of 6.69% and a decrease of 59% as compared with last year. The profits attributable to shareholders were HK\$110,966,000, representing a decrease of 61% as compared with that of HK\$286,403,000 in last year. The Directors resolved not to declare any final dividend in respect of the financial year ended 31 December 2006.

The reduction of turnover in 2006, as compared with that of 2005, was mainly due to the disposal of Conic Investment Building in 2005 which generated a revenue of HK\$330,000,000. The reduction of overall profits in 2006, as compared with that of 2005, was due to the profits of 2005 being included exceptional gains arising from the waiver of debts resulting from the restructuring of the loans with the Bank of China, of HK\$176,024,000, and the profits on the disposal of the shareholdings in CASIL Telecommunications Holdings Limited and several associate companies, of HK\$69,164,000. Save for the exceptional gains, the profits in 2006 increased 53% as compared with that of 2005 of HK\$72,467,000. The increase was arising from the growth in profits of hi-tech manufacturing business. The substantial reduction of finance costs in 2006 was the results of a series of loan restructurings and the betterment of assets. The increase in administrative expenses was caused by the increase in staff cost of the Group, the relocation of head office, and the increase in research and development expenses and the additional provisions made by the subsidiaries.

During the first half of 2006, the Group completed its business restructuring in accordance with the development strategy, and continued to devote to market development. Through the adoption of the measures of strict cost control, cutting finance expenses and accelerating assets consolidation, the Group improved its overall assets allocation. The core competitive advantages and leading position of the major businesses were further strengthened, maintaining a relatively good development strength and creating better conditions for the Group's future development.

In 2006, the operations of the Group's hi-tech manufacturing business was well performed. The turnovers for businesses of liquid crystal displays, printed circuit boards, plastic products and intelligent battery chargers were HK\$234,305,000, HK\$206,816,000, HK\$558,956,000 and HK\$502,383,000, representing an increase of 76%, 25%, 16% and 17% respectively. The overall average gross profit margin of hi-tech manufacturing business was 22%. Through continuous measures such as enhancement of production efficiency, strict cost control and provision of good quality of customer services, the hi-tech manufacturing business maintains strong competitive advantages.

The construction work of the third phase extension of Huizhou Industrial Park was completed at the end of 2006. It is anticipated that production will commence in the new factory buildings, of around 45,000 m², during the first half of 2007. The production capacity of hi-tech manufacturing business will then be enhanced, creating a new momentum for the hi-tech manufacturing business to attain future growth.

As at 31 December 2006, the total assets of the Group were HK\$2,286,478,000, of which the non-current portion and the current portion were HK\$1,132,296,000 and HK\$1,154,182,000 respectively. The total liabilities were HK\$1,013,479,000, of which the current and the non-current liabilities were HK\$824,418,000 and HK\$189,061,000 respectively. Save for the minority interest, the equity attributable to equity holders of the Company was HK\$1,220,412,000 and the net assets per share was HK\$0.57. Save as the litigation disclosed in the 2006 annual report, the Group did not have any material contingent liabilities. As at 31 December 2006, the assets/liabilities ratio was 44.32% representing an improvement as compared with that of 48.52% of last year and the current ratio was 1.40, which was more or less the same to that of last year.

Management Discussion and Analysis

The source of funding of the Group mainly comes from its internal financial resources and banking facilities. The Group's cash on hand as at 31 December 2006 was HK\$769,316,000, most of which was in HK Dollars and the rest in RMB and US Dollars. The Group reviews its cash flow and financial position periodically and does not engage into any financial instruments or derivatives to hedge the exchange and the interest rate risks.

The completion of the assets swap transaction with CASC resulted in substantial reduction in the outstanding amount of loans receivable of the Group, increase in cash on hand, and decrease in the amount due to substantial shareholder; the quality of the Group's asset was then improved as a result. The Group will endeavor to collect the remaining loans receivable and handle the related litigation properly.

In December 2006, the Group reached an agreement with an independent third party to dispose part of the property assets of Dongguan Huadun Enterprises Limited. The disposal is expected to complete during the first half of 2007 and the revenues arising from such transaction will be reflected in 2007.

A couple of the Group's real estates and investments have been mortgaged to banks for financing with interest calculated at prime rate, and the remaining terms by instalment are repayable in about 5 years.

The Group's emolument policy is based on employee's qualification, experience and performance and is referred to market data. The Group will continue to strengthen the human resources management and strictly apply the performance based evaluation standard so as to enhance the performance of individual staff and their contributions to the Group. As at 31 December 2006, the Group had more than 5,700 staff in both the mainland China and Hong Kong.

Looking forward to year 2007, under the leadership of the Board, the Group will reinforce its capabilities to enhance sales and profitability, perfect the internal control system, and strengthen internal management, with an aim to maintain the steady growth of the hi-tech manufacturing business. Regarding science and technology park complex development and hi-tech industries investment, the Group will actively explore opportunities, so as to achieve breakthrough in new business development and deliver outstanding performance for shareholders.

By order of the Board

Zhao Liqiang

Executive Director & President

Hong Kong, 30 March 2007