

# Directors' Report

The directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2006.

## Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements.

## Results and Appropriations

Details of the Group's results for the year ended 31 December 2006 are set out in the consolidated income statement on page 26.

An interim dividend of HK\$0.058 per share amounting to HK\$160,080,000 (equivalent to approximately US\$20,600,000) was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK\$0.058 per share for the year ended 31 December 2006 to the shareholders whose names appear on the register of members on 1 June 2007, amounting to HK\$160,080,000 (equivalent to approximately US\$20,523,000), and the retention of the remaining profit for the year.

## Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 64 of the annual report.

## Distributable Reserves of the Company

As at 31 December 2006, the Company's reserves available for distribution to shareholders were as follows:

	<i>US\$'000</i>
Share premium	135,570
Contributed surplus	80,186
Accumulated profit	20,600
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	236,356
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Under the Companies Law of the Cayman Islands, the share premium account and the contributed surplus are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

## Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the consolidated financial statements.

## Share Capital

Details of movements in the share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

# Directors' Report (Cont'd)

## Directors

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

### Executive Directors

Mr. Shan Huei KUO (*Chairman*)  
Ms. Yi-Mei LIU (*Deputy Chairman*)  
Mr. Mohamad AMINOZZAKERI

### Non-executive Director

Mr. Sheng Hsiung PAN

### Independent Non-executive Directors

Ms. Huei-Chu HUANG  
Mr. Ming-Jian KUO  
Mr. Siu Ki LAU

In accordance with the provisions of the Company's Articles of Association, Messrs. Yi-Mei Liu, Sheng Hsiung Pan and Huei-Chu Huang retire by rotation at the forthcoming annual general meeting. All the retiring directors, being eligible, offer themselves for re-election.

## Directors' Service Contracts

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

# Directors' Report (Cont'd)

## Share Option Scheme

The Company adopted a share option scheme on 24 October 2005 (the "Share Option Scheme"). During the year, an aggregate of 10 million share options were granted, representing approximately 0.36% of the issued share capital of the Company. Particulars of the Company's share option scheme are set out in note 28 to the consolidated financial statements.

Details of the share options granted and outstanding under the Share Option Scheme during the year were as follows:

	Date of Grant <i>(dd.mm.yy)</i>	Exercise Price <i>(HK\$)</i>	Vesting Date <i>(dd.mm.yy)</i>	Exercise Period <i>(dd.mm.yy)</i>	Number of Share Options			
					As at 1.1.2006	Granted during the year	Lapsed during the year	As at 31.12.2006
<i>Director:</i>								
Mr. Mohamad AMINOZZAKERI	6.2.2006	4.2	6.2.2007	6.2.2007 – 16.11.2015	–	83,333	–	83,333
			6.2.2008	6.2.2008 – 16.11.2015	–	83,333	–	83,333
			6.2.2009	6.2.2009 – 16.11.2015	–	83,334	–	83,334
					–	250,000	–	250,000
<i>Other employees:</i>								
In aggregate	6.2.2006	4.2	6.2.2007	6.2.2007 – 16.11.2015	–	3,250,000	(95,000)	3,155,000
			6.2.2008	6.2.2008 – 16.11.2015	–	3,250,000	(95,000)	3,155,000
			6.2.2009	6.2.2009 – 16.11.2015	–	3,250,000	(95,000)	3,155,000
					–	9,750,000	(285,000)	9,465,000
Total					–	10,000,000	(285,000)	9,715,000

## Arrangement to Purchase Shares or Debentures

Other than the Company's share option scheme disclosed above, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

# Directors' Report (Cont'd)

## Directors' Interests in Shares and Underlying Shares

As at 31 December 2006, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

### (1) Shares of the Company

*Long positions:*

Name of director	Capacity	Number of issued ordinary shares held	Shareholding percentage
Mr. Shan Huei Kuo	Held by controlled corporation ( <i>note</i> )	1,966,500,000	71.25%
Ms. Yi-Mei Liu	Held by controlled corporation ( <i>note</i> )	1,966,500,000	71.25%

*Note:* Comprised of 1,842,500,000 shares held by Advent Group Limited ("Advent") and 124,000,000 shares held by Elite Management Global Limited ("Elite Management"). The shares of the Company held by Elite Management are attributable to Advent as a result of a shareholders' agreement between Advent and the individual shareholders of Elite Management, pursuant to which Advent has the right of first refusal to acquire such shareholders' shares in the event they wish to transfer their shareholdings to a third party or their employment with the Group is terminated.

Mr. Shan Huei Kuo and Ms. Yi-Mei Liu each holds 50% of the equity interest in Magnificent Capital Holding Limited ("Magnificent"). Magnificent owns 70% of the issued share capital of Advent. Therefore, Mr. Shan Huei Kuo and Ms. Yi-Mei Liu are deemed or taken to be interested in the shares of the Company which are owned by Advent and Elite Management.

Mr. Shan Huei Kuo and Ms. Yi-Mei Liu are husband and wife.

### (2) Share options of the Company

The interests of the directors of the Company in the share options of the Company are detailed in "Share Option Scheme" above.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2006.

# Directors' Report (Cont'd)

## Substantial Shareholders

Other than the interests disclosed above in respect of certain directors, who are also substantial shareholders, of the Company, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31 December 2006.

## Connected Transactions

During the year, the Group paid Uson Enterprises Limited ("Uson") US\$1,490,000 for its transportation logistics services. The charge is based on the cost incurred by Uson plus a fixed annual service fee. Uson is wholly-owned by Mr. Shan Huei Kuo and Ms. Yi-Mei Liu, directors of the Company.

Pursuant to Chapter 14A.38 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the board of directors has engaged the auditors of the Company to perform certain agreed upon procedures in respect of the above continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the board of directors. The Independent Non-executive Directors have reviewed the continuing connected transactions and the report of the auditors and have confirmed that the transactions have been entered into by the Group in the ordinary course of its business, on terms no less favourable to the Company than terms available from independent third parties, in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interest of the shareholders of the Company as a whole and have not exceeded the cap disclosed in the prospectus of the Company.

During the year, the Group purchased hardware from and paid rental to Samson Global Co. Ltd. which is wholly-owned by Mr. Shan Huei Kuo and Ms. Yi-Mei Liu, directors of the Company. These transactions are regarded as connected transaction and qualified as a "de minimis transaction" pursuant to Chapter 14A of the Listing Rules. The details of the transaction are set out in note 36 to the consolidated financial statements.

Other than as disclosed above, no contracts of significance to which the Company, or any of its holding companies, subsidiaries or fellow 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.

## Purchase, Sale or Redemption of the Company's Listed Securities

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

## Major Customers and Suppliers

The percentages of sales and purchases for the year attributable to the Group's largest and five largest customers and suppliers, respectively, were as follows:

– the largest customer	12%
– five largest customers	35%
– the largest supplier	10%
– five largest suppliers	34%

# Directors' Report (Cont'd)

None of the directors, their associates or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers or suppliers of the Group.

## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

## Donations

During the year, the Group made charitable and other donations amounting to approximately US\$172,000.

## Auditors

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

### **Shan Huei KUO**

*Chairman*

The People's Republic of China

4 April 2007