

r e p o r t o f t h e d i r e c t o r s

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the manufacture, sale, design and development of telecom and electronic products and accessories, the manufacture of plastic and power supply components, the manufacture and sale of baby products, provision of e-commerce services, investment in securities and property investment and development. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 51 to 122.

An interim dividend of HK\$0.02 per ordinary share was paid on 27 October 2006.

The directors recommend the payment of a final dividend of HK\$0.025 (2005: HK\$0.020) per ordinary share in respect of the year to shareholders on the register of members of the Company on 23 May 2007 subject to the approval of the shareholders of the Company at the forthcoming annual general meeting. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 123. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and the investment properties of the Company and the Group during the year are set out in notes 14 and 15 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

There were no movements in the Company's authorised share capital and share options during the year. Details of movements in the Company's issued share capital and convertible bonds during the year are set out in notes 35 and 32 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed Shares during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 37 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2006, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda, amounted to HK\$2,552 million, of which HK\$20 million has been proposed as a final dividend for the year.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$10 million (2005: HK\$9 million).

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers, respectively, during the financial year is as follows:

	Percentage of the Group's total			
	Sales		Purchases	
	2006	2005	2006	2005
Largest customer	44%	45%		
Five largest customers in aggregate	75%	70%		
Five largest suppliers in aggregate			< 30%	< 30%

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

DIRECTORS

The Directors during the year and up to the date of this Annual Report were as follows:

Executive Directors:

Mak Shiu Tong, Clement

Tam Ngai Hung, Terry

Cheng Yuk Ching, Flora

William Donald Putt

Independent non-executive Directors:

Samuel Olenick

Tam King Ching, Kenny

Lau Ho Man, Edward

In accordance with the bye-laws of the Company, Messrs. Tam Ngai Hung, Terry and William Donald Putt will retire and, being eligible, offer themselves for re-election at the forthcoming AGM of the Company.

The INEDs of the Company are not appointed for any specific terms. According to the bye-laws of the Company, all Directors (except for the Chairman) are subject to retirement by rotation and re-election at the AGM of the Company.

The Company has received from each of the INEDs of the Company an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and, as at the date of this Annual Report, still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on page 18 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

During the year, no Director had a service contract with the Company which is not determinable by the Company with one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACT

Save as disclosed in note 45 to the financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

SHARE OPTION SCHEME

The Share Option Scheme was adopted by the Company on 28 February 2002. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. As at 31 December 2006, there were no share options outstanding under the Share Option Scheme. No share options has been granted, exercised, lapsed and cancelled under the Share Option Scheme during the year.

The purpose of the Share Option Scheme is to provide incentives and rewards to the eligible participants who contribute to the success of the operation of the Group. Eligible participants of the Share Option Scheme include any employee, executive or officer of the Group (including executive and non-executive directors of the Group) and any supplier, consultant, agent, adviser, shareholder, customer, partner or business associate who, at the sole discretion of the Board, will contribute or has contributed to the Group.

Pursuant to the Share Option Scheme, the maximum number of Shares in respect of which share options may be granted under the Share Option Scheme is such number of Shares, when aggregated with the Shares subject to any other share option scheme(s) of the Company, must not exceed 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme or 30% of the issued share capital of the Company from time to time. The general limit on grant of the share options under the Share Option Scheme was refreshed to 10% of the Shares in issue as at the date of approval by the Shareholders on 19 May 2003. As at the date of this Annual Report, the total number of Shares available for issue in respect thereof is 42,221,046, which represents approximately 5.3% of the total issued share capital of the Company as at the date of this Annual Report.

The maximum number of Shares issuable upon exercise of the share options granted under the Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period is limited to 1% of the Shares in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the Shareholders' approval at a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to the approval in advance by the INEDs of the Company, excluding the INED(s) of the Company who is/are the grantee(s) of the share options. In addition, any share option granted to a substantial Shareholder or an INED of the Company, or to any of their respective associates, in excess of 0.1% of the Shares in issue as at the date of grant or with an aggregate value (based on the closing price of the Shares as at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to the issue of a circular by the Company and the Shareholders' approval in advance at a general meeting.

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options or the expiry date of the Share Option Scheme, whichever is earlier.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

DIRECTORS' INTERESTS

As at 31 December 2006, the Directors and the chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company:

(a) **Interests and short positions in the Shares and the underlying Shares of the convertible bonds of the Company as at 31 December 2006**

(i) Long positions in the Shares:

Name of the Director	Number of the Shares beneficially held and nature of interest			Total	Approximate percentage of the total issued share capital (%)
	Personal	Family	Corporate		
Mak Shiu Tong, Clement	715,652	—	221,040,977	221,756,629	28.44
Tam Ngai Hung, Terry	500,000	—	—	500,000	0.06
Cheng Yuk Ching, Flora (Note)	14,076,713	120,000	—	14,196,713	1.82
William Donald Putt	591,500	—	—	591,500	0.08
Samuel Olenick	—	—	545,000	545,000	0.07

Note: Included in the shareholdings in which Ms. Cheng Yuk Ching, Flora was interested, 120,000 Shares were held by the spouse of Ms. Cheng Yuk Ching, Flora who is deemed to be interested in such Shares under the provisions of Part XV of the SFO.

(ii) Long positions in the underlying Shares of the convertible bonds of the Company:

Name of the Director	Description of equity derivatives	Notes	Number of the total underlying Shares	Approximate percentage of the total issued share capital (%)
	2009 convertible bonds	(2)	26,548,672	3.40

Notes:

- (1) The convertible bonds with an outstanding principal amount of HK\$28,500,000 as at 31 December 2006, were issued by the Company to New Capital Industrial Limited (a company controlled by Mr. Mak Shiu Tong, Clement) on 25 April 2005. The convertible bonds, due on 25 April 2010, are interest free and convertible into the Shares at the conversion price of HK\$0.604 per Share (subject to adjustments according to the terms of the convertible bonds). The interest of Mr. Mak Shiu Tong, Clement in these underlying Shares has also been disclosed under the section headed "Substantial Shareholders' Interests" below.

DIRECTORS' INTERESTS (Continued)

(a) Interests and short positions in the Shares and the underlying Shares of the convertible bonds of the Company as at 31 December 2006

(Continued)

(ii) Long positions in the underlying Shares of the convertible bonds of the Company: (Continued)

Notes: (Continued)

(2) The convertible bonds with an outstanding principal amount of HK\$30,000,000 as at 31 December 2006, were issued by the Company to Capital Winner Investments Limited (a company controlled by Mr. Mak Shiu Tong, Clement) on 23 June 2006. The convertible bonds, due on 23 June 2009, are interest free and convertible into the Shares at the conversion price of HK\$1.13 per Share (subject to adjustments according to the terms of the convertible bonds).

(b) Interests and short positions in the shares and the underlying shares of an associated corporation — CCT Tech as at 31 December 2006

None of the Directors had any interest and short position in respect of the shares, debentures, convertible bonds, equity derivatives or interests in the underlying shares of CCT Tech as at 31 December 2006.

(c) Interests and short positions in the shares and the underlying shares of the share options of an associated corporation — Tradeeasy as at 31 December 2006

Long positions in the underlying shares of the share options of Tradeeasy:

Name of the Director	Date of grant of the share options	Exercise period of the share options	Exercise price per share HK\$	Number of the share options outstanding	Number of the total underlying shares	Approximate percentage of the total issued share capital (%)
Mak Shiu Tong, Clement	14/8/2006	14/8/2006 – 13/8/2011	0.038	45,000,000	45,000,000	4.63
Tam Ngai Hung, Terry	14/8/2006	14/8/2006 – 13/8/2011	0.038	28,000,000	28,000,000	2.88
Cheng Yuk Ching, Flora	14/8/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.51
William Donald Putt	14/8/2006	14/8/2006 – 13/8/2011	0.038	5,000,000	5,000,000	0.51

Save as disclosed above, as at 31 December 2006, none of the Directors and the chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the section headed "Directors' Interests" above, at no time during the year was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2006, the following persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

- (i) Long positions in the Shares as at 31 December 2006:

Name of the Shareholder	Number of the Shares held	Approximate percentage of the total issued share capital (%)
Capital Force International Limited (Note)	96,868,792	12.42
New Capital Industrial Limited (Note)	124,172,185	15.92
	221,040,977	28.34

Note: Capital Force International Limited and New Capital Industrial Limited are corporations controlled by Mr. Mak Shiu Tong, Clement, whose interest in such Shares has also been disclosed under the section headed "Directors' Interests" above.

- (ii) Long positions in the underlying Shares of the 2010 convertible bonds of the Company as at 31 December 2006:

Name of the holder of the 2010 convertible bonds	Amount of the 2010 convertible bonds HK\$	Number of the total underlying Shares	Approximate percentage of the total issued share capital (%)
New Capital Industrial Limited (Note)	28,500,000	47,185,430	6.05

Note: The details of the interest of Mr. Mak Shiu Tong, Clement in these underlying Shares has also been disclosed under the section headed "Directors' Interests" above.

Save as disclosed above, as at 31 December 2006, there were no other persons who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions under the Code set out in Appendix 14 to the Listing Rules throughout the financial year under review, except for the deviations from code provisions A.2.1, A.4.1, A.4.2 and E.1.2. Detailed information of such deviations and their respective considered reasons as well as other information on the corporate governance practices of the Company are set out in the section headed “Corporate Governance Report” in this Annual Report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of the total issued share capital of the Company as required under the Listing Rules throughout the financial year under review and up to the date of this Annual Report.

AUDITORS

The financial statements for the year ended 31 December 2006 have been audited by Messrs. Ernst & Young, who retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM of the Company.

ON BEHALF OF THE BOARD

Mak Shiu Tong, Clement

Chairman

Hong Kong

18 April 2007