

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2006.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2006 are set out in the consolidated income statement on page 28.

An interim dividend of 7 HK cents per share amounting to HK\$26,855,500 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 7 HK cents per share amounting to HK\$26,855,500 to the shareholders on the register of members on 23rd May, 2007 and the retention of the remaining profit for the year.

INVESTMENT PROPERTY

The investment property of the Group was revalued as at 31st December, 2006 as set out in note 16 to the consolidated financial statements. The resulting surplus arising on revaluation, which amounted to HK\$1,200,000, has been credited directly to the consolidated income statement.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately HK\$146,708,000.

Details of this and other movements in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES OF THE COMPANY

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

	2006 HK\$'000	2005 HK\$'000
Contributed surplus	105,369	105,369
Retained earnings	104,403	97,063
	209,772	202,432

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

SHARE OPTIONS

Particulars of the share option scheme (the "New Share Option Scheme") of the Company adopted at the 2003 Annual General Meeting are set out in note 28 to the consolidated financial statements. Under the New Share Option Scheme, the maximum number of shares available for issue is 37,441,000 shares. No share options have been granted under the New Share Option Scheme since its adoption.

DIRECTORS AND SERVICE CONTRACTS

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

Executive directors:

Ng Hoi Ying, Michael – *Chairman*
Hui Pui Woon
Ng Kim Ying
Lee Wai Chung

Independent non-executive directors:

Francis George Martin
Wong Chi Wai
Chung Hil Lan Eric

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Mr. Wong Chi Wai, Mr. Chung Hil Lan Eric and Mr. Francis George Martin will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

Each of the independent non-executive director was appointed for a term of not more than three years and subject to the retirement by rotation in accordance with the Company's Bye-laws.

The Company has received, from each of the independent non-executive directors, 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 Company considers all of the independent non-executive directors are independent.

DIRECTORS' INTERESTS 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31st December, 2006, the interests and short positions of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Shares in the Company (Long Position)

Name of director	Number of issued shares held			Percentage of issued share capital of the Company
	Personal interests	Other interests	Total	
Ng Hoi Ying, Michael	2,856,000	151,000,000 <i>(Note a)</i>	153,856,000	40.10%
Ng Kim Ying	950,000	18,500,000 <i>(Note b)</i>	19,450,000	5.07%
Hui Pui Woon	–	17,682,000 <i>(Note c)</i>	17,682,000	4.61%
Lee Wai Chung	1,750,000	–	1,750,000	0.46%

Notes:

- (a) These shares were held by Ratagan International Company Limited ("Ratagan"). The entire issued share capital of Ratagan was held by Trustcorp Limited ("Trustcorp") as trustee for The Arts 1996 Trust, a discretionary trust, the beneficiaries of which included Mr. Ng Hoi Ying, Michael and his family members. The parent company of Trustcorp, Newcorp Limited, its ultimate parent company Newcorp Holdings Limited, Mr. David Henry Christopher Hill, Ms. Rebacca Ann Hill and Mr. David William Roberts were also deemed to be interested in the issued share capital of Ratagan by virtue of their interests and deemed interests in Trustcorp.
- (b) These shares were held by Universal Honour Developments Limited ("Universal Honour"). The entire issued share capital of Universal Honour was held by Trustcorp as trustee for The Optical 2000 Trust, a discretionary trust, the beneficiaries of which included Mr. Ng Kim Ying and his family members. The parent company of Trustcorp, Newcorp Limited, its ultimate parent company Newcorp Holdings Limited, Mr. David Henry Christopher Hill, Ms. Rebacca Ann Hill and Mr. David William Roberts were also deemed to be interested in the issued share capital of Universal Honour by virtue of their interests and deemed interests in Trustcorp.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

- (c) These shares were held by Fortune Smiles Limited. The entire issued share capital of Fortune Smiles Limited was wholly owned by HSBC International Trustee Limited as trustee for The Saying's Trust, a discretionary trust, the beneficiaries of which include Ms. Hui Pui Woon and her family members.

Save as disclosed above and other than certain nominee shares in subsidiaries held by Ratagan in trust for the Group, as at 31st December, 2006, none of the directors, chief executive and their associates had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the New Share Option Scheme disclosed under the heading "Share Options" above, 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. In addition, other than as disclosed above, none of the directors, or their spouse or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed under the heading "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, as at 31st December, 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Shares in the Company (Long Position)

Name of shareholder	Capacity	Number of issued shares held	Percentage of issued share capital of the Company
Veer Palthe Voûte NV	Beneficial owner	34,589,990 (Note a)	9.02%
David Michael Webb	Beneficial owner	3,224,000	0.84%
	Held by controlled corporation	19,900,000 (Note b)	5.19%
Preferable Situation Assets Limited	Beneficial owner	19,900,000 (Note b)	5.19%

Notes:

- (a) Allianz SE, Allianz Finanzbeteiligungs GmbH, Dresdner Bank Aktiengesellschaft and Dresdner Bank Luxembourg S.A., being the parent companies of Veer Palthe Voûte NV, were also deemed to be interested in the same parcel of 34,589,990 shares held by Veer Palthe Voûte NV under Part XV of the SFO.
- (b) Mr. David Michael Webb was deemed to be interested in the 19,900,000 shares held by Preferable Situation Assets Limited under Part XV of the SFO.

Save as disclosed above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO disclosed no other person as having a notifiable interests or short positions in the issued share capital of the Company at 31st December, 2006.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2006, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 51% of the Group's total turnover and the amount of turnover attributable to the Group's largest customer was approximately 17% of the Group's total turnover. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 31% of the Group's total purchases and the amount of purchases attributable to the Group's largest supplier was approximately 9% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the New Share Option Scheme disclosed under the heading "Share Options" above and in note 28 to the consolidated financial statements, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31st December, 2006 and there has been no exercise of any other convertible securities, options, warrants or similar rights during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the executive directors of the Company were determined by the Remuneration Committee benchmarked against comparable companies in Hong Kong. The emoluments of the independent non-executive directors of the Company were determined by the Remuneration Committee benchmarked against comparable companies in Hong Kong before the 2006 Annual General Meeting and thereafter recommended by the board of directors of the Company and approved by the shareholders at the annual general meeting.

The Company has adopted a share option scheme as an incentive to directors and eligible employees. Details of the scheme are set out in note 28 to the consolidated financial statements.

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.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2006.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 22 to 25 of this Annual Report.

AUDITOR

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

On behalf of the Board
Ng Hoi Ying, Michael
Chairman

Hong Kong, 17th April, 2007