

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

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 38 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 32 of the annual report.

A final dividend for the year ended 31st December, 2005 of HK1 cent per share, amounting to approximately HK\$3,021,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK1 cent per share, for the year ended 31st December, 2006, to the shareholders on the register of members on 20th June, 2007.

## INVESTMENT PROPERTY

At 31st December, 2006, the Group's investment property was revalued by an independent property valuer on an open market basis. The increase in fair value of HK\$60,000 has been credited to the consolidated income statement. Details are set out in note 16 to the consolidated financial statements.

## PLANT AND EQUIPMENT

Details of movements during the year in the plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

## SHARE CAPITAL

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

## DISTRIBUTABLE RESERVE OF THE COMPANY

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31st December, 2006 consisted of share premium, contributed surplus and accumulated profits totalling HK\$218,655,000 (31st December, 2005: HK\$226,497,000).

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 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.

# Directors' Report

## DIRECTORS

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

### Executive directors:

Mr. Lau Siu Ying (*Chairman*)

Mr. Luo Xi Zhi

### Non-executive directors:

Mr. Fung Oi Ip, Alfonso

Mr. Lo Wing Yat

### Independent non-executive directors:

Mr. Chang Wing Seng, Victor

Mr. Wong Lit Chor, Alexis (appointed on 7th September, 2006)

Mr. Chen Yi Gang (appointed on 28th February, 2007)

Mr. Fok Wai Ming, Eddie (resigned on 7th September, 2006)

Mr. Liu Kwok Fai, Alvan (resigned on 28th February, 2007)

In accordance with clauses 86(2) and 87 of the Company's bye-laws, Messrs. Fung Oi Ip, Alfonso, Wong Lit Chor, Alexis and Chen Yi Gang shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the directors 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.

The term of office of each of the non-executive directors and independent non-executive directors is the year up to his retirement by rotation in accordance with the Company's bye-laws.

## DIRECTORS' INTERESTS IN SECURITIES

At 31st December, 2006, the interests of the directors and their associates in the share capital of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Hong Kong Securities and Futures Ordinance ("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 (the "Model Code"), were as follows:

Name of director	Number of ordinary shares held by		Total	Percentage of the issued share capital of the Company
	Beneficial owner	Discretionary trust		
Mr. Lau Siu Ying ("Mr. Lau")	280,000	211,500,013 (Note)	211,780,013	70.10%

Note: These shares are held by Future 2000 Limited, a company incorporated in the British Virgin Islands which in turn is held by a discretionary trust. The beneficiaries of the discretionary trust include Mr. Lau, his spouse and his children.

The interest disclosed above represents long positions in the shares of the Company or its associated corporations.

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any securities of the Company or any of its associated corporations as defined in the SFO at 31st December, 2006.

## SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 28 to the consolidated financial statements. No options have been granted since the adoption of the scheme.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, its holding 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. None of the directors, their spouses or children under the age of 18 had any rights to subscribe for the securities of the Company or had exercised any such rights during the year.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its holding 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, subsist at the end of the year or at any time during the year.

# Directors' Report

## SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 31st December, 2006, the following shareholder had notified the Company of relevant interests in the issued share capital of the Company.

Name of substantial shareholder	Number of ordinary shares held by			Total	Percentage of the issued share capital of the Company
	Beneficial owner	Controlled entity	Discretionary trust		
Mr. Lau	280,000	–	211,500,013 (Note 1)	211,780,013	70.10%
Mr. Lee Wai, Timothy	–	211,500,013 (Note 2)	–	211,500,013	70.01%

Notes:

1. These shares are held by Future 2000 Limited, a company incorporated in the British Virgin Islands which in turn is held by a discretionary trust. The beneficiaries of the discretionary trust include Mr. Lau, his spouse and his children.
2. Under the SFO, Mr. Lee Wai, Timothy is deemed to have interests in the shares of the Company which Future 2000 Limited has interests as he is entitled to exercise more than one-third of the voting power at general meetings of Future 2000 Limited.

## APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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 Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

## 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 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 aggregate sales attributable to the Group's five largest customers during the year was less than 30% of total revenue.

The aggregate purchases attributable to the Group's five largest suppliers during the year comprised approximately 97% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 65%.

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, own more than 5% of the Company's issued share capital, had a beneficial interest in any of the Group's five largest suppliers.

## CORPORATE GOVERNANCE

Save as disclosed in the Corporate Governance Report in pages 19 to 24 of this annual report. The Company has complied throughout the year with the Code on Corporate Governance Practice ("CG Code") as set out in Appendix 14 of the Listing Rules which were then in force.

Detailed information on the Company's corporate governance practices is also set out in the Corporate Governance Report.

## CONNECTED TRANSACTIONS

On 15th September, 2005, the Company entered into a loan agreement with a syndicate of banks in respect of a US\$16,000,000 loan facility which had a tenor of three years from the date of the loan agreement. Under the loan agreement, the following conditions were imposed to Mr. Lau, a director and substantial shareholder of the Company:

- (i) Mr. Lau and his associates continues to remain collectively the legal and beneficial owner of the issued share capital of Future 2000 Limited, a company in which Mr. Lau and his associates have beneficial interests;
- (ii) Future 2000 Limited continues to be the single largest shareholder of the Company;
- (iii) Mr. Lau is either the Chairman or the Chief Executive Officer of the Company; and
- (iv) Mr. Lau continues to engage in full-time management of the Company.

## 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 directors of the Company are decided by the Remuneration Committee having regards to the Company's operating results, individual performance and comparable market statistics.

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

## SUFFICIENCY OF PUBLIC FLOAT

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

## POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 35 to the consolidated financial statements.

# Directors' Report

## AUDITOR

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

On behalf of the Board

**LAU SIU YING**

*CHAIRMAN*

Hong Kong, 23rd April, 2007