

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 activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2006 are set out in the consolidated income statement on page 19.

The directors do not recommend the payment of a dividend for the year ended 31st December, 2006.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

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 shares.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31st December, 2006, in the opinion of the directors, the Company has no distributable reserves.

DIRECTORS

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

Executive directors:

Chan Yeung Nam (*Chairman*)

Fu Jie Pin (*Chief Executive Officer*)

Independent non-executive directors:

Tang Cheung Fai

Jee Wengue

Tong Ka Ming

(appointed on 23rd June, 2006)

Lam Ping Cheung

(resigned on 23rd June, 2006)

In accordance with Clause 98 of the Company's Bye-Laws, Messrs. Fu Jie Pin and Jee Wengue will retire at the forthcoming annual general meeting by rotation and being eligible, offer themselves for re-election.

In accordance with Clause 102(B) of the Company's Bye-Laws, Mr. Tong Ka Ming, the newly appointed director, retire at the forthcoming annual general meeting and being eligible, offer himself for re-election.

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

All of the independent non-executive directors are members of the Company's Audit Committee and Remuneration Committee.

DIRECTORS' SERVICE CONTRACTS

Mr. Chan Yeung Nam and Mr. Fu Jie Pin have entered into a service contract with the Company which commence on 19th December, 2004 and with no fixed terms.

Save as disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-Laws.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance (“SFO”) showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long position

Ordinary shares of US\$0.02 each of the Company

Name of shareholder	Capacity	Number of shares			Percentage of issued share capital	Note
		Direct interest	Deemed interest	Total interest		
Velocity International Limited (“Velocity”)	Beneficial owner	207,765,080	—	207,765,080	74.9%	a
Chan Yeung Nam	Interest of a controlled corporation	—	207,765,080 (through 100% direct interest in Velocity)	207,765,080	74.9%	a

Note:

- (a) Mr. Chan Yeung Nam holds the entire beneficial interest in Velocity and Mr. Chan Yeung Nam is accordingly deemed to be interested in 207,765,080 shares in the Company.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st December, 2006.

DIRECTORS' INTERESTS IN SECURITIES AND UNDERLYING SHARES

Other than as disclosed in the section “Substantial Shareholders”, none of the directors, chief executives, and their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporation at 31st December, 2006, 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 pursuant to the Model Code for Securities Transactions by Director of Listed Companies contained in the Listing Rules.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 27 to the consolidated financial statements.

No share options were granted, exercised, cancelled or lapsed during the year ended 31st December, 2006. At 31st December, 2006, no share options of the Company were outstanding.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, or any of its fellow subsidiaries and 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance subsisted to which the Company, its holding company or any of its fellow subsidiaries and subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2006, the percentage of sales or purchase attributable to the Group's five largest customers or suppliers was less than 30%.

EMOLUMENT POLICY

The emolument policies of the employees of the Group and directors of the Company are set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

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 27 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.

AUDITORS

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

On behalf of the Board

Chan Yeung Nam

CHAIRMAN

20th April, 2007