

REPORT OF THE DIRECTORS

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. 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 37 to 85.

The directors recommend the payment of a final dividend of HK0.5 cent per ordinary share in respect of the year to shareholders on the register of members on 1 June 2007. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 29 May 2007 to Friday, 1 June 2007 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the proposed final dividend and for attending and voting at the annual general meeting ("AGM") of the Company to be held on Friday, 1 June 2007, unregistered holders of shares of the Company should ensure that all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 28 May 2007.

SUMMARY FINANCIAL INFORMATION

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 86. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL, SHARE OPTIONS, WARRANTS AND CONVERTIBLE BONDS

There were no movements in either the Company's authorised or issued share capital during the year.

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, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2006, the Company's reserves available for distribution, calculated in accordance with the Bermuda Act 1981, amounted to HK\$166,873,446, of which has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$20,912,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 98.12% of the total sales for the year and sales to the largest customer included therein accounted for 46.17%. Purchases from the Group's five largest suppliers accounted for 28.82% of the total purchases for the year and the purchases from the largest supplier included therein accounted for 10.26%.

None of the directors of the Company or any of their associates or any 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 of the Company during the year were:

Executive directors:

Ms. Cheung Yan, Priscilla

Ms. Cheung Man, Catherine

Mr. Kung Ka Pang

Mr. Hui Kwok Chu (resigned on 4 December 2006)

Mr. Cheung Wang (resigned on 15 June 2006)

Independent non-executive directors:

Mr. Lam Yu Lung

Mr. Lam Chin Fung

Mr. Tse Wei Kin (appointed on 20 March 2006)

Mr. Wong Yam Fung (resigned on 20 March 2006)

Subsequent to the balance sheet date, on 6 March 2007, Mr. Ha Jimmy N. T. was appointed as an executive director of the Company.

In accordance with clause 86(2) of the Company's bye-laws, Mr. Ha Jimmy N. T., the newly appointed director of the Company, will retire at the Company's forthcoming annual general meeting. In addition, pursuant to clause 87 of the Company's bye-laws, Mr. Kung Ka Pang and Mr. Lam Yu Lung will also retire. All of the above retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

REPORT OF THE DIRECTORS**DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES**

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 4 to 5 of the annual report.

DIRECTORS' SERVICE CONTRACTS

On 5 July 2005, Ms. Cheung Yan, Priscilla entered into a director's service contract with the Company which ratified that the term of her office commenced on 28 June 2005 with an initial term of 2 years, unless terminated by either party giving not less than three months' prior notice in writing.

On 6 March 2007, Mr. Ha Jimmy N. T. entered into a director's service contract with the Company for an initial term of 2 years commencing on 6 March 2007, unless terminated by either party giving not less than three months' prior notice in writing.

On 12 April 2007, Ms. Cheung Man, Catherine and Mr. Kung Ka Pang entered into directors' service contracts with the Company which ratified that the term of their offices commenced on 5 February 2007 with an initial term of 2 years, unless terminated by either party giving not less than three months' prior notice in writing.

Apart from the foregoing, no director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed above, 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, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2006, none of the directors or the chief executive of the Company had, under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), nor were they taken to or deemed to have under such provisions of the SFO, registered an interest or a short position in the shares or underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interest which was required to be entered into the register kept 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 Directors of Listed Companies.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any full-time employee or executive of the Company or any of its subsidiaries, including any executive and non-executive directors, any discretionary object of a grantee which is a discretionary trust, and any shareholder of any member of the Group or any holder of any securities issued by any member of the Group. The Scheme was adopted and approved by the shareholder of the Company on 5 February 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. No share options have been granted by the Company under the Scheme up to the date of this report.

Save as disclosed above under the heading "Directors' interests and short positions in shares and underlying shares" and in the share option scheme disclosure in note 28 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or to their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2006, the following interests of 5% or more of the shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in ordinary shares of the Company

Name of substantial shareholders	Capacity	Number of ordinary shares in the Company	Notes	Percentage of the Company's issued share capital
Mr. Cheung Po Lun	Interest in corporation	300,000,000	1	67.35%
Ms. Fung Wai Chi	Interest of spouse	300,000,000	2	67.35%
Great Victory International Inc.	Beneficial owner	300,000,000	1	67.35%
JPMorgan Chase & Co.	Interest in corporations	23,620,000	3	5.30%

Notes:

1. Mr. Cheung Po Lun was deemed to be interested in 300,000,000 ordinary shares of the Company which were held by Great Victory International Inc., a controlled corporation of Mr. Cheung pursuant to the SFO.
2. Ms. Fung Wai Chi was deemed to be interested in 300,000,000 ordinary shares of the Company through the interest of her spouse, Mr. Cheung Po Lun.

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3. These 23,620,000 shares were held by J.P. Morgan Securities Ltd. which was 98.95% owned by J.P. Morgan Chase International Holdings Limited which in turn was a wholly-owned subsidiary of J.P. Morgan Chase (UK) Holdings Limited. J.P. Morgan Chase (UK) Holdings Limited was a wholly-owned subsidiary of J.P. Morgan Capital Holdings Limited which in turn was a wholly-owned subsidiary of J.P. Morgan International Finance Limited. J.P. Morgan International Finance Limited was a wholly-owned subsidiary of Bank One International Holdings Corporation which was wholly-owned by J.P. Morgan International Inc.. J.P. Morgan International Inc. was a wholly-owned subsidiary of JPMorgan Chase Bank, N.A. which was wholly-owned by JPMorgan Chase & Co.. Accordingly, JPMorgan Chase & Co. was deemed to be interested in the 23,620,000 shares of the Company through its interests in the abovementioned corporations pursuant to Part XV of the SFO.

CONNECTED TRANSACTIONS

Details of the connected transactions for the year are set out in note 33 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

EVENT AFTER THE BALANCE SHEET DATE

Details of the significant post balance sheet events of the Group are set out in note 35 to the financial statements.

AUDITORS

Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Cheung Yan, Priscilla

Chairman

Hong Kong
17 April 2007