

Directors' Report

The directors have the pleasure in presenting their annual report and the audited financial statements for the year ended 31st December, 2006.

Principal Activities

The Company acts as an investment holding company and also manufactures and trades electrical and electronic products.

The principal activities of the principal subsidiaries and associates are set out in Notes 51 and 52 to the consolidated financial statements, respectively.

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 70.

An interim dividend of HK6.50 cents per share amounting to HK\$95,236,000 was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of HK12.60 cents per share to the shareholders on the register of members on 29th May, 2007, amounting to approximately HK\$184,618,000.

Property, Plant, and Equipment

The Group continued to expand its business and during the year spent approximately HK\$138,709,000 on moulds and tooling and acquired office equipment, furniture and fixtures for approximately HK\$68,459,000 and plant and machinery for approximately HK\$79,585,000. Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in Note 16 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 39 to the consolidated financial statements.

Directors' Report

Directors

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

Group Executive Directors:

Mr Horst Julius Pudwill, *Chairman and Chief Executive Officer*

Dr Roy Chi Ping Chung JP, *Vice Chairman*

Mr Kin Wah Chan

Mr Chi Chung Chan

Mr Stephan Horst Pudwill (appointed on 22nd May, 2006)

Non-executive Director:

Mr Vincent Ting Kau Cheung

Independent Non-executive Directors:

Mr Joel Arthur Schleicher

Mr Christopher Patrick Langley OBE

Mr Manfred Kuhlmann

In accordance with Article 103 of the Company's Articles of Association, Dr Roy Chi Ping Chung JP, Messrs Christopher Patrick Langley OBE and Manfred Kuhlmann and in accordance with Article 94 of the Company's Articles of Association, Mr Stephan Horst Pudwill will retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election.

No director 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.

Terms of Office of Non-executive Directors and Independent Non-executive Directors

The term of office for each of the Non-executive Directors and Independent Non-executive Directors is the period up to his retirement by rotation in accordance with Article 103 of the Company's Articles of Association.

Directors' and Chief Executive's Interests

As at 31st December, 2006, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and as adopted by the Company, were as follows:

Name of directors	Capacity/Nature of interests	Interests in shares (other than pursuant to equity derivatives) ⁽¹⁾	Interests in underlying shares pursuant to equity derivatives ⁽¹⁾	Total interests in shares underlying/shares	Approximate aggregate percentage of interests
Mr Horst Julius Pudwill	Beneficial owner	77,609,500	26,688,000	327,717,294	22.37%
	Interests of spouse	760,000	—		
	Interests of controlled corporation	222,659,794 ⁽²⁾	—		
Dr Roy Chi Ping Chung JP	Beneficial owner	113,541,948	13,824,000	164,576,978	11.23%
	Interests of spouse	136,000	—		
	Interests of controlled corporation	37,075,030 ⁽³⁾	—		
Mr Kin Wah Chan	Beneficial owner	—	1,000,000	1,000,000	0.07%
Mr Chi Chung Chan	Beneficial owner	—	3,000,000	3,000,000	0.20%
Mr Stephan Horst Pudwill	Beneficial owner	4,054,500	100,000	4,154,500	0.28%
Mr Vincent Ting Kau Cheung	Beneficial owner	1,920,000	—	1,920,000	0.13%
Mr Joel Arthur Schleicher	Beneficial owner	100,000	300,000	460,000	0.03%
	Interests of spouse	—	60,000 ⁽¹⁾		
Mr Christopher Patrick Langley OBE	Beneficial owner	500,000	200,000	700,000	0.05%
Mr Manfred Kuhlmann	Beneficial owner	—	100,000	100,000	0.01%

Notes:

- (1) Interests in shares and underlying shares stated above represent long positions of the Company.

The interests of the directors of the Company in the underlying shares pursuant to equity derivatives, which were held as beneficial owner, represent share options granted to them respectively pursuant to the share option schemes adopted by the Company, details of which are separately disclosed in the section headed "Share Options" below. These share options are physically settled and unlisted.

The interests of the spouse of Mr Joel Arthur Schleicher in the underlying shares pursuant to listed equity derivatives represent an interest in 60,000 underlying shares held in the form of 12,000 American Depositary Receipts, each representing 5 shares of the Company.

Directors' Report

Directors' and Chief Executive's Interests *(continued)*

(2) These shares were held by the following companies in which Mr Horst Julius Pudwill has a beneficial interest:

	No. of shares
Sunning Inc.	185,584,764
Cordless Industries Company Limited*	37,075,030
	222,659,794

(3) These shares were held by Cordless Industries Company Limited* in which Dr Roy Chi Ping Chung JP has a beneficial interest.

* Cordless Industries Company Limited is owned as to 70% by Mr Horst Julius Pudwill and as to 30% by Dr Roy Chi Ping Chung JP.

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 31st December, 2006.

Share Options

Scheme adopted on 25th May, 2001 and terminated on 28th March, 2002 ("Scheme B")

In accordance with the Company's share option scheme adopted pursuant to a resolution passed on 25th May, 2001, the Board of Directors of the Company may grant share options to eligible persons, including full-time officers, Executive Directors and full-time employees of the Company and its subsidiaries, to subscribe for shares in the Company. The purpose of the scheme is to provide incentives or rewards to directors and eligible persons.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1.00 in cash by way of consideration for the grant thereof. Share options may be exercised at any time from the date which the offer of share options is accepted to the fifth anniversary thereof. The subscription price is set at not less than the higher of the nominal value of the shares and 80.00% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the share option.

The maximum number of shares in respect of which share options may be granted under Scheme B is not permitted to exceed 10.00% of the issued share capital of the Company from time to time. No employee shall be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for more than 25.00% of the aggregate number of shares for the time being issued and issuable under Scheme B.

Scheme B was terminated on 28th March, 2002 pursuant to a resolution passed on that date.

Share Options *(continued)*

Scheme adopted on 28th March, 2002 (“Scheme C”)

Following the termination of Scheme B, a new share option scheme was adopted pursuant to a resolution passed on 28th March, 2002 for recognition of the contribution to the development and growth of the Group by the eligible persons. Under Scheme C, the Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

- (i) employees; or
- (ii) Non-executive Directors (including Independent Non-executive Directors); or
- (iii) suppliers or customers; or
- (iv) any person or entity that provides research, development or other technological support; or
- (v) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1.00 in cash by way of consideration for the grant thereof. Share options may be exercised at any time from the date of grant to the fifth anniversary thereof. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option; or the average closing price of shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme C is not permitted to exceed 30.00% of the issued share capital of the Company from time to time or 10.00% of shares in issue as at the adoption date of Scheme C. No person shall be granted an option which exceeds 1.00% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

Scheme C expired on 27th March, 2007.

Directors' Report

Share Options *(continued)*

The following table discloses movements in the Company's share options during the year:

Share option holders	Date of Share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Outstanding at end of the year	Subscription price HK\$	Exercise period
Directors								
Mr Horst Julius Pudwill	28.6.2002	Scheme C	25,728,000	—	—	25,728,000	3.600	28.6.2002 – 27.6.2007
	19.9.2003	Scheme C	560,000	—	—	560,000	8.685	19.9.2003 – 18.9.2008
	25.2.2004	Scheme C	400,000	—	—	400,000	12.170	25.2.2004 – 24.2.2009
Dr Roy Chi Ping Chung JP	28.6.2002	Scheme C	12,864,000	—	—	12,864,000	3.600	28.6.2002 – 27.6.2007
	19.9.2003	Scheme C	560,000	—	—	560,000	8.685	19.9.2003 – 18.9.2008
	25.2.2004	Scheme C	400,000	—	—	400,000	12.170	25.2.2004 – 24.2.2009
Mr Kin Wah Chan	1.3.2004	Scheme C	1,000,000	—	—	1,000,000	12.525	1.3.2004 – 28.2.2009
Mr Chi Chung Chan	17.7.2003	Scheme C	1,000,000	—	—	1,000,000	7.625	17.7.2003 – 16.7.2008
	19.9.2003	Scheme C	500,000	—	—	500,000	8.685	19.9.2003 – 18.9.2008
	25.2.2004	Scheme C	1,000,000	—	—	1,000,000	12.170	25.2.2004 – 24.2.2009
	1.3.2004	Scheme C	500,000	—	—	500,000	12.525	1.3.2004 – 28.2.2009
Mr Stephan Horst Pudwill	1.3.2004	Scheme C	100,000 ⁽¹⁾	—	—	100,000	12.525	1.3.2004 – 28.2.2009
Mr Joel Arthur Schleicher	30.4.2002	Scheme C	100,000	—	100,000	—	3.200	30.4.2002 – 29.4.2007
	17.7.2003	Scheme C	200,000	—	—	200,000	7.625	17.7.2003 – 16.7.2008
	25.2.2004	Scheme C	100,000	—	—	100,000	12.170	25.2.2004 – 24.2.2009
Mr Christopher Patrick Langley OBE	17.7.2003	Scheme C	200,000	—	100,000	100,000	7.625	17.7.2003 – 16.7.2008
	25.2.2004	Scheme C	100,000	—	—	100,000	12.170	25.2.2004 – 24.2.2009
Mr Manfred Kuhlmann	7.2.2005	Scheme C	100,000	—	—	100,000	17.750	7.2.2005 – 6.2.2010
Total for directors			45,412,000 ⁽¹⁾	—	200,000	45,212,000		

Share Options (continued)

Share option holders	Date of Share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Outstanding at end of the year	Subscription price HK\$	Exercise period
Employees	23.7.2001	Scheme B	300,000	—	300,000	—	1.058	23.7.2001 – 22.7.2006
	30.4.2002	Scheme C	1,880,000	—	665,000	1,215,000	3.200	30.4.2002 – 29.4.2007
	5.7.2002	Scheme C	500,000	—	500,000	—	3.350	5.7.2002 – 4.7.2007
	17.7.2003	Scheme C	3,470,000	—	796,000	2,674,000	7.625	17.7.2003 – 16.7.2008
	19.9.2003	Scheme C	204,000	—	—	204,000	8.685	19.9.2003 – 18.9.2008
	1.3.2004	Scheme C	6,879,000 ⁽¹⁾	—	982,000	5,897,000	12.525	1.3.2004 – 28.2.2009
	14.4.2004	Scheme C	200,000	—	—	200,000	12.950	14.4.2004 – 13.4.2009
	5.5.2004	Scheme C	300,000	—	—	300,000	11.050	5.5.2004 – 4.5.2009
	7.6.2004	Scheme C	200,000	—	—	200,000	12.000	7.6.2004 – 6.6.2009
	18.8.2004	Scheme C	60,000	—	60,000	—	11.250	18.8.2004 – 17.8.2009
	2.10.2004	Scheme C	1,000,000	—	—	1,000,000	15.350	2.10.2004 – 1.10.2009
	13.12.2004	Scheme C	250,000	—	—	250,000	15.710	13.12.2004 – 12.12.2009
	17.1.2005	Scheme C	150,000	—	—	150,000	16.520	17.1.2005 – 16.1.2010
	7.2.2005	Scheme C	100,000	—	—	100,000	17.750	7.2.2005 – 6.2.2010
	7.4.2005	Scheme C	200,000	—	—	200,000	17.210	7.4.2005 – 6.4.2010
	27.4.2005	Scheme C	25,000	—	—	25,000	17.660	27.4.2005 – 26.4.2010
	10.5.2005	Scheme C	200,000	—	—	200,000	17.200	10.5.2005 – 9.5.2010
	1.6.2005	Scheme C	20,000	—	—	20,000	17.420	1.6.2005 – 31.5.2010
	17.6.2005	Scheme C	250,000	—	—	250,000	17.950	17.6.2005 – 16.6.2010
	27.6.2005	Scheme C	500,000	—	—	500,000	19.200	27.6.2005 – 26.6.2010
	1.1.2006	Scheme C	—	300,000	—	300,000	18.690	1.1.2006 – 31.12.2010
	1.3.2006	Scheme C	—	3,564,000	—	3,564,000	13.970	1.3.2006 – 28.2.2011
	10.3.2006	Scheme C	—	150,000	—	150,000	14.350	10.3.2006 – 9.3.2011
	25.4.2006	Scheme C	—	20,000	—	20,000	13.700	25.4.2006 – 24.4.2011
	15.6.2006	Scheme C	—	200,000	—	200,000	10.270	15.6.2006 – 14.6.2011
	17.6.2006	Scheme C	—	350,000	—	350,000	10.550	17.6.2006 – 16.6.2011
	3.7.2006	Scheme C	—	25,000	—	25,000	10.700	3.7.2006 – 2.7.2011
	4.10.2006	Scheme C	—	75,000	—	75,000	11.628	4.10.2006 – 3.10.2011
	1.11.2006	Scheme C	—	1,500,000	—	1,500,000	11.252	1.11.2006 – 31.10.2011
	3.11.2006	Scheme C	—	100,000	—	100,000	11.480	3.11.2006 – 2.11.2011
	8.11.2006	Scheme C	—	30,000	—	30,000	12.200	8.11.2006 – 7.11.2011
	4.12.2006	Scheme C	—	150,000	—	150,000	10.952	4.12.2006 – 3.12.2011
	13.12.2006	Scheme C	—	20,000	—	20,000	10.560	13.12.2006 – 11.12.2011
Total for employees			16,688,000 ⁽¹⁾	6,484,000	3,303,000	19,869,000		
Total for all categories			62,100,000	6,484,000	3,503,000	65,081,000		

	Outstanding at the beginning of the year	Granted during the year	Exercised during the year	Outstanding at end of year	Percentage to total Company's shares in issue at end of the year
Total under Scheme B	300,000	—	300,000	—	0.00%
Total under Scheme C	61,800,000	6,484,000	3,203,000	65,081,000	4.44%
Total	62,100,000	6,484,000	3,503,000	65,081,000	4.44%

Directors' Report

Share Options *(continued)*

The closing prices of the Company's shares immediately before various dates of grant ranged from HK\$10.00 to HK\$18.45.

The weighted average closing price of options on their grant date during 2006 and 2005 were HK\$13.00 and HK\$17.94, respectively.

The weighted average closing price of the Company's shares immediately before various dates on which the share options were exercised was HK\$14.81.

The fair values of the share options granted in the current year measured at various dates of grant ranged from HK\$2.46 to HK\$4.72 per option.

No option lapsed or was cancelled during the year.

Note:

- (1) Mr Stephan Horst Pudwill has been appointed as a Group Executive Director of the Company since 22nd May, 2006. The 100,000 share options held by him was classified under the category of "Employees" previously. For the purpose of disclosing these 100,000 share options held by Mr Stephan Horst Pudwill in the above table, corresponding adjustments have been made as if he held these 100,000 share options in the capacity of a director of the Company as at 31st December, 2005 and 1st January, 2006 respectively.

Arrangements to Purchase Shares or Debentures

Other than as disclosed 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 and neither the directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Directors' Interests in Contracts of Significance

No contract 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.

Substantial Shareholders' Interests

As at 31st December, 2006, the interests and short positions of the following persons, other than directors and chief executive of the Company, in the shares, underlying shares and debentures of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name	Total interests in shares ⁽¹⁾	Approximate aggregate percentage of interests
Commonwealth Bank of Australia ⁽²⁾	103,264,800	7.05%
JPMorgan Chase & Co. ⁽³⁾	108,201,129	7.38%

Notes:

- (1) Interests in shares stated above represent long positions.
- (2) The following is a breakdown of the interests in shares of Commonwealth Bank of Australia:

Name	Remarks	Total interests in shares		Approximate percentage of interests
		Direct interests	Deemed interests	
Colonial First State Group Ltd.	(b)	—	103,264,800	7.05%
Colonial First State Investments Limited	(b)(d)	4,683,500	—	0.32%
Colonial Holding Company Limited	(b)	—	103,264,800	7.05%
Commonwealth Bank of Australia	(a)	—	103,264,800	7.05%
Commonwealth Insurance Holdings Limited	(b)	—	103,264,800	7.05%
First State (Hong Kong) LLC	(b)(c)(e)	—	23,804,800	1.62%
First State Investment Management (UK) Limited	(b)(c)(d)	57,863,800	24,418,200	5.62%
First State Investment Managers (Asia) Ltd.	(b)(c)	—	25,391,800	1.73%
First State Investments (Bermuda) Ltd.	(b)(c)	—	25,391,800	1.73%
First State Investments Holdings (Singapore) Limited	(b)(e)	—	4,601,500	0.31%
First State Investments (Hong Kong) Limited	(b)(c)(e)	23,804,800	—	1.62%
First State Investments International Limited	(b)	24,418,200	—	1.67%
First State Investments (Singapore)	(b)(e)	4,601,500	—	0.31%
First State Investments (UK Holdings) Limited	(b)(c)(d)	—	82,282,000	5.62%
SI Holdings Limited	(b)(c)(d)	—	82,282,000	5.62%

Substantial Shareholders' Interests *(continued)*

Remarks:

- (a) Commonwealth Bank of Australia is listed on the Australian Stock Exchange.

The capacity of Commonwealth Bank of Australia in holding the 103,264,800 shares was as controlled corporation.
- (b) Colonial Holding Company Limited, Commonwealth Insurance Holdings Limited, Colonial First State Group Ltd., First State Investment Managers (Asia) Ltd., First State Investments (UK Holdings) Limited, Colonial First State Investments Limited, First State Investments (Bermuda) Ltd., First State (Hong Kong) LLC, First State Investments (Hong Kong) Limited, First State Investments Holdings (Singapore) Limited, First State Investments (Singapore), SI Holdings Limited, First State Investment Management (UK) Limited and First State Investments International Limited were all direct or indirect subsidiaries of Commonwealth Bank of Australia and by virtue of the SFO, Commonwealth Bank of Australia was deemed to be interested in the shares held by these subsidiaries.
- (c) The 57,863,800 shares and the 23,804,800 shares held directly by First State Investment Management (UK) Limited and First State Investments (Hong Kong) Limited respectively include 4,489,500 shares held jointly by these subsidiaries. By virtue of the SFO, the deemed interests of First State Investments (UK Holdings) Limited, SI Holdings Limited, First State Investment Managers (Asia) Ltd., First State Investments (Bermuda) Ltd. and First State (Hong Kong) LLC also include the 4,489,500 shares.
- (d) The 57,863,800 shares and the 4,683,500 shares held directly by First State Investment Management (UK) Limited and Colonial First State Investments Limited respectively include 4,603,000 shares held jointly by these subsidiaries. By virtue of the SFO, the deemed interests of First State Investments (UK Holdings) Limited and SI Holdings Limited also include the 4,603,000 shares.
- (e) The 4,601,500 shares and the 23,804,800 shares held directly by First State Investments (Singapore) and First State Investments (Hong Kong) Limited respectively include 3,014,500 shares held jointly by these subsidiaries. By virtue of the SFO, the deemed interests of First State Investments Holdings (Singapore) Limited and First State (Hong Kong) LLC also include the 3,014,500 shares.

Substantial Shareholders' Interests *(continued)*

(3) The following is a breakdown of the interests in shares of JPMorgan Chase & Co.:

Name	Remarks	Total interests in shares		Approximate percentage of interests
		Direct interests	Deemed interests	
Bank One International Holdings Corporation	(b)	—	2,404,000	0.16%
JF Asset Management Limited	(b)	52,654,500	—	3.59%
JF International Management Inc.	(b)	305,000	—	0.02%
J.P. Morgan Capital Holdings Limited	(b)	—	2,090,500	0.14%
J.P. Morgan Chase International Holdings Limited	(b)	—	2,090,500	0.14%
J.P. Morgan Chase (UK) Holdings Limited	(b)	—	2,090,500	0.14%
J.P. Morgan International Finance Limited	(b)	—	2,404,000	0.16%
J.P. Morgan International Inc.	(b)	—	2,404,000	0.16%
J.P. Morgan Investment Management Inc.	(b)	148,067	—	0.01%
J.P. Morgan Overseas Capital Corporation	(b)	—	313,500	0.02%
J.P. Morgan Securities Ltd.	(b)	2,090,500	—	0.14%
J.P. Morgan Whitefriars Inc.	(b)	313,500	—	0.02%
JPMorgan Asset Management (Asia) Inc.	(b)	—	52,959,500	3.61%
JPMorgan Asset Management Holdings Inc.	(b)	—	53,107,567	3.62%
JPMorgan Chase & Co.	(a)	—	108,201,129	7.38%
JPMorgan Chase Bank, N.A.	(b)	52,689,562	2,404,000	3.76%

Remarks:

- (a) JPMorgan Chase & Co. is listed on the New York Stock Exchange.

The capacity of JPMorgan Chase & Co. in holding the 108,201,129 shares was, as to 2,404,000 shares, as beneficial owner, 53,107,567 shares, as investment manager and, as to 52,689,562 shares, as custodian/approved lending agent.

The 108,201,129 shares included a lending pool of 52,689,562 shares.

- (b) JPMorgan Chase Bank, N.A., JPMorgan Asset Management Holdings Inc., JP Morgan Asset Management (Asia) Inc., J.P. Morgan Investment Management Inc., JF International Management Inc., JF Asset Management Limited, J.P. Morgan International Inc., Bank One International Holdings Corporation, J.P. Morgan International Finance Limited, J.P. Morgan Capital Holdings Limited, J.P. Morgan Chase (UK) Holdings Limited, J.P. Morgan Chase International Holdings Limited, J.P. Morgan Securities Ltd., J.P. Morgan Overseas Capital Corporation and J.P. Morgan Whitefriars Inc. were all direct or indirect subsidiaries of JPMorgan Chase & Co., and by virtue of the SFO, JPMorgan Chase & Co. was deemed to be interested in the shares held by these subsidiaries.

Save as disclosed above, no other person was interested in or had a short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO as at 31st December, 2006.

Directors' Report

Sufficiency of Public Float

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

Donations

During the year, the Group made charitable and other donations totalling HK\$5,049,000.

Post Balance Sheet Event

Details of significant events occurring after the balance sheet date are set out in Note 49 to the consolidated financial statements.

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

Horst Julius Pudwill

Chairman and Chief Executive Officer

Hong Kong

18th April, 2007