

## Report of the Directors

The Board of Directors (the “Board”) of Sino-Tech International Holdings Limited (the “Company”) is pleased to present its report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2006.

### PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and jointly controlled entity as at 31 December 2006 are set out in notes 40 and 21 respectively to the consolidated financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on pages 23.

An interim dividend of HK\$0.015 per share amounting to HK\$5,696,000 was paid to the shareholders during the year. The Board recommended the payment of a final dividend of HK\$0.045 per share, totaling HK\$17,089,000, in respect of the year ended 31 December 2006 to be paid on or around 12 July 2007 to shareholders whose names appear on the register of members of the Company on 25 June 2007, subject to the approval by shareholders at the forthcoming Annual General Meeting. This final dividend together with the interim dividend will make a total of HK\$0.06 per share for the year ended 31 December 2006 (2005: HK\$0.04).

The register of members of the Company will be closed from 21 June 2007 to 25 June 2007, both days inclusive, during which period no transfer of share will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant Share certificates must be lodged with the Company’s Hong Kong Branch Share Registrars, Tengis Limited, 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong no later than 4:00 p.m. on 20 June 2007.

### SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the past five financial years is set out on pages 85 to 86.

### SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.



### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the consolidated financial statements and 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 Companies Act 1981 of Bermuda, amounted to HK\$64,064,000 (2005: HK\$59,595,000). The Company's share premium account of HK\$169,876,000 (2005: HK\$124,707,000) could be distributed in the form of fully paid bonus shares.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of the 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.

### PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 17 and 18 respectively to the consolidated financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the largest customer and the five largest customers of the Group accounted for approximately 8.5% and 26.3%, respectively, of the total turnover of the Group for the year.

The aggregate purchases attributable to the largest supplier and the five largest suppliers of the Group accounted for approximately 17.2% and 55.5% respectively, of the total purchases of the Group for the year.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in the five largest suppliers or customers.

## Report of the Directors

### **DIRECTORS**

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

#### **Executive directors**

Mr. Lam Yat Keung

Mr. Lam Hung Kit

Ms. Lam Pik Wah

#### **Independent non-executive directors**

Mr. Lo Wah Wai

Mr. Ho Chi Fai

Mr. Pai Te Tsun

In accordance with clause 87 of the Company's bye-laws, Mr. Lo Wah Wai and Mr. Pai Te Tsun will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive directors do not have specific terms of appointment but are subject to retirement on the same basis as the executive directors as required by the Company's bye-laws.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company is of the opinion that the independent status of them remains intact as at 31 December 2006.

### **DIRECTORS' SERVICE CONTRACTS**

Each of the existing executive directors has entered into a service contract. The independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting 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' INTERESTS IN SHARES

As at 31 December 2006, the interests or short positions of the directors and chief executives of the Company 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 required to be kept under section 352 of the SFO or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

### Long Positions

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of shareholding
Lam Pik Wah	Held by controlled corporation	60,000,000 (note 1)	15.80%
Lam Hung Kit	Held by controlled corporation	60,000,000 (note 1)	15.80%
Lam Yat Keung	Held by family	60,000,000 (note 2)	15.80%

Note 1: These ordinary shares are owned by Smart Number Investments Limited ("Smart Number"), a company incorporated in the British Virgin Islands. The entire issued share capital of Smart Number is beneficially owned as to 66.67% by Ms Lam Pik Wah and as to 33.33% by Mr. Lam Hung Kit.

Note 2: These ordinary shares are owned by Smart Number, a controlled company of Ms Lam Pik Wah, the wife of Mr. Lam Yat Keung.

Save as disclosed above, none of the directors, chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2006.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save 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 debt securities (including debentures) of, the Company or any other body corporate and neither the directors nor the chief executives, or any of their spouses or children under the age of 18, had any rights to subscribe for the equity or debt securities of the Company, or had exercised any such rights.

### **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.

### **DIRECTORS' INTERESTS IN A COMPETING BUSINESS**

During the year and up to the date of this report, none of the directors is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, as defined in the Listing Rules.

### **SUBSTANTIAL SHAREHOLDERS**

As at 31 December 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and chief executives, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

**Long positions**

Shareholders	Capacity	Number of issued ordinary shares held	Percentage of shareholding
Smart Number Investments Limited	Beneficial owner	60,000,000	15.80%
Forever Gain Profits Limited	Beneficial owner	58,000,000	15.27%
Mr. Wan Bing Hung (Note)	Held by controlled corporation	58,000,000	15.27%
Mr. Kwong Chi Shing Savio	Beneficial owner	23,998,000	6.32%

*Note:* Forever Gain Profits Limited is wholly owned by Mr. Wan Bing Hung.

Save as disclosed above, the Company had not been notified any interests representing 5 percent or more in the issued share capital of the Company as at 31 December 2006.

**EMPLOYEE AND REMUNERATION POLICY**

As at 31 December 2006, the Group had 2,007 (2005: 2,180) employees spreading from Hong Kong to the PRC and industrial relationship had been well maintained. Remuneration policy of the Group is reviewed regularly, making reference to the legal framework, market condition, performance of the Group and individual staff. The remuneration policy and remuneration packages of the executive Directors and members of the senior management are reviewed by the Remuneration Committee, the composition and responsibilities of which are detailed in "Corporate Governance Report" below.

The Group operates a mandatory provident fund scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all employees under Hong Kong employment. The MPF Scheme is a defined contribution scheme administered by independent trustees and pursuant to which the Group and its employees have to contribute 5% of the relevant income of the employees to the MPF Scheme subject to the minimum and maximum levels of income of HK\$5,000 and HK\$20,000 respectively with a statutory cap of HK\$1,000 per month. The Group's contributions are 100% vested in the employees' account once they are paid into the MPF Scheme until the employee reaches the retirement age of 65 subject to a few exceptions.

Details of the Group's staff cost and MPF Scheme contribution are set out in Note 11 to the consolidated financial statements.

## Report of the Directors

### SHARE OPTION SCHEME

The Company has adopted a share option schemes on 28 November 2002 (the "Share Option Scheme") for which the details are set out in note 31 to the consolidated financial statements.

### CONNECTED TRANSACTIONS

Details of the connected transactions of the Group during the year are set out in note 39 to the consolidated financial statements. These transactions were not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

### CORPORATE GOVERNANCE

The Company has complied throughout the year with the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained sufficient public float as required by the Listing Rules.

### AUDITORS

During the year BDO McCabe Lo Limited resigned as auditors of the Company and SHINEWING (HK) CPA Limited ("SHINEWING") were then appointed as auditors of the Company.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint SHINEWING as auditors of the Company.

On behalf of the Board

**Lam Yat Keung**

*President*

Hong Kong, 16 April 2007