

Report of the Directors

The directors herein 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. Details of the principal activities of the principal subsidiaries are set out in note 19 to the financial statements. 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 of the Group at that date are set out in the financial statements on pages 37 to 111. The directors do not recommend the payment of any dividends in respect of the year.

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 published audited financial statements is set out below. This summary does not form part of the audited financial statements.

	2006 HK\$'000	Year ended 31 December			
		2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
RESULTS					
Revenue	1,089,187	1,161,217	1,135,705	820,168	666,989
Profit/(loss) from operating activities	13,810	(18,173)	9,883	(21,225)	(32,502)
Share of loss of an associate	–	–	–	(1,938)	(3,518)
Profit/(loss) before taxation	13,810	(18,173)	9,883	(23,163)	(36,020)
Taxation	(102)	648	(3,146)	17,524	(2,838)
Profit/(loss) for the year	13,708	(17,525)	6,737	(5,639)	(38,858)
Attributable to:					
Equity holders of the Company	13,766	(16,724)	6,421	(6,237)	(39,413)
Minority interests	(58)	(801)	316	598	555
	13,708	(17,525)	6,737	(5,639)	(38,858)



SUMMARY FINANCIAL INFORMATION *(continued)*

	2006 <i>HK\$'000</i>	Year ended 31 December			
		2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
ASSETS, LIABILITIES AND MINORITY INTERESTS					
Total assets	640,395	933,630	890,313	716,607	656,441
Total liabilities	(384,186)	(696,075)	(642,516)	(476,201)	(430,720)
Minority interests	(201)	(1,261)	(2,253)	(2,124)	(1,233)
	256,008	236,294	245,544	238,282	224,488

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment and investment property of the Group during the year are set out in notes 14 and 15 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 37 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There has been no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 December 2006.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 39 to the financial statements and in the consolidated summary statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2006, the Company's reserves available for distribution and/or distribution in specie, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK\$49,953,000. In addition, the Company's share premium account, in the amount of HK\$99,260,000, 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 45.9% of the Group's total sales for the year and sales to the largest customer included therein amounted to 24.3%. Purchases from the Group's five largest suppliers accounted for 16.2% of the total purchases for the year.

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 any of the Group's five largest customers.

DIRECTORS

The directors of the Company during the year were:

Executive Directors:

Mr. Lin Chun Kuei (*Chairman and Chief Executive Officer*)

Mr. Andree Halim (*Co-vice Chairman*)

Mr. Ng Kin Nam (*Co-vice Chairman and Authorised Representative*)

Mr. Li Chien Kuan

Mr. Lin Chun Fu

Mr. Graeme Stanley Pope (Resigned on 9 March 2006)

Mr. Guo Yah Taur (alias Peter Ya Tao Kuo) (Resigned on 30 June 2006)

Ms. Lin Huang Su Feng

Mr. Lin Wei-Hung (Resigned on 30 June 2006)

Mr. Daniel Halim (Resigned on 30 March 2007)

Mr. Cheung Kwok Ping

Non-executive Director:

Mr. Tan Kong King (Resigned on 30 June 2006)

Independent Non-executive Directors:

The Hon. Bernard Charnwut Chan

Mr. Goh Gen Cheung

Mr. Ma Chiu Cheung, Andrew

In accordance with bye-law 111(A) of the Company's bye-laws, Mr. Lin Chun Kuei, Mr. Andree Halim and Mr. Lin Chun Fu shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including those appointed for a specific term, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.



DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 13 to 18 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Lin Chun Kuei, Mr. Lin Chun Fu and Mr. Li Chien Kuan, all being Executive Directors have entered into service agreements with the Company for a term of three years commencing from 1 December 1997, which are renewable automatically for successive terms of one year each, until terminated by not less than six months' notice in writing served by either party on the other.

Mr. Ng Kin Nam, an Executive Director, has entered into a service agreement with the Company on 20 May 2003 for an initial fixed term of three years commencing from 1 August 2002 and thereafter renewable automatically for successive terms of one year, until terminated by either party thereto giving to the other not less than six months' notice in writing.

Mr. Andree Halim, an Executive Director, has entered into a service agreement with the Company on 23 February 2004 for an initial fixed term of three years commencing from 1 March 2004 and thereafter renewable automatically for successive terms of one year, until terminated by either party thereto giving to the other not less than six months' notice in writing.

Each of Ms. Lin Huang Su Feng and Mr. Cheung Kwok Ping, all being Executive Directors, have entered into service agreements with the Company on 21 June 2005 for an initial fixed term of three years commencing from 1 July 2005 and thereafter renewable automatically for successive terms of one year, until terminated by either party thereto giving to the other not less than six months' notice in writing.

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' 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. Details of directors' remuneration is set out in note 8 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the service agreement entered between the Company and a service company beneficially owned by a former executive director as mentioned in note 44 to the financial statements, no director had a beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE COMPANY

As at 31 December 2006, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which (i) were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors by Listed Company (the "Model Code") contained in the rules governing the listing of securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in ordinary shares of the Company:

Name of Director	Notes	Number of ordinary shares held, capacity and nature of interest			Total	Approximate percentage of the Company's issued share capital (%)
		Personal	Family	Corporate		
Mr. LIN Chun Kuei		116,959,200	–	–	116,959,200	13.64
Ms. LIN HUANG Su Feng	1	–	116,959,200	–	116,959,200	13.64
Mr. LIN Chun Fu		33,690,800	–	–	33,690,800	3.93
Mr. Andree HALIM	2	42,086,000	–	102,300,000	144,386,000	16.84
Mr. Daniel HALIM	2	–	–	102,300,000	102,300,000	11.93
Mr. NG Kin Nam	3	66,243,200	7,601,000	88,359,800	162,204,000	18.92

Notes:

- Ms. LIN HUANG Su Feng is the spouse of Mr. LIN Chun Kuei. Accordingly, she is deemed to be interested in 116,959,200 shares which are beneficially owned by Mr. LIN.
- Tian Wan Pte. Ltd. is the beneficial owner of 102,300,000 shares. The entire issued share capital of Tian Wan Pte. Ltd. is beneficially owned as to 50% each by Mr. Andree HALIM and Mr. Daniel HALIM, the son of Mr. Andree HALIM. Accordingly, both Mr. Andree HALIM and Mr. Daniel HALIM are deemed to be interested in 102,300,000 shares beneficially owned by Tian Wan Pte. Ltd..
- Jade Investment Limited is the beneficial owner of 88,359,800 shares. The entire issued share capital of Jade Investment Limited is beneficially owned as to 50% each by Mr. NG Kin Nam and Ms. Jocelyn O. Angeleslao, the spouse of Mr. NG Kin Nam. Accordingly, Mr. NG Kin Nam is deemed to be interested in the 88,359,800 shares beneficially owned by Jade Investment Limited.

Mr. NG is also deemed to be interested in the 7,601,000 shares beneficially owned by Ms. Jocelyn O. Angeleslao.



DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE COMPANY *(continued)*

In addition to the above, certain directors hold shares in certain subsidiaries of the Company, in a non-beneficial capacity, solely for the purpose of complying with minimum company membership requirements.

Save as disclosed above, as at 31 December 2006, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); and (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the share option scheme disclosures in note 38 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 their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Detailed disclosures relating to the Company's share option scheme are set out in note 38 to the financial statements.

No share options were granted or exercised during the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN THE COMPANY

So far as is known to the Directors and the chief executive of the Company, as at 31 December 2006, the following person (not being Directors and chief executive of the Company) had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

(i) Long positions in ordinary Shares of the Company:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital (%)
Jocelyn O. Angeleslao	1	Through a controlled corporation	88,359,800	10.31
	1	Directly beneficially owned	7,601,000	0.88
	1	Through the spouse	66,243,200	7.73
			<u>162,204,000</u>	<u>18.92</u>
Tian Wan Pte. Ltd.	2	Directly beneficially owned	102,300,000	11.93
Jade Investment Limited	3	Directly beneficially owned	88,359,800	10.31

Notes:

- Ms. Jocelyn O. Angeleslao is the spouse of Mr. Ng Kin Nam, an Executive Director, and the beneficial owner of 50% of the existing issued share capital of Jade Investment Limited. Accordingly, she is deemed to be interested in the 66,243,200 shares beneficially owned by Mr. Ng Kin Nam and the 88,359,800 shares beneficially owned by Jade Investment Limited. She is also the beneficial owner of 7,601,000 shares. The interests of Mr. Ng are disclosed under the heading "Directors' and Chief Executive's Interests in the Company".
- Tian Wan Pte. Ltd. is the beneficial owner of 102,300,000 shares. The entire issued share capital of Tian Wan Pte. Ltd. is beneficially owned as to 50% each by Mr. Andree Halim and Mr. Daniel Halim, the son of Mr. Andree Halim. Accordingly, both Mr. Andree Halim and Mr. Daniel Halim are deemed to be interested in 102,300,000 shares beneficially owned by Tian Wan Pte. Ltd..
- Jade Investment Limited is the beneficial owner of 88,359,800 shares. The entire issued share capital of Jade Investment Limited is beneficially owned as to 50% each by Mr. Ng Kin Nam and Ms. Jocelyn O. Angeleslao, the spouse of Mr. Ng Kin Nam. Accordingly, Mr. Ng is deemed to be interested in the 88,359,800 shares beneficially owned by Jade Investment Limited.

Mr. Ng is also deemed to be interested in the 7,601,000 shares beneficially owned by Ms. Jocelyn O. Angeleslao.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN THE COMPANY *(continued)*

(ii) Long positions in ordinary shares of subsidiaries of the Company:

Name of subsidiary	Name of substantial shareholder	Percentage of shareholding (%)
Peaktop Technologies (USA) Hong Kong Limited	Geoglobal Partners LLC	49
Waterwerks Pty. Ltd.	Infiniti Marketing Group Pty. Ltd.	10

Save as disclosed above, as at 31 December 2006, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interest or short positions in the shares or underlying shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 44 to the financial statements also constituted connected transactions under the Listing Rules, are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected parties (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

1. The Group has paid approximately HK\$140,400 of product design and research expenses to a company owned by Mr. Grame Stanley Pope, a former director of the Company, for the development of new products.
2. On 24 October 2005, the Group entered into an agency agreement (the "Agency Agreement") with Geoglobal Partners LLC ("Geoglobal"), a company which holds 49% of the subsidiaries, Peaktop Technologies (USA) Hong Kong Limited ("PTT (HK)") and Peaktop Technologies (USA), Inc. ("PTT (USA)"), the Group and Geoglobal agreed to share the net profit on those sales introduced by Geoglobal in accordance with the Agency Agreement or in other proportion as agreed otherwise which expired on 31 July 2006. On 28 July 2006, the Group entered into a supplemental agreement with Geoglobal which extended the duration of the Agency Agreement for one month to 31 August 2006. During the year, the Group charged to the income statement of such profit amounted to HK\$78,644,815 in the form of sales commission. The accrued sales commission payable to Geoglobal amounted to HK\$189,000 as at 31 December 2006. Such amount did not exceed the annual cap of HK\$100,000,000 for the year ended 31 December 2006.

CONNECTED TRANSACTIONS *(continued)*

3. On 24 October 2005, the Group entered into a supply and distribution agreement (the "Former Supply and Distribution Agreement") with PTT (HK) in relation to the appointment of PTT (HK) as its distributor for resale of gardening and water gardening products ("Products") in USA, Canada and Mexico which expired on 31 July 2006. On 28 July 2006, the Group entered into a supplemental agreement with PTT (HK) (the "Supplemental Agreement") which redefine the Products to exclude water gardening products while others terms remained unchanged and extended the duration of the Former Supply and Distribution Agreement for one month to 31 August 2006. On 31 August 2006, the Group entered into the PTT (HK) Distribution Agreement with PTT (HK) with the same terms as the Former Supply and Distribution Agreement (as supplemented by the Supplemental Agreement). During the year, the price for the Products paid by PTT (HK) and PTT (HK)'s profit shared with the Group was approximately HK\$218,670,530 and the monthly service fee paid by PTT (HK) to the Group was approximately HK\$936,000. Such amount did not exceed the annual cap of HK\$390,000,000 for the year ended 31 December 2006.
4. On 24 October 2005, the Group entered into a distribution agreement (the "PTT (USA) distribution Agreement") with PTT (USA) in relation to the appointment of PTT (USA) as its distributor for resale of the Products in USA, Canada and Mexico which expired on 31 July 2006. On 28 July 2006, the Group entered into a supplemental agreement with PTT (USA) which extended the duration of the PTT (USA) Distribution Agreement for one month to 31 August 2006. During the year, the aggregate transaction value of PTT (USA) amounted to approximately HK\$13,167,312. Such amount did not exceed the annual cap of HK\$40,000,000 for the year ended 31 December 2006.

The independent non-executive Directors of the Company have reviewed the above transactions and have considered the procedures performed by the auditors of the Company in reviewing them and confirmed that at the time of the transactions:

- (a) the transactions have been entered into by the relevant member of the Group in the ordinary and usual course of its business;
- (b) the transactions have been entered into on an arm's length basis and on normal commercial terms (to the extent that there are comparable transactions) or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, or terms not less favourable to the Group than terms available to or from (as the case may be) independent third parties; and
- (c) the transactions have been entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

POST BALANCE SHEET EVENTS

Saved for those stated in notes 45(i) & 45(vi) to the financial statements, there was no other significant post balance sheet events of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08 of the Listing Rules required at least 25% of the issued share capital of the Company must be held in public hands. Based on information available and within the knowledge of the directors as at the date of this report prior to the issue of the annual report, the obligation has been complied with.

CORPORATE GOVERNANCE

The Company is committed to building and maintaining high standards of corporate governance. The Company applied the principles and complied with all requirements set out in the Code on Corporate Governance Practice ("CG Code") contained in Appendix 14 of the Listing Rules, except for the deviations from provisions A.2.1 and A.4.1 of the CG Code.

Further information on the Company's corporate governance practices is set out in the Report of the Corporate Governance of the annual report.

AUDITORS

The financial statements of the Company for the year ended 31 December 2006 were audited by CCIF CPA Limited. A resolution to re-appoint the retiring auditors, CCIF CPA Limited, will be proposed at the forthcoming annual general meeting of the Company.

Ernst & Young tendered their resignation as auditors of the company with effect from 13 December 2006 and CCIF CPA Limited were appointed as auditors of the Company to fill the casual vacancy created by the resignation of Ernst & Young on 13 December 2006.

The financial statements of the Company for the years ended 31 December 2004 and 2005 were audited by Ernst & Young and there have been no other changes of auditors of the Company in the past three years.

On behalf of the Board of Directors

LIN Chun Kuei

Chairman

Hong Kong, 23 April 2007