



Report of the Directors

The Directors herein present their report and the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 20, 21 and 22 to the financial statements respectively.

RESULTS

The results of the Group for the year ended 31 December 2006 and the state of affairs of the Group at that date are set out in the financial statements on pages 45 to 124.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on pages 125 to 126 of this annual report.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 15 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of movements in the Company’s share capital during the year are set out in note 38 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on pages 49 to 50 of this annual report and in note 41 to the financial statements, respectively.



Report of the Directors

DIRECTORS

The Directors of the Company during the year were as follows:

Cao Zhong	
Chau Chit	<i>(appointed on 16 June 2006)</i>
Tzu San Te	
Chen Jianyong	<i>(appointed on 16 June 2006)</i>
Tse Chun Sing	
Chen Jang Fung	
Leung Shun Sang, Tony	
Chan Wah Tip, Michael	
Kan Lai Kuen, Alice*	
Wong Kun Kim*	
Leung Kai Cheung*	<i>(appointed on 16 June 2006)</i>
Choy Hok Man, Constance	<i>(retired on 26 May 2006)</i>
Kwan Bo Ren, Dick*	<i>(resigned on 11 July 2006)</i>
Zhang Wenhui	<i>(resigned on 22 September 2006)</i>

* *Independent non-executive Directors*

In accordance with clauses 94 and 103(A) of the Company's articles of association, Messrs. Chau Chit, Tzu San Te, Chen Jianyong, Tse Chun Sing, Chan Wah Tip, Michael and Leung Kai Cheung will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

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.

A service contract was entered into between Mr. Tse Chun Sing and the Company on 28 December 2001 with effect from 1 January 2002. The service contract has no fixed term but may be terminated by either party by giving six month's written notice or payment of six month's salary in lieu of notice to the other party. Under the service contract, Mr. Tse is entitled to a monthly salary of HK\$124,380 which was determined with reference to his experience and duties as well as the then prevailing market conditions. Mr. Tse is also entitled to a discretionary bonus as may be determined by the Remuneration Committee of the Company from time to time by reference to the then prevailing market conditions, the performance of the Company as well as his individual performance. Such service contract is exempt from the shareholders' approval requirement under Rule 13.68 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").



Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors of the Company who held office at 31 December 2006 had the following interests in the shares and underlying shares of the Company at the balance sheet date as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (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 Issuers (the "Model Code") of the Listing Rules:

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Total interests as to % to the issued share capital as at 31.12.2006
		Interests			
		Interests in shares	under equity derivatives*	Total interests	
Cao Zhong	Beneficial owner	3,270,078	8,026,000	11,296,078	0.66%
Chau Chit	Interests of a controlled corporation	301,160,000	–	301,160,000	17.56%
Tse Chun Sing	Beneficial owner	–	1,000,000	1,000,000	0.06%
Leung Shun Sang, Tony	Beneficial owner	3,269,810	8,016,000	11,285,810	0.66%
Chan Wah Tip, Michael	Beneficial owner	–	400,000	400,000	0.02%

* The relevant interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "Scheme"). Upon exercise of the share options in accordance with the Scheme, ordinary shares of HK\$0.25 each in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Options Schemes" below.

Save as disclosed above, at the balance sheet date, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other 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) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Schemes" herein, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors or their respective spouse or children under 18 years of age 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 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 COMPETING BUSINESSES

During the year, no Director has been recorded as having interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

At the balance sheet date, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had long positions of 5% or more in the shares or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares of the Company

Name of shareholder	Capacity in which interests are held	Number of shares held in the Company	Interests as to % to the total issued share capital of the Company as at 31.12.2006	Note(s)
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	497,671,020	29.01%	1
Asset Resort Holdings Limited ("Asset Resort")	Beneficial owner	231,515,151	13.50%	1



Report of the Directors

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Long positions in the shares of the Company (continued)

Name of shareholder	Capacity in which interests are held	Number of shares held in the Company	Interests as to % to the total issued share capital of the Company as at 31.12.2006	Note(s)
Wheeling Holdings Limited ("Wheeling")	Beneficial owner	170,044,069	9.91%	1
Prime Success Investments Limited ("Prime Success")	Beneficial owner	96,111,800	5.60%	1
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interests of controlled corporations	124,069,394	7.23%	2, 3
Max Same Investment Limited ("Max Same")	Beneficial owner	107,654,173	6.28%	2
Li Ka-shing	Interests of controlled corporations, founder of discretionary trusts	124,069,394	7.23%	3
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	124,069,394	7.23%	3
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee, beneficiary of a trust	124,069,394	7.23%	3
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee, beneficiary of a trust	124,069,394	7.23%	3
Mega Start Limited ("Mega Start")	Beneficial owner	301,160,000	17.56%	4
Chau Chit	Interests of a controlled corporation	301,160,000	17.56%	4
Ting Hiu Wan	Interests of a controlled corporation	301,160,000	17.56%	4



Report of the Directors

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Long positions in the shares of the Company (continued)

Notes:

1. Asset Resort, Wheeling and Prime Success all were wholly-owned subsidiaries of Shougang Holding and their respective interests were included in the interests held by Shougang Holding.
2. Max Same was a wholly-owned subsidiary of Cheung Kong and its interest was included in the interests held by Cheung Kong.
3. Li Ka-Shing Unity Holdings Limited ("Unity Holdco"), of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard was interested in one-third of the entire issued share capital, owned the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust ("UT1"), together with certain companies which TUT1 as trustee of UT1 was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of Cheung Kong.

In addition, Unity Holdco also owned the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 held units in UT1.

By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TUT1, TDT1 and TDT2 was deemed to be interested in the same block of shares in which Cheung Kong was interested under the SFO.

4. Mega Start was held as to 80% in aggregate by Mr. Chau Chit and his spouse, Ms. Ting Hiu Wan. Accordingly, Mr. Chau Chit and Ms. Ting Hiu Wan were deemed to be interested in the shares held by Mega Start. Such interest was also disclosed as the interest of Mr. Chau Chit in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

Save as disclosed above, at the balance sheet date, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position of 5% or more in the shares and underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.



Report of the Directors

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, there is a sufficiency of public float of the Company's securities as required under the Listing Rules as at the date of this report.

SHARE OPTION SCHEMES

(a) Share Option Scheme of the Company

On 7 June 2002, the Scheme which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company.

The purpose of the Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Company and/or its subsidiaries and/or its associated companies. The Scheme will remain in force for a period of 10 years commencing on 7 June 2002, being the date of adoption of the Scheme, to 6 June 2012.

Under the Scheme, the Directors may, at their discretion, offer Directors (including executive and non-executive Directors), executives, officers, employees or shareholders of the Company or any of its subsidiaries or any of its associated companies, and any suppliers, customers, consultants, advisers, agents, partners or business associates who, in the sole discretion of the Directors, will contribute or have contributed to the Company or any of its subsidiaries or any of its associated companies, share options to subscribe for shares of the Company.

The total number of shares which may be issued upon exercise of all outstanding share options granted under the Scheme is 193,739,000 which represents approximately 11.28% of the issued share capital of the Company as at the date of this annual report. The maximum number of shares available for issue upon exercise of all share options which may be granted under the Scheme is 196,358, representing approximately 0.01% of the issued share capital of the Company as at the date of this annual report. The total number of shares issued and to be issued upon the exercise of share options granted under the Scheme (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-executive Directors. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK\$5 million (based on the closing price of the Company's shares at the date of each offer), within any 12-month period, are subject to shareholders' approval in advance in a general meeting.



Report of the Directors

SHARE OPTION SCHEMES (continued)

(a) Share Option Scheme of the Company (continued)

The period during which a share option may be exercised will be determined by the Directors of the Company at their absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the Directors of the Company are empowered to impose at their discretion any such minimum period at the time of grant of any share options.

The exercise price in relation to each share option will be determined by the Directors at their absolute discretion and shall not be less than the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of offer of share options; (ii) the average of the official closing prices of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of the Company on the date of offer of share options. Each of the grantees is required to pay HK\$1 as consideration for the grant of share options in accordance with the Scheme. The offer of a grant of share options must be accepted within 60 days from the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholder meetings.



Report of the Directors

SHARE OPTION SCHEMES (continued)

(a) Share Option Scheme of the Company (continued)

No share option was granted, exercised, cancelled or lapsed in accordance with the terms of the Scheme during the year. Details of the outstanding share options under the Scheme as at the balance sheet date were as follows:

Category or name of grantees	Options to subscribe for shares of the Company at the beginning and at the end of the year	Date of grant	Exercise period	Exercise price per share
Directors of the Company				
Cao Zhong	8,026,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
Tse Chun Sing	1,000,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
Leung Shun Sang, Tony	4,816,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	3,200,000	14.03.2003	14.03.2003 – 13.03.2013	HK\$0.495
	8,016,000			
Chan Wah Tip, Michael	400,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	17,442,000			
Employees of the Group	2,922,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	2,000	14.03.2003	14.03.2003 – 13.03.2013	HK\$0.495
	2,924,000			
Other participants	40,130,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	14,069,000	14.03.2003	14.03.2003 – 13.03.2013	HK\$0.495
	15,982,000	18.03.2004	18.03.2004 – 17.03.2014	HK\$1.200
	70,181,000			
	90,547,000			



Report of the Directors

SHARE OPTION SCHEMES (continued)

(b) Share option scheme of a subsidiary of the Company – Remarkable Mask Technology Company Limited

Remarkable Mask Technology Company Limited (“Remarkable”), an indirect wholly-owned subsidiary of the Company, has approved a share option scheme (the “Remarkable Scheme”) by a shareholder’s resolution passed on 10 May 2004. The Remarkable Scheme was subject to the approval of the shareholders of the Company and has become effective on 8 June 2004 as a result of the passing of an ordinary resolution approving the same by the shareholders of the Company at its extraordinary general meeting held on the same day.

The purpose of the Remarkable Scheme is to enable Remarkable to grant share options to selected participants as incentives or rewards for their contribution to Remarkable or its subsidiaries. The Remarkable Scheme will remain in force for a period of 10 years commencing on 8 June 2004, being the date on which the Remarkable Scheme was approved by the shareholders of the Company, to 7 June 2014.

Under the Remarkable Scheme, the directors of Remarkable may, at their absolute discretion, offer directors or proposed directors (including executive, non-executive or independent non-executive directors), employees or proposed employees (whether full-time or part-time), suppliers and customers of Remarkable or any of its subsidiaries or any of its associated companies, persons or entities that provide consultancy, advices, research, development or other technological support to Remarkable or any of its subsidiaries or any of its associated companies, partners or business associates and shareholders of Remarkable or any of its subsidiaries or any of its associated companies or holders of any securities issued by Remarkable or any of its subsidiaries or any of its associated companies, share options to subscribe for shares of Remarkable, provided always that such determination shall be subject to the approval of the Directors of the Company or any committee duly constituted thereof.

No share option was granted in accordance with the terms of the Remarkable Scheme since its adoption.



Report of the Directors

SHARE OPTION SCHEMES (continued)

(b) Share option scheme of a subsidiary of the Company – Remarkable Mask Technology Company Limited (continued)

The total number of shares of Remarkable available for issue upon exercise of all share options which may be granted under the Remarkable Scheme is 3,300,000, representing approximately 7.33% of the issued share capital of Remarkable as at the date of this annual report. The total number of shares of Remarkable issued and to be issued upon the exercise of share options granted under the Remarkable Scheme (including both exercised and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of Remarkable as at the date of grant. Any further grant of share options in excess of this limit is subject to the approval of shareholders of the Company in a general meeting. Share options granted to Directors, chief executives or substantial shareholders of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-executive Directors of the Company. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of Remarkable in issue (based on the date of offer), within any 12-month period, are subject to the approval of shareholders of the Company in advance in a general meeting.

The period during which a share option may be exercised will be determined by the directors of Remarkable at their absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the Remarkable Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the directors of Remarkable are empowered to impose at their discretion any such minimum period at the time of grant of any share options, provided always that such conditions shall be subject to the approval of the Directors of the Company or any committee duly constituted thereof.



Report of the Directors

SHARE OPTION SCHEMES (continued)

(b) Share option scheme of a subsidiary of the Company – Remarkable Mask Technology Company Limited (continued)

The exercise price in relation to each share option will be determined by the directors of Remarkable at their discretion and shall not be less than the nominal value of the shares of Remarkable and shall be subject to the approval of the directors of the Company or any committee duly constituted thereof. The exercise price in respect of each share option granted after the Company has contemplated a separate listing of Remarkable on the main board or the Growth Enterprise Market ("GEM") of the Stock Exchange or an overseas stock exchange and up to the listing date of Remarkable must be not lower than the new issue price (if any) of the shares of Remarkable. In the event that Remarkable is separately listed on the main board or the GEM of the Stock Exchange or an overseas stock exchange, the Remarkable Scheme will continue to have effect pursuant to the terms thereof and the exercise price of each share option in respect of an offer made after such listing shall be at least the higher of (i) the closing price of shares of Remarkable as stated in the stock exchange's daily quotations on the date of offer of share options; (ii) the average closing price of shares of Remarkable as stated in the stock exchange's daily quotations for the five business days immediately preceding the date of offer of share options (and for the purpose of calculating the exercise price where Remarkable has been listed for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing); and (iii) the nominal value of the shares of Remarkable.

Each of the grantees is required to pay HK\$1 as consideration for the grant of share options in accordance with the Remarkable Scheme. The offer of a grant of share options must be accepted within 28 days from the date of the offer.

(c) Share option scheme of a subsidiary of the Company – Sino Stride Technology (Holdings) Limited

Sino Stride Technology (Holdings) Limited ("Sino Stride"), an indirect non wholly-owned subsidiary of the Company which was listed on the GEM of the Stock Exchange during the period from 29 July 2002 to 6 November 2006, adopted a share option scheme (the "Sino Stride Scheme") by written resolutions of its shareholders passed on 16 July 2002.

The purpose of the Sino Stride Scheme was to attract and retain the best available personnel, to provide additional incentive to employees, directors of Sino Stride, its subsidiaries and its associated companies (the "Sino Stride Group"), and such other persons who, in the reasonable opinion of the directors of Sino Stride, provided advisory services to the Sino Stride Group and to promote the success of the business of Sino Stride and its subsidiaries. The Sino Stride Scheme would remain in force for a period of 10 years commencing on 16 July 2002, being the date on which the Sino Stride Scheme was adopted by the shareholders of Sino Stride, to 15 July 2012.



Report of the Directors

SHARE OPTION SCHEMES (continued)

(c) Share option scheme of a subsidiary of the Company – Sino Stride Technology (Holdings) Limited (continued)

Under the Sino Stride Scheme, the directors of Sino Stride might, at their discretion, offer directors and employees (full time or part time) of the Sino Stride Group and any consultants or advisors who, in the reasonable opinion of the directors of Sino Stride, provided advisory or consultancy services to the Sino Stride Group, share options to subscribe for shares of Sino Stride.

The maximum number of shares of Sino Stride in respect of which options might be granted under the Sino Stride Scheme might not exceed 10% of issued share capital of Sino Stride as at the date of listing of the shares of Sino Stride on GEM. The total number of shares issued and to be issued upon exercise of share options granted under the Sino Stride Scheme (including both exercised and outstanding share options) to each grantee in any 12-month period up to the date of grant should not exceed 1% of the issued share capital of Sino Stride as at the date of grant. Any further grant of share options in excess of this limit was subject to approval by shareholders of Sino Stride and the Company respectively in general meeting. Share options granted to a director, chief executive or substantial shareholder of Sino Stride or the Company, or to any of their respective associates, were subject to approval in advance by the independent non-executive directors of Sino Stride and/or the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of Sino Stride or the Company, or to any of their respective associates, in excess of in aggregate 0.1% of the shares of Sino Stride in issue (based on the date of offer) within any 12-month period, were subject to approval by shareholders of Sino Stride and/or the Company in advance in general meeting.

The period during which a share option might be exercised would be determined by the directors of Sino Stride at their absolute discretion, save that no share option might be exercised more than 10 years after it had been granted under the Sino Stride Scheme. The directors of Sino Stride might determine the minimum period for which an option must be held before it could be exercised at the time of grant of any share options.

Pursuant to the Sino Stride Scheme, the exercise price in relation to each share option should be determined by the directors of Sino Stride at their absolute discretion and should not be less than the higher of (i) the closing price of shares of Sino Stride as stated in the Stock Exchange's daily quotations on the date of offer of share options; (ii) the average closing price of shares of Sino Stride as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of Sino Stride. Each of the grantees was not required to pay for the grant of share options in accordance with the Sino Stride Scheme.



Report of the Directors

SHARE OPTION SCHEMES (continued)

(c) **Share option scheme of a subsidiary of the Company – Sino Stride Technology (Holdings) Limited (continued)**

Subsequent to the balance sheet date on 10 April 2007, the Sino Stride Scheme was cancelled by the shareholders of Sino Stride. No share option was outstanding under the Sino Stride Scheme as at the balance sheet date and at the date of cancellation of the Sino Stride Scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the year.

DISTRIBUTABLE RESERVES

At the balance sheet date, the Company did not have any reserves available for distribution as calculated in accordance with provisions of Section 79B of the Companies Ordinance.

The Company's capital reserve represents a non-distributable reserve.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the five largest customers accounted for less than 30% of the total sales for the year and purchases from the five largest suppliers accounted for less than 30% of the total purchases for the year.

CONTINUING CONNECTED TRANSACTIONS

The following continuing connected transactions were recorded during the year and up to the date of this annual report:

(a) **Continuing connected transactions during the year**

As stated in the announcement of the Company dated 4 May 2004 (the "Announcement"), Santai Manufacturing Limited ("Santai Manufacturing"), a wholly-owned subsidiary of the Company, would in the ordinary course of business purchase copper sheets and brass sheets on a continuing basis from Hing Cheong Metals (China & Hong Kong) Limited and Meta International Limited, both wholly-owned subsidiaries of Shougang Concord Century Holdings Limited ("Shougang Century") which was an associate of Shougang Holding, a substantial shareholder of the Company. The normal and usual payment term for the transactions was 60 days. As it was forecasted that the aggregate amount of such transactions would not exceed the higher of either HK\$10,000,000 or 2.5% of each of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, such transactions would constitute continuing connected transactions for the Company under Rule 14A.34 of the Listing Rules and would be subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.



Report of the Directors

CONTINUING CONNECTED TRANSACTIONS (continued)

(a) Continuing connected transactions during the year (continued)

The aforesaid transactions which took place during the year under review were entered into in the ordinary and usual course of business of Santai Manufacturing and were conducted on normal commercial terms. Such continuing connected transactions could facilitate the operations of the companies concerned and are fair and reasonable so far as the shareholders of the respective companies as a whole. Details of such transactions for the financial year ended 31 December 2006 are set out in note 48(a)(xii) to the financial statements under the heading "Related Party Transactions".

(b) Continuing connected transactions subsequent to the balance sheet date

As stated in the announcement of the Company dated 4 January 2007, the Company entered into a master agreement (the "Master Agreement") with Shougang Century on 3 January 2007 to renew the transactions as disclosed in the Announcement. Pursuant to the Master Agreement, the Company and/or its associates has agreed to purchase from Shougang Century and/or its associates, and Shougang Century and/or its associates has agreed to supply to the Company and/or its associates, copper sheets, brass sheets and other copper and brass products (the "Transactions") in accordance with the terms and conditions of the Master Agreement. The Master Agreement has a term of three years from 1 January 2007 to 31 December 2009, both days inclusive. The prices for the Transactions will be determined in accordance with (i) a comparable market price; or (ii) by agreement between the parties on arm's length basis if no comparable market price can be taken as a reference. Payments for the Transactions shall be on normal commercial term. The annual cap for the Transactions under the Master Agreement for each financial year ending 31 December 2007, 31 December 2008 and 31 December 2009 will be HK\$10,000,000. As Shougang Century is an associate of Shougang Holding which in turn is a substantial shareholder of the Company, Shougang Century is a connected person of the Company under the Listing Rules and the Transactions constitute continuing connected transactions for the Company. The Transactions are of the type that are entered into in the ordinary and usual course of business of the Company and will facilitate the operation of the Group.



Report of the Directors

CONTINUING CONNECTED TRANSACTIONS (continued)

(b) Continuing connected transactions subsequent to the balance sheet date (continued)

As far as the transactions set out in note 48 to the financial statements under the heading of "Related Party Transactions" are concerned, the transactions as set out in notes (a)(iii), (a)(iv) and (a)(xii) were connected transactions or continuing connected transaction which have been previously announced in newspapers by the Company. The transactions as set out in notes (a)(i), (a)(ii), (a)(v), (a)(vi), (a)(vii) and (c) were connected transactions or incidental to the connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules. The transactions as set out in notes (a)(viii), (a)(ix), (a)(x), (a)(xi), (a)(xiii) and (b) did not constitute connected transactions under the Listing Rules.

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 14 to 26 of this annual report.

AUDITORS

Messrs. Deloitte Touche Tohmatsu was appointed as auditors of the Company in place of Messrs. Ernst & Young upon their retirement at the annual general meeting of the Company held on 25 June 2003. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

By Order of the Board

Cao Zhong

Chairman

Hong Kong, 19 April 2007