

## Directors' Report

The Directors present their annual report and the audited financial consolidated statements for the year ended 31 December 2006.

### Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries and an associate are set out in notes 40 and 21 respectively to the consolidated financial statements.

### Results

The results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2006 are set out in the consolidated income statement on page 29.

The Directors do not recommend the payment of a dividend.

### Major Suppliers and Customers

The largest and the top five suppliers of the Group accounted for approximately 27% and 51% respectively of the Group's total purchase for the year.

The largest and the top five customers of the Group accounted for approximately 30% and 61% respectively of the Group's total turnover for the year.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have a beneficial interest in any of the Group's five largest customers during the year.

### Property, Plant and Equipment

During the year, the Group acquired property, plant and equipment of approximately HK\$14,114,000. Construction in progress of approximately HK\$1,068,000 was completed and transferred to buildings.

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

## Distributable Reserves

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. In the opinion of the directors, as at 31 December 2006, the Company's reserves available for distribution amounted to HK\$91,609,000 which consisted of share premium of HK\$88,444,000 and accumulated profits of HK\$3,165,000.

## Share Capital

Details of the share capital of the Company are set out in note 32 to the consolidated financial statements.

## Directors

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

### Executive Directors:

Ms. Chen Wai Yuk (*Chairman*)  
Mr. Wang Shu (*Managing Director*)  
Miss Chen Wai Wah

### Non-executive Director:

Mr. Ho Hao Veng

### Independent non-executive Directors:

Mr. Wei Tong Li  
Mr. Hui Chuen Fan, Matthew  
Mr. Ang Siu Lun, Lawrence

In accordance with the provisions of the Company's Articles of Association, Ms. Chen Wai Yuk, Miss Chen Wai Wah and Mr. Hui Chuen Fan, Matthew will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The term of office of each Independent non-executive Director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

## Directors' Service Contracts

No Director being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by Group within one year without payment of compensation (other than statutory compensation).

## Directors' Interests in Contracts of Significance

No contracts of significance to which the Company, its ultimate holding company or any subsidiaries of its ultimate holding company 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 Shares and Underlying Shares

At 31 December 2006, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code of Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

### (a) Long positions in the shares of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of Company
Ms. Chen Wai Yuk	Held by a controlled corporation	208,356,000 (a)	55.61%
Mr. Wang Shu	Held by spouse	208,356,000 (b)	55.61%
Mr. Ho Hao Veng	Beneficially held	10,000,000	2.67%

(a) These shares were held by Twinning Wealth Limited, the entire issued capital of which is beneficially owned by Ms. Chen Wai Yuk.

(b) Mr. Wang Shu is deemed to be interested in 208,356,000 shares of the Company, being the interests held beneficially by his spouse, Ms. Chen Wai Yuk.

Ms. Chen Wai Yuk beneficially owned one share of US\$1 in Twinning Wealth Limited, an associated corporation (within the meaning of the Section 352 of the SFO) of the Company, representing the entire issued share in Twinning Wealth Limited.

Save as disclosed above, none of the Directors, nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations 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.

**(b) Share options**

Particulars of the Company's share option scheme are set out in note 37 to the consolidated financial statements.

	<b>Number of share options granted during the year and outstanding at 31 December 2006</b>
<b>Directors</b>	
Ms. Chen Wai Yuk	330,000
Mr. Wang Shu	330,000
Miss Chen Wai Wah	330,000
Mr. Ho Hao Veng	330,000
Mr. Wei Tong Li	330,000
Mr. Hui Chuen Fan, Matthew	330,000
Mr. Ang Siu Lun, Lawrence	330,000
	<hr/> 2,310,000 <hr/>

These options were granted under the share option scheme adopted by the Company on 11 April 2002 and entitle the holders thereof to subscribe for shares at an exercise price of HK\$0.2 per share during the period from 18 August 2007 to 10 April 2012.

Save as disclosed above, at no time during the year was the Company, its ultimate holding company or any subsidiaries of its ultimate holding company a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Management Contract

During the year, no contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered or existed.

## Substantial Shareholders

Other than as disclosed above in the section headed "Directors' interests in shares and underlying shares" at 31 December 2006, the shareholder (other than Directors or chief executives of the Company) who had interests of 5% or more or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company were as follows:

### Long positions in the shares of the Company

Name of shareholder	Capacity	Number of shares beneficially held	Percentage of holding
Arisaig Greater China Fund Limited ( <i>Note</i> )	Beneficial	37,212,000	9.93%

*Note:*

The above interests are beneficially owned by Arisaig Greater China Fund Limited. Arisaig Partners (Mauritius) Ltd is the investment manager of Arisaig Greater China Fund Limited and is thereby deemed to have an interest in the shares in which Arisaig Greater China Fund Limited is interested.

Lindsay William Ernest Cooper has an indirect 33% beneficial interest in Arisaig Partners (Mauritius) Ltd but is thereby deemed to have interests in the shares in which Arisaig Partners (Mauritius) Ltd is interested.

Save as disclosed above and in the section headed "Directors' interests in shares and underlying shares", as at 31 December 2006, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, 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 the Company's Listed Securities

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

## Appointment of Independent Non-executive Directors

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the Independent non-executive Directors are independent.

## Sufficiency of Public Float

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

## Auditor

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as independent auditor of the Company.

On behalf of the Board

**Ms. Chen Wai Yuk**

*Chairman*

Hong Kong, 24 April 2007