

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2005.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The Group's principal activities consisted of the design, development, manufacture and sale of electronic products, the manufacture and sale of printed circuit boards, the trading and distribution of electronic components and parts, the trading of listed equity investments, the provision of loan financing and the manufacture and sale of optical products. 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 2005 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 20 to 77.

The Board do not recommend the payment of any dividend in respect of the year.

## 10 | REPORT OF THE DIRECTORS

**SUMMARY FINANCIAL INFORMATION**

A summary of the results of the Group for the last five financial reporting years and of its assets and liabilities, at the respective financial reporting year end dates, as extracted from the published audited financial statements of the Group, is set out below.

	<b>Year ended 31 December</b>				
	<b>2005</b>	2004	2003	2002	2001
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(restated)			
<b>RESULTS</b>					
TURNOVER	<b>553,871</b>	691,136	722,782	741,077	544,174
(LOSS)/PROFIT AFTER FINANCE COSTS	<b>(5,005)</b>	20,598	2,808	60,560	28,462
Share of profits less losses of associates	<b>1,997</b>	2,791	1,727	5,797	–
(LOSS)/PROFIT BEFORE TAX	<b>(3,008)</b>	23,389	4,535	66,357	28,462
Taxation	<b>(1,520)</b>	(452)	(1,778)	(4,675)	(3,079)
(LOSS)/PROFIT BEFORE MINORITY INTERESTS	<b>(4,528)</b>	22,937	2,757	61,682	25,383
Minority interests	<b>9,307</b>	5,758	8,941	1,165	5,734
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<b>4,779</b>	28,695	11,698	62,847	31,117

## SUMMARY FINANCIAL INFORMATION (CONTINUED)

	Year ended 31 December				
	2005 HK\$'000	2004 HK\$'000 (restated)	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
ASSETS AND LIABILITIES					
FIXED ASSETS	113,485	171,530	185,769	201,955	138,811
INVESTMENT PROPERTIES	28,750	93,000	–	–	–
NEGATIVE GOODWILL	–	(27,284)	(40,346)	(58,671)	–
INTERESTS IN ASSOCIATES	156,892	37,220	35,581	30,894	–
PREPAID RENTAL	1,903	2,640	3,377	4,114	4,851
RENTAL DEPOSITS	–	–	388	972	517
DEFERRED PRODUCT DEVELOPMENT COSTS	6,819	5,861	4,783	4,195	4,459
LOANS RECEIVABLE	1,000	2,000	–	–	–
AVAILABLE-FOR – SALE FINANCIAL ASSETS	27,364	–	–	–	–
CURRENT ASSETS	594,650	635,798	725,510	676,241	575,477
TOTAL ASSETS	930,863	920,765	915,062	859,700	724,115
CURRENT LIABILITIES	132,044	155,907	191,046	136,492	87,647
PROVISION FOR LONG SERVICE PAYMENTS	570	949	1,243	1,465	–
DEFERRED TAX	2,053	3,122	1,433	1,433	1,433
TOTAL LIABILITIES	134,667	159,978	193,722	139,390	89,080
NET ASSETS	796,196	760,787	721,340	720,310	635,035

Comparative figures for the year ended 31 December 2004 have been restated to reflect the adoption of the new/revised HKFRS which is effective for accounting periods commencing on or after 1 January 2005. The comparative figures for the three years ended 31 December 2001, 2002 and 2003 have not been restated as the directors are of the opinion that it is impracticable to do so.

## PROPERTY, PLANT AND EQUIPMENT

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

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 35 and 37 to the financial statements.

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

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 38 to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

At 31 December 2005, the Company's reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$409,810,000. In addition, the Company's share premium account, in the amount of HK\$200,556,000, 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 46% of the total sales for the year and sales to the largest customer included therein amounted to 14% of the total sales. Purchases from the Group's five largest suppliers accounted for 24% of the total purchases for the year and purchases from the largest supplier included therein amounted to 12% of the total purchases.

As far as the directors are aware, neither the directors, their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) nor those shareholders (which, to the knowledge of the directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.

## DIRECTORS

The directors of the Company during the year were:

### Executive directors:

Mr. Yau Tak Wah, Paul (*Chairman*)  
Ms. Louie Mei Po  
Ms. Wong Shin Ling, Irene  
Mr. Tam Wing Kin  
Mr. Tam Ping Wah (resigned on 1 June 2005)

### Independent non-executive directors:

Mr. Ng Wai Hung  
Mr. Cheung Chung Leung, Richard  
Mr. Wu Wang Li

In accordance with clause 87 of the Company's bye-laws, Ms Louie Mei Po and Mr. Ng Wai Hung will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

To comply with the Code on Corporate Governance Practices as stipulated in Appendix 14 of the Listing Rules that every director should be subject to retirement by rotation at least once every three years. Mr. Tam Wing Kin will voluntarily retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 7 to 8 of the Annual Report.

## DIRECTORS' SERVICE CONTRACTS

Mr. Wu Wang Li, an independent non-executive director, has renewed his service contract with the Company for a term of one year from 27 September 2005 and subject to rotation and re-election in accordance with the bye-laws of the Company. The annual director fee is HK\$120,000.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment other than statutory compensation.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2005, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of part XV of the Securities and Future Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Director	Note	Through controlled corporation	Percentage of the Company's issued share capital
Mr. Yau Tak Wah, Paul	1	2,300,000	0.8

Note:

- These shares were held through Pacific Shore Profits Limited, a company beneficially owned by Mr. Yau Tak Wah, Paul.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of 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 Companies.

## 14 | REPORT OF THE DIRECTORS

**DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Save as disclosed in the share option scheme disclosures in note 37 to the financial statements, 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, their respective spouse or minor children, 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**

No director had a material interest, either directly or indirectly, 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.

**SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES**

As at 31 December 2005, the following interest of 5% or more in the issued share capital of the Company was recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

<b>Name</b>	<b>Note</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the company's issue share capital</b>
Winspark Venture Limited	1	Directly beneficially owned	175,803,363	61.5

Note:

- The entire issued share capital of Winspark Venture Limited is beneficially owned by Mr. Chan Yuen Ming.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded under Section 336 of the SFO.

**PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

**CONNECTED PARTY TRANSACTIONS**

Details of the connected party transactions are set out in note 41 to the financial statements.

**POST BALANCE SHEET EVENTS**

Details of the significant post balance sheet events of the Group are set out in note 42 to the financial statements.

## CORPORATE GOVERNANCE

The Company's Corporate Governance Report is set out on pages 16 to 18.

## AUDITORS

A resolution for the re-appointment of CCIF CPA Limited as the auditors of the Company for the ensuing year will be proposed at the forthcoming annual general meeting.

On behalf of the board

**Yau Tak Wah, Paul**  
*Chairman*

Hong Kong, 13 April 2006