

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2005, the Group has applied the principles and complied with the code provisions prescribed in the recently promulgated Code on Corporate Governance Practices (“CG Code”) set out in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), which became effective on 1 January 2005, except for the deviations from Code Provisions A.2.1, A.4.1 and A.4.2 which are explained in the following relevant paragraphs:

1. According to the code provision A.2.1 of the CG Code, the roles of the Chairman and the Chief Executive Officer (the “CEO”) should be separated and should not be performed by the same individual. The Company does not have any officer with the title CEO. At present, the duties of a CEO are undertaken by Mr. Wang Chia Chin (“Mr. Wang”). Mr. Wang also is the founder and Chairman of the Company. Mr. Wang has over 18 years of experience in the computer peripherals manufacturing and distribution industry and is responsible for the strategic planning, overall business development and distribution business of the Group. The Board considered that, due to the nature and extent of the Group’s operations, Mr. Wang is the most appropriate chief executive of the Company because he particular has the in-depth knowledge and experience in the computer peripherals manufacturing and distributing industry.
2. According to the code provision A.4.1 of the CG Code, Independent Non-Executive Directors should be appointed for a specific term of service. However, Independent Non-Executive Directors of the Company are not appointed for a specific term, but they are subject to retirement in rotation at the annual general meeting of the Company according to the articles of association of the Company (the “Articles”).
3. Code provision A.4.2 stipulates that every director, including those appointed for specific term should be subject to retirement by rotation at least once every three years.

According to the provisions of the Articles, at each annual general meeting one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office by rotation provided that no Director holding office as Chairman, Deputy Chairman or the Managing Director or Joint Managing Directors of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. For these deviations, the Board of Directors has proposed to amend the Articles at the forthcoming annual general meeting in order to comply with the CG Code.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the “Model Code”). Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company for the year ended 31 December 2005.

BOARD OF DIRECTORS

Composition of the Board of Directors

The Board of Directors of the Company comprises eight Directors, of whom five are Executive Directors, namely Mr. Wang Chia Chin, Mr. Chen Ho Fa, Mr. Wu Chi Lok, Mr. Wong Chong Fai, William and Mr. Yeung Tsz Keung, Jackey and, three are Independent Non-Executive Directors, namely Mr. Chan But Leung, Mr. Shum Po Cheung and Mr. Lui Nam Kit. Each of Directors' respective biographical details is set out in the "Biographical Details of Directors and Senior Management" of this annual report.

The composition of the Board of Directors is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business of the Group. To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among members of the Board (including the Chairman and Chief Executive Officer).

According to the code provision A.2.1 of the CG Code, the roles of the Chairman and the Chief Executive Officer (the "CEO") should be separated and should not be performed by the same individual. The Company does not have any officer with the title CEO. At present, the duties of a CEO are undertaken by Mr. Wang Chia Chin ("Mr. Wang"). Mr. Wang also is the founder and Chairman of the Company. Mr. Wang has over 18 years of experience in the computer peripherals manufacturing and distributing industry and is responsible for the strategic planning, overall business development and distribution business of the Group. The Board considered that, due to the nature and extent of the Group's operations, Mr. Wang is the most appropriate Chief Executive of the Company because he particular has the in-depth knowledge and experience in the computer. Peripherals manufacturing and distributing industry. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangements.

Functions of the Board of Directors

The Board is responsible for the leadership and control of the Company, oversee the Group's businesses and evaluate the performance of the Group. The Board also focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to Executive Directors and senior management, while reserving certain key matters for its approval. When the Board delegates aspects of its management and administration functions to Management, it has given clear directions as to the powers of Management, in particular, with respect to the circumstances where Management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

Independent Non-Executive Directors

In compliance of Rule 3.10(1) of the Listing Rules, there are three Independent Non-executive Directors representing over one-third of the Board of Directors. And among the three Independent Non-Executive Directors, two of them have appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Company has received from each of its Independent Non-Executive Directors the written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmation, considers Mr. Chan But Leung, Mr. Shum Po Cheung and Mr. Lui Nam Kit to be independent.

Directors' Appointment, Re-election and Removal

Each of the Executive Directors has entered into a service contract with the Company. The service contract of Mr. Wu Chi Lok and Mr. Wong Chong Fai, William both with an initial fixed term of 2 years are commencing from 30 April 2005. The service contract of Mr. Wang Chia Chin and Mr. Chen Ho Fa both with an initial fixed term of 3 years are commencing from 1 January 2002. The Service contract of Mr. Yeung Tze Keung, Jackey with an initial fixed term of 1 year is commencing from 9 November 2005. All of these service contracts will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

According to the code provision A.4.1 of the CG Code, Independent Non-Executive Directors should be appointed for a specific term of service. However, Independent Non-Executive Directors of the Company are not appointed for a specific term, but they are subject to retirement in rotation at the annual general meeting of the Company according to the Articles.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the Company within one year without the payment of compensation (other than statutory compensation)).

According to the provisions of the Articles, at each annual general meeting one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office by rotation provided that no Director holding office as Chairman, Deputy Chairman or the Managing Director or Joint Managing Directors of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. For these deviations, the Board of Directors has proposed to amend the Articles at the forthcoming annual general meeting in order to comply with the CG Code.

Board meetings and Board Practices

The Board of Directors holds meetings on a regular basis, the Board of Directors will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision and minutes of committee meetings in advance of each Board meeting. The Company Secretary is responsible for distributing detailed documents to Directors prior to the meetings of the Board of Directors to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing to the Board of Directors opinions on matters in relation to the compliance with the procedures of the Board meetings. In addition, to facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information, when required. The Directors can also seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company.

During the year ended 31 December 2005, the Company held 4 regular Board meetings, and the Directors' attendance records for the meetings held are set out below:

Directors' Attendance at Board Meetings

Directors' Attendance

Executive Directors

Mr. Wang Chia Chin (<i>Chairman</i>)	4/4
Mr. Chen Ho Fa	4/4
Mr. Wu Chi Lok (appointed on 30 April 2005)	3/3
Mr. Wong Chong Fai, William (appointed on 30 April 2005)	3/3
Mr. Yeung Tsz Keung, Jackey (appointed on 9 November 2005)	1/1
Mr. Chen Fang Yu (retired on 27 May 2005)	1/1

Independent Non-Executive Directors

Mr. Chan But Leung (appointed on 27 May 2005)	2/3
Mr. Shum Po Cheung (appointed on 27 May 2005)	2/3
Mr. Lui Nam Kit (appointed on 11 August 2005)	2/2
Mr. Chen Chin Ming (resigned on 27 May 2005)	1/1
Mr. Lui Cho Tak (resigned on 27 May 2005)	1/1
Mr. Hirosuke Yogo (resigned on 11 August 2005)	1/2

BOARD COMMITTEES

Audit Committee

The Company has established with written terms of reference in accordance with the requirements of the CG Code. The audit committee has three members, including the Company's three Independent Non-Executive Directors, namely Mr. Chan But Leung, Mr. Shum Po Cheung and Mr. Lui Nam Kit. Mr. Lui Nam Kit is the chairman of the committee. The audit committee acts as an important link between the Board and the Company's auditors in matters within the scope of the group audit. The duties of the audit committee are to review the Company's annual report and accounts, interim reports and to provide advice and comments thereon to the Board. The Committee meets regularly with the management, the external auditors and the internal audit personnel to discuss the accounting principles and practices adopted by the Group, internal control and financial reporting matters. The audit committee had reviewed the financial statement for the year ended 31 December 2005.

Directors' Attendance at Audit Committee Meetings

Directors' Attendance

Members of the audit committee

Mr. Lui Nam Kit (appointed on 11 Aug 2005)	2/2
Mr. Chan But Leung (appointed on 27 May 2005)	2/3
Mr. Shum Po Cheung (appointed on 27 May 2005)	3/3
Mr. Chen Chin Ming (resigned on 27 May 2005)	1/1
Mr. Lui Cho Tak (resigned on 27 May 2005)	1/1
Mr. Hiroshuke Yogo (resigned on 11 August 2005)	1/2

Remuneration Committee

The Company established a remuneration committee on 29 June 2005 with terms of reference in consistence with the CG Code. The remuneration committee makes recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and review the terms of the directors' service contract. It has three members, including the Company's two Independent Non-Executive Directors, namely Mr. Chan But Leung and Mr. Shum Po Cheung and an Executive Director, Mr. Wu Chi Lok. Mr. Chan But Leung is the Chairman of the committee.

The remuneration committee meets at least once a year. During the financial year ended 31 December 2005, the remuneration committee has held its first meeting on 1 July 2005 to define its terms of reference, to review the existing remuneration packages of each Directors and senior managements of the Company, and to recommend to the Board the salaries and bonuses of the Executive Directors. The attendance record of individual committee members is set out as below:

Directors' Attendance at Remuneration Committee Meetings**Directors' Attendance****Members of the remuneration committee**

Mr. Chan But Leung	1/1
Mr. Shum Po Cheung	1/1
Mr. Wu Chi Lok	1/1

Nomination of Directors

According to the CG Code, it is recommended to set up a nomination committee with a majority of the members thereof being Independent Non-Executive Directors. As the Board of Directors considers that may take up by the board members, therefore, the Company has not established a nomination committee. The Board is responsible for considering selecting and recommending candidates for directorship which based on assessment of their professional qualifications and experience. The Board is responsible for determining the independence of each Director and conducting formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

AUDITORS' REMUNERATION

An amount of approximately HK\$338,000 (2004: HK\$400,000) was charged to the Group's consolidated income statement for the year ended 31 December 2005 for the auditing services to ShineWing (Hong Kong) CPA Limited ("ShineWing"), the existing auditors who was appointed on 22 December 2005. There is no significant non-audit service assignment provided by ShineWing during the year.

During the year under review, no fees was payable to (i) KLL Associates CPA Limited who resigned as a result of combination of practice with that of BDO McCabe Lo Limited ("BDO") and (ii) BDO who subsequently resigned on 22 December 2005, in respect of any audit or non-audit services.

ACCOUNTABILITY AND AUDIT**Directors' Responsibility for the Consolidated Financial Statements**

The Board is responsible for the preparation of the consolidated financial statements. In preparing the consolidated financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made.

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements.

INTERNAL CONTROLS

The Board places great importance on internal controls and risk management and is establishing and maintaining adequate internal controls over financial reporting for the Group and assessing the overall effectiveness of those internal controls.

The results of the implementation of this internal control are reviewed by the Directors mechanism operates soundly, stably and effectively.