

Directors' Report

The directors present their annual report and the audited financial statements of the Company for the year ended June 30, 2006.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 44 to the financial statements.

During the year, the Group acquired 100% equity interest in BCN Distribuciones, S.A. and its subsidiaries, which are principally engaged in the business of research and development and distribution of digital television reception products in Europe, for a total consideration of Euro10 million (equivalent to approximately HK\$94,525,000).

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended June 30, 2006 are set out in the consolidated income statement on page 19.

No interim dividend was paid to shareholders during the year. The directors do not recommend the payment of a final dividend and propose that the profit for the year be retained.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

Details of movements during the year in the investment properties of the Group are set out in note 17 to the financial statements.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at June 30, 2006 were as follows:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contributed surplus	181,788	181,788
Accumulated profits	2,149	39,865
	183,937	221,653

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

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

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

DIRECTORS

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

EXECUTIVE DIRECTORS:

Mr. Hung Tsung Chin
Ms. Chen Mei Huei
Mr. Wang Yao Chu
Mr. Liao Wen I
Mr. Yip Ho Chi

NON-EXECUTIVE DIRECTOR:

Mr. Chen Jo Wan (resigned on July 15, 2005)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Hsu Chun Yi
Mr. Chen Chung Ho
Mr. Tsan Wen Nan

In accordance with the Clause 87(1) of the Company's Bye-laws, Mr. Wang Yao Chu and Mr. Liao Wen I retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a service contract with the Company for a term of three years commencing April 1, 2005, which may be terminated by either party thereto giving to the other three months' prior notice in writing, which notice period should not be expired at any time during the first year commencing April 1, 2005.

Each of the independent non-executive directors of the Company has entered into letters of appointment with the Company and be appointed for a period of one year commencing January 1, 2006 and may be terminated by either party giving to the other three months' prior notice in writing.

Other than as disclosed above, none of the directors of the Company has a contract of service with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (except for statutory compensation).

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

As at June 30, 2006, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, the "SFO") which 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 or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

(I) ORDINARY SHARES OF HK\$0.1 EACH OF THE COMPANY

Name of director	Nature of interest	Number of Company's shares interested	Approximate percentage of interest
Mr. Hung Tsung Chin	Corporate	147,523,125 (Note 1)	29.00%
Ms. Chen Mei Huei	Corporate	147,523,125 (Note 1)	29.00%
Mr. Wang Yao Chu	Corporate	111,150,000 (Note 2)	21.85%
Mr. Liao Wen I	Corporate	75,489,375 (Note 3)	14.84%

Notes:

- These Company's shares are registered in the name of Metroasset Investments Limited which is held by Mr. Hung Tsung Chin as to 45.09%, his wife, Ms. Chen Mei Huei, as to 44.38% and Mr. Hung Shih Shih (on trust for Mr. Hung Chih Chun, a son of Mr. Hung Tsung Chin and Ms. Chen Mei Huei) as to 10.53%.
- These Company's shares are registered in the name of Success Power Investments Limited which is held by Mr. Wang Yao Chu as to 58.80% and his wife, Ms. Tseng Wei Ti, as to 41.20%.
- These Company's shares are registered in the name of Wellever Investments Limited which is held by Mr. Liao Wen I as to 86.14% and his wife, Ms. Lin Hsiu Ling, as to 13.86%.

All interests in the Company's shares stated above represent long position.

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(II) SHARE OPTIONS

Details of the Company's share option scheme are set out in note 40 to the financial statements.

The following table discloses movements in the Company's share options during the year:

Type of grantee	Exercise price (Note 1)	Option period (Note 2)	Number of share options			
			Outstanding at July 1, 2005	Granted during the year	Forfeited during the year	Outstanding at June 30, 2006
Directors						
Mr. Hung Tsung Chin	HK\$1.02	August 1, 2005 to July 31, 2015	–	500,000	–	500,000
Ms. Chen Mei Hwei	HK\$1.02	August 1, 2005 to July 31, 2015	–	500,000	–	500,000
Mr. Wang Yao Chu	HK\$1.02	August 1, 2005 to July 31, 2015	–	500,000	–	500,000
Mr. Liao Wen I	HK\$1.02	August 1, 2005 to July 31, 2015	–	500,000	–	500,000
Mr. Yip Ho Chi	HK\$1.02	August 1, 2005 to July 31, 2015	–	500,000	–	500,000
			–	2,500,000	–	2,500,000
Employees	HK\$1.02	August 1, 2005 to July 31, 2015	–	4,020,000	(620,000)	3,400,000
Total			–	6,520,000	(620,000)	5,900,000

Notes:

- The closing price of the Company's shares immediately before July 30, 2005, the date of grant of the options, was HK\$1.02.
- The maximum percentage of the share options which may be exercised is determined in stages as follows:

On or after the second year anniversary of the date of grant	50%
On or after the third year anniversary of the date of grant	remaining 50%

Save as disclosed above, as at June 30, 2006, none of the directors and chief executives of the Company had or were deemed to have any interest or short position in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company pursuant to the Model Code of the Listing Rules.

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SUBSTANTIAL SHAREHOLDERS

As at June 30, 2006, the interests of the substantial shareholders in the shares or underlying shares of the Company which have been disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Number of Company's shares held	Approximate percentage of interest
Metroasset Investments Limited	147,523,125	29.00% (Note 1)
Success Power Investments Limited	111,150,000	21.85% (Note 2)
Wellever Investments Limited	75,489,375	14.84% (Note 3)

Notes:

- Metroasset Investments Limited is held by Mr. Hung Tsung Chin as to 45.09%, his wife, Ms. Chen Mei Huei, as to 44.38% and Mr. Hung Shih Shih (on trust for Mr. Hung Chih Chun, a son of Mr. Hung Tsung Chin and Ms. Chen Mei Huei) as to 10.53%.
- Success Power Investments Limited is held by Mr. Wang Yao Chu as to 58.80% and his wife, Ms. Tseng Wei Ti, as to 41.20%.
- Wellever Investments Limited is held by Mr. Liao Wen I as to 86.14% and his wife, Ms. Lin Hsiu Ling, as to 13.86%.

All the interests in the Company's shares stated above represent long position.

Save as disclosed above, so far as is known to the directors, as at June 30, 2006, there was no person (other than a director or chief executive of the Company) who had an interest in the shares or underlying shares in the Company which would fall to be disclosed to the Company pursuant to section 336 of the SFO.

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 Listing Rules. The Company considers all of the independent non-executive directors are independent.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme of the Company, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company 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.

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EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Other employee benefits included insurance and medical cover, subsidised training programme as well as share option scheme set out in note 40 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 34% of the Group's total sales and the sales attributable to the Group's largest customer was approximately 15% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 30% of the total purchases.

None of the directors, their associates or any shareholders which, to the knowledge of the directors, own more than 5% of the Company's issued share capital had any interest in the share capital of any of the Group's five largest customers.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended June 30, 2006.

AUDITORS

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

On behalf of the Board

Hung Tsung Chin

Chairman

Hong Kong, October 27, 2006