



## REPORT OF THE DIRECTORS

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

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the design, development, manufacture and sale of a wide range of (1) electronics and related components and parts (including principally quartz crystals, liquid crystal displays, printed circuit boards and watch movements); and (2) consumer electronic products (including principally electronic calculators, telecommunication phones, electronic watches and clocks and personal data assistants). They are also engaged in the trading of integrated circuits and computer components and accessories.

There were no significant changes in the nature of the principal activities of the Company and of the Group during the year.

### RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 September 2006 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 23 to 86.

The directors recommend the payment of a final dividend of one cent per ordinary share in respect of the year, to shareholders on the register of members on 26 February 2007. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

### SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated as appropriate, is set out below. This summary does not form part of the audited financial statements.

RESULTS	Year ended 30 September				
	2006 HK\$'000	2005 HK\$'000 (Restated)	2004 HK\$'000 (Restated)	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)
Revenue	1,027,607	956,134	899,173	691,337	693,260
Profit before tax	19,053	33,991	42,601	20,399	35,299
Tax	(4,576)	(6,882)	(8,262)	(4,439)	(4,799)
Profit for the year attributable to equity holders of the parent	14,477	27,109	34,339	15,960	30,500



## REPORT OF THE DIRECTORS (Continued)

As at 30 September

ASSETS AND LIABILITIES	2006	2005	2004	2003	2002
	HK\$'000	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)	HK\$'000 (Restated)
Non-current assets	471,813	456,288	458,955	455,754	482,013
Current assets	690,901	657,521	599,252	614,994	623,021
<b>TOTAL ASSETS</b>	<b>1,162,714</b>	1,113,809	1,058,207	1,070,748	1,105,034
Current liabilities	232,424	206,141	176,039	212,884	241,135
Non-current liabilities	5,843	6,287	6,374	6,251	17,402
<b>TOTAL LIABILITIES</b>	<b>238,267</b>	212,428	182,413	219,135	258,537
<b>NET ASSETS</b>	<b>924,447</b>	901,381	875,794	851,613	846,497

### PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively.

### SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. Details of the share capital and share options of the Company are set out in notes 28 and 29 to the financial statements, respectively.

### PRE-EMPTIVE RIGHTS

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.

### 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.

### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated summary statement of changes in equity, respectively.

### DISTRIBUTABLE RESERVES

As at 30 September 2006, the Company's reserves available for distribution, comprising the contributed surplus and retained profits, amounted to HK\$284,826,000. In accordance with the Bermuda Companies Act 1981, the contributed surplus may be distributed in certain circumstances. In addition, the Company's share premium account of HK\$177,325,000 as at 30 September 2006 may be distributed in the form of fully paid bonus shares.



## REPORT OF THE DIRECTORS (Continued)

### MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 30% of the Group's total sales for the year and sales to the Group's largest customer accounted for 8% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for 23% of the Group's total purchases for the year and purchases from the Group's largest supplier accounted for 13% of the Group's total purchases for the year.

None of the directors of the Company or any of their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")), or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

### DIRECTORS

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

#### Executive directors:

Ms. Wong King Ching, Helen (*Chairman*)

Mr. Leung Chi Fai

Ms. Wong King Man (*Deputy chairman*)

#### Non-executive directors:

Mr. So Day Wing\*

Mr. Wong Kim Seong

Mr. Wong Kun Kim\*

Ms. Wong Chun Ying

Ms. Wong Choi Kam

Mr. Kuo Yen Ting\* (resigned on 1 March 2006)

Ms. Kan Lai Kuen\* (appointed on 1 March 2006)

\* *Independent non-executive directors*

In accordance with clause 111 of the Company's bye-laws, Mr. Leung Chi Fai and Ms. Wong King Man will retire by rotation and, being eligible, will offer themselves 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 9 to 10 of the annual report.



## REPORT OF THE DIRECTORS (Continued)

### DIRECTORS' SERVICE CONTRACTS

Ms. Wong King Ching, Helen, and Mr. Leung Chi Fai entered into service contracts with the Company for an initial term of three years commencing from 1 August 1999 which continues thereafter until terminated by not less than three months' notice in writing served by either party on the other. The Company has extended the service contracts with these directors until 31 July 2007.

Apart from the foregoing, 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.

The non-executive directors are subject to retirement by rotation in accordance with the Company's bye-laws.

### 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.

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

At 30 September 2006, 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 Futures 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 "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

#### Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
<i>Executive directors:</i>				
Ms. Wong King Ching, Helen and Ms. Wong King Man	200,000	400,000,000 (Note 1)	400,200,000	39.4
<i>Non-executive directors:</i>				
Mr. Wong Kim Seong	50,000,000	–	50,000,000	4.9
Ms. Wong Choi Kam	–	100,000,000 (Note 2)	100,000,000	9.8
	50,200,000	500,000,000	550,200,000	54.1



## REPORT OF THE DIRECTORS *(Continued)*

### Notes:

1. 400,000,000 shares are beneficially owned by Farnell Profits Limited, the entire issued share capital of which was previously held by the late Mr. Wong Choi Fung ("Mr. Wong") and currently forms part of the estate of the late Mr. Wong. Ms. Wong King Ching, Helen and Ms. Wong King Man, directors of the Company, are beneficiaries of the said estate, whose interests in the shares of Farnell Profits Limited will not be ascertained until completion of the administration of estate of the late Mr. Wong. 200,000 shares are directly held and owned by Ms. Wong King Ching, Helen.
2. These shares are held by Atworth Profits Limited, a company beneficially owned by Ms. Wong Choi Kam.

The interests of the directors in the share options of the Company are separately disclosed in note 29 to the financial statements.

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 Hong Kong Stock Exchange pursuant to the Model Code.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in note 29 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### **CONNECTED TRANSACTIONS**

The directors have reviewed the connected transactions as defined under the Listing Rules, as set out in note 35 to the financial statements, and confirmed that such transactions were entered into in compliance with the following conditions:

- (a) the transactions were entered into in the ordinary and usual course of business of the Group;
- (b) the transactions were entered into on normal commercial terms (to the extent that there were comparable transactions), and (where applicable) in accordance with the terms of the agreements governing such transactions or (where there was no agreement) on terms no less favourable than those available to or from independent third parties; and
- (c) the transactions were entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned.



## REPORT OF THE DIRECTORS (Continued)

### CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 17 to 21 of the annual report.

### AUDIT COMMITTEE

The Company's audit committee was established on 6 August 1999 in accordance with the requirements of the Code of Best Practice for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. Members of the audit committee at the date of this report comprised Mr. Wong Kun Kim, Mr. So Day Wing and Ms. Kan Lai Kuen, the three independent non-executive directors of the Company. The Group's financial statements for the year ended 30 September 2006 have been reviewed by the audit committee, who are of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

### AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Wong King Ching, Helen**

*Chairman*

Hong Kong

25 January 2007