



REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2006.

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 and the provision of loan financing. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 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 93.

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

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.

	Year ended 31 December				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
RESULTS					
TURNOVER	514,396	553,871	691,136	722,782	741,077
(LOSS)/PROFIT AFTER FINANCE COSTS	(10,919)	(5,005)	20,598	2,808	60,560
Share of profits less losses of associates	(5,525)	1,997	2,791	1,727	5,797
(LOSS)/PROFIT BEFORE TAX	(16,444)	(3,008)	23,389	4,535	66,357
Taxation	(2,965)	(1,520)	(452)	(1,778)	(4,675)
(LOSS)/PROFIT BEFORE MINORITY INTERESTS	(19,409)	(4,528)	22,937	2,757	61,682
Minority interests	3,184	9,307	5,758	8,941	1,165
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	(16,225)	4,779	28,695	11,698	62,847

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION *(Continued)*

	Year ended 31 December				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
ASSETS AND LIABILITIES					
FIXED ASSETS	104,761	113,485	171,530	185,769	201,955
INVESTMENT PROPERTIES	18,542	28,750	93,000	—	—
NEGATIVE GOODWILL	—	—	(27,284)	(40,346)	(58,671)
INTERESTS IN ASSOCIATES	151,367	156,892	37,220	35,581	30,894
PREPAID RENTAL	1,166	1,903	2,640	3,377	4,114
RENTAL DEPOSITS	—	—	—	388	972
DEFERRED PRODUCT DEVELOPMENT COSTS	8,387	6,819	5,861	4,783	4,195
LOANS RECEIVABLE	562	1,000	2,000	—	—
AVAILABLE-FOR-SALE FINANCIAL ASSETS	33,612	27,364	—	—	—
CURRENT ASSETS	773,799	594,650	635,798	725,510	676,241
TOTAL ASSETS	1,092,196	930,863	920,765	915,062	859,700
CURRENT LIABILITIES	135,634	132,044	155,907	191,046	136,492
PROVISION FOR LONG SERVICE PAYMENTS	570	570	949	1,243	1,465
DEFERRED TAX	1,319	2,053	3,122	1,433	1,433
TOTAL LIABILITIES	137,523	134,667	159,978	193,722	139,390
NET ASSETS	954,673	796,196	760,787	721,340	720,310

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 14 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 32 and 34 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.

REPORT OF THE DIRECTORS

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2006, 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\$422,818,000. In addition, the Company's share premium account, in the amount of HK\$365,359,000, 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 50% of the total sales for the year and sales to the largest customer included therein amounted to 15% of the total sales. Purchases from the Group's five largest suppliers accounted for 30% 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

Independent non-executive directors:

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

In accordance with clause 87(1) of the Company's bye-laws, Mr. Yau Tak Wah Paul, Ms. Wong Shin Ling Irene and, Mr. Wu Wang Li will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

REPORT OF THE DIRECTORS

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 2006 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

As at 31 December 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 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	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Yau Tak Wah, Paul	200,000	0.09
Ms. Louie Mei Po	1,178,571	0.52

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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the share option scheme disclosures in note 34 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.

REPORT OF THE DIRECTORS

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 2006, 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:

Name	Note	Number of ordinary shares held	Percentage of the Company's issued share capital
Winspark Venture Limited	1	147,951,114	65.82

As at 31 December 2006, so far as is known to, or can be ascertained after reasonable enquiry by, the directors, the following persons (other than the directors or the chief executive of the Company) had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(i) Long positions in the shares:

Name	Note	Number of ordinary shares held	Percentage of the Company's issued share capital
Winspark Venture Limited	1 & 2	215,351,114	95.81
Mr. Chan Yuen Ming	2 & 3	215,351,114	95.81
Pan-China Construction Group Limited		33,700,000	14.99

REPORT OF THE DIRECTORS

(ii) Short positions in the shares:

Name	Note	Number of ordinary shares held	Percentage of the Company's issued share capital
Winspark Venture Limited	1	33,700,000	14.99
Mr. Chan Yuen Ming	3	33,700,000	14.99

Notes:

- (1) The entire issued share capital of Winspark Venture Limited is directly, beneficially and wholly owned by Mr. Chan Yuen Ming.
- (2) The interests include (i) the 147,951,114 share held by Winspark Venture Limited as at 31 December 2006, (ii) the rights to 33,700,000 option shares under the call option granted by the Company to Winspark Venture Limited, and (iii) the rights to 33,700,000 shares held by the Pan-China Group under a call option granted by the Pan-China Group to Winspark pursuant to which Winspark may require the Pan-China Group to transfer such Shares held by it to Winspark in case of default of payment under the sale and purchase agreement dated 22 September 2006.
- (3) Mr. Chan Yuen Ming beneficially and wholly owns Winspark Venture Limited. Mr. Chan is therefore deemed to be interested in the shares under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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 AND RELATED PARTY TRANSACTIONS

Details of the connected and related party transactions are set out in note 40 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.



REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Company's Corporate Governance Report is set out on pages 17 to 20.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Company's directors.

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, 23 April 2007