

## Report of the Directors

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The directors present their report and the audited financial statements of the Company and the Group for the year ended 30 June 2004.

### PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's principal subsidiaries and associates as at 30 June 2004 are set out in notes 13 and 14 to the financial statements, respectively.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2004 are set out in the consolidated income statement on page 28 of the annual report. An interim dividend of HK2.8 cents per share amounting to approximately HK\$17,973,000 was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of HK1.2 cents per share to the shareholders on the register of members on 26 November 2004, amounting to approximately HK\$7,704,000.

### PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$128 million on moulds and machinery and approximately HK\$38 million on furniture, equipment and motor vehicles to expand and upgrade its manufacturing and office facilities. The Group revalued its land and buildings at 30 June 2004, resulting in a revaluation surplus of approximately HK\$21 million.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

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

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

## Report of the Directors

### DIRECTORS

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

#### **Executive directors:**

Mr. Yang Long-san, Rowell  
Mr. Wang Ming-chun, Morris  
Mr. Chang Su-pong, Steve  
Mr. Yeh Pei-chu, Ivan  
Mr. Lai Chen-chu, Jack  
Mr. Wong Kui-ming, Luffer  
Ms. Hui Siu-ling, Elina

#### **Non-executive director:**

Mr. Yip Ka-kay, Kevin (resigned on 28 November 2003)

#### **Independent non-executive directors:**

Mr. Lee Chiu-kang, Alex  
Mr. Chan Mo-po, Paul  
Mr. Liu Zixian (appointed on 30 September 2004)

In accordance with Bye-Laws 111 and 115 of the Company's Bye-Laws, Mr. Chan Mo-po, Paul and Mr. Liu Zixian will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company had received from each independent non-executive director a confirmation of his independence pursuant to the new independence guidelines under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company still considers them to be independent.

### DIRECTORS' SERVICE CONTRACTS

Except for Mr. Wang Ming-chun, Morris and Mr. Yeh Pei-chu, Ivan, all the executive directors have entered into service contracts with the Company for a term of three years commencing from 1 June 1997. Subsequent to 31 May 2000, the service contracts are renewable automatically for successive terms of one year, subject to their termination by either party giving not less than six months' notice in writing to the other party.

Except for Mr. Liu Zixian, all the independent non-executive directors have entered into service contracts (the "Contracts") with the Company on 29 October 2003, for an initial term of two years deemed to be commencing from 26 May 1997. These service contracts are renewable automatically for successive terms of two years, subject to their retirement by rotation in accordance with the Company's Bye-Laws. The Contracts can also be terminated by either party giving not less than 90 days' notice in writing to the other party.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

## Report of the Directors

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### BIOGRAPHICAL DETAILS OF DIRECTORS

#### Executive directors

**Mr. Yang Long-san, Rowell**, aged 48, is the Chairman and Chief Executive Officer of the Company. He is the founder of the Group and has over 23 years' experience in the computer and electronics industry. He is responsible for the Group's overall strategic planning, policy making and finance.

**Mr. Wang Ming-chun, Morris**, aged 50, is the Deputy Chairman of the Company. He joined the Group in February 1994. He holds a diploma in Electronic Engineering from Kun Sun Institute of Technology of Taiwan. He has over 22 years' experience in the computer monitor industry. Mr. Wang is responsible for the operation and business development of the Group.

**Mr. Chang Su-pong, Steve**, aged 51, joined the Group in March 1991. He holds a diploma in 電子工程 Electronic Engineering from 國立台北工業專科學校 National Taipei Institute of Technology of Taiwan. He has over 22 years' experience in the computer monitor industry. Mr. Chang is responsible for the business development of TV related business in China.

**Mr. Yeh Pei-chu, Ivan**, aged 44, joined the Group in January 2002. He holds a bachelor of business degree in Business Mathematics from 東吳大學 Soochow University of Taiwan. Mr. Yeh has over 3 years' experience in the banking industry and has worked for a Taiwanese electronics company as a Chief Financial Officer and a Chief Information Officer for over 11 years. Mr. Yeh is the Chief Financial Officer and Chief Information Officer of the Group. He is also responsible for the Group's corporate relationship management.

**Mr. Lai Chen-chu, Jack**, aged 49, joined the Group in April 1999. He holds a master's degree in Law from 東吳大學 Soochow University of Taiwan. He has over 14 years' experience in law and business administration. He was the former judge of 台灣板橋地方法院 (the district court of Pan-Chiao City, Taiwan), and was employed as an attorney in a business litigation law firm for several years. Mr. Lai is responsible for the strategic planning, corporate secretarial and legal matters of the Group.

**Mr. Wong Kui-ming, Luffer**, aged 43, joined the Group in April 1994. Mr. Wong holds a bachelor of science degree in 電機工程 Electrical Engineering from 國立台灣大學 National Taiwan University of Taiwan. He also obtained his master's degree in Business Administration from the University of Leicester in the United Kingdom. Mr. Wong is responsible for business development and has over 17 years' experience in the computer industry.

**Ms. Hui Siu-ling, Elina**, aged 46, joined the Group in May 1994. Ms. Hui is responsible for the administration of the Group.

## Report of the Directors

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### BIOGRAPHICAL DETAILS OF DIRECTORS *(continued)*

#### **Independent non-executive directors**

**Mr. Lee Chiu-kang, Alex**, aged 54, has been in the investment business, both in Canada and Hong Kong, for over 22 years. He has worked as the head of investment operations for four major financial institutions. For each of his previous employment, he was responsible for investment strategies and for recruiting, training and supervising staff. Mr. Lee holds a bachelor of arts degree in Economics from the Golden Gate University of the United States of America. He is currently appointed by Development Research Center of Guangdong Government of China as a research fellow. He is also holding a post as adjunct professor in City University of Hong Kong.

**Mr. Chan Mo-po, Paul**, aged 49, is a graduate of The Chinese University of Hong Kong where he obtained both his bachelor's and master's degrees in Business Administration. He is a fellow member of the Association of Chartered Certified Accountants; the Hong Kong Institute of Certified Public Accountants; the Institute of Chartered Secretaries and Administrators; the Taxation Institute of Hong Kong; the Society of Chinese Accountants and Auditors. He has over 27 years' experience in the accounting and finance field and is the managing partner of Paul Chan & Partners. He is currently a Vice President of the Hong Kong Institute of Certified Public Accountants. He is a former Chairman of the Association of Chartered Certified Accountants – Hong Kong Branch and a former member of the World Council of the Association of Chartered Certified Accountants in the United Kingdom.

**Mr. Liu Zixian**, aged 54, is the President of Shum Yip Holdings Company Limited ("Shum Yip") and the President and an executive director of Shenzhen Investment Limited ("Shenzhen Investment"). Mr. Liu graduated from the North Communications University, the PRC, in 1974. Prior to joining Shum Yip in February 2001 and becoming the President and an executive director of Shenzhen Investment in April of the same year, he was director of the Administration of Shenzhen Shatoujiao Free Trade Zone, assistant director of the People's Government of Luohu district, Shenzhen Municipality, and director of the Foreign Enterprises Registering & Managing Department of Shenzhen Industry & Commerce Administration. Mr. Liu has over twenty years of experience in administrative management, international economics and corporate management. He is also a non-executive director of Road King Infrastructure Limited.

## Report of the Directors

### DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2004, the interests and short positions held by the directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

#### (a) Long positions in shares of the Company

Name of director	No. of ordinary shares	Capacity and nature of interest	% of issued share capital
Mr. Yang Long-san, Rowell	245,862,724	Beneficial owner of 21,152,000 shares and interest of controlled corporation in 224,710,724 shares (Note)	38.30%
Mr. Wang Ming-chun, Morris	6,838,000	Beneficial owner	1.07%
Mr. Chang Su-pong, Steve	2,000,000	Beneficial owner	0.31%
Mr. Yeh Pei-chu, Ivan	2,420,000	Beneficial owner	0.38%
Mr. Lai Chen-chu, Jack	2,875,000	Beneficial owner	0.45%
Mr. Wong Kui-ming, Luffer	3,830,000	Beneficial owner	0.60%
Ms. Hui Siu-ling, Elina	200,000	Beneficial owner	0.03%
Mr. Lee Chiu-kang, Alex	800,000	Beneficial owner	0.12%
Mr. Chan Mo-po, Paul	1,056,896	Beneficial owner of 450,000 shares and spouse interest in 606,896 shares	0.16%

Note: These shares are registered in the name of, and beneficially owned by, Peipus International Ltd., a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Yang Long-san, Rowell.

## Report of the Directors

### DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

#### (b) Long positions in underlying shares and debentures and short positions in shares, underlying shares and debentures

Other than as disclosed under the section headed "SHARE OPTIONS", there were no long positions in the underlying shares and debentures or any short positions in the shares, underlying shares and debentures of the Company and its associated corporations, which were recorded in the register as required to be kept pursuant to Section 352 of Part XV of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

### SHARE OPTIONS

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 12 February 2003, the share option scheme adopted by the Company on 26 May 1997 (the "Old Scheme") was terminated and a new share option scheme (the "New Scheme") was adopted. Upon termination of the Old Scheme, no further share options can be granted thereunder but in all other respects, the provisions of the Old Scheme remained in force and all share options granted prior to such termination continued to be valid and exercisable in accordance therewith.

Particulars of the Old Scheme and the New Scheme are set out in note 26 to the financial statements.

#### (a) Old Scheme

As at 30 June 2004, 9,150,000 share options at the exercise price of HK\$1.20 remained outstanding under the Old Scheme and details of the movements of the said outstanding share options were as follows:

Date of share option granted (*note i*): 25 June 1999  
 Exercise price (*note ii*): HK\$1.20

Name or category of participant	As at 1 July 2003	Number of share options Granted during the year	Exercised during the year ( <i>note iii</i> )	As at 30 June 2004	Exercise period of share options
<b>Directors</b>					
Mr. Yang Long-san, Rowell	2,500,000	-	-	2,500,000	1 January 2000 – 31 December 2004
	2,500,000	-	-	2,500,000	1 January 2001 – 31 December 2005
	5,000,000	-	-	5,000,000	
Mr. Wang Ming-chun, Morris	250,000	-	-	250,000	1 January 2000 – 31 December 2004
	250,000	-	-	250,000	1 January 2001 – 31 December 2005
	500,000	-	-	500,000	

## Report of the Directors

### SHARE OPTIONS *(continued)*

#### (a) Old Scheme *(continued)*

Name or category of participant	As at 1 July 2003	Number of share options Granted during the year	Exercised during the year <i>(note iii)</i>	As at 30 June 2004	Exercise period of share options
Mr. Chang Su-pong, Steve	250,000	-	(250,000)	-	1 January 2000 – 31 December 2004
	250,000	-	(250,000)	-	1 January 2001 – 31 December 2005
	500,000	-	(500,000)	-	
Mr. Lai Chen-chu, Jack	875,000	-	(875,000)	-	1 January 2000 – 31 December 2004
	875,000	-	-	875,000	1 January 2001 – 31 December 2005
	1,750,000	-	(875,000)	875,000	
Mr. Wong Kui-ming, Luffer	500,000	-	-	500,000	1 January 2000 – 31 December 2004
	500,000	-	-	500,000	1 January 2001 – 31 December 2005
	1,000,000	-	-	1,000,000	
Ms. Hui Siu-ling, Elina	250,000	-	(250,000)	-	1 January 2000 – 31 December 2004
	250,000	-	(250,000)	-	1 January 2001 – 31 December 2005
	500,000	-	(500,000)	-	
Mr. Lee Chiu-kang, Alex	150,000	-	-	150,000	1 January 2000 – 31 December 2004
	150,000	-	-	150,000	1 January 2001 – 31 December 2005
	300,000	-	-	300,000	
Mr. Chan Mo-po, Paul	75,000	-	-	75,000	1 January 2001 – 31 December 2005
Sub-total	9,625,000	-	(1,875,000)	7,750,000	
<b>Other employees</b>					
In aggregate	2,575,000	-	(2,150,000)	425,000	1 January 2000 – 31 December 2004
	2,575,000	-	(1,600,000)	975,000	1 January 2001 – 31 December 2005
Sub-total	5,150,000	-	(3,750,000)	1,400,000	
Total	14,775,000	-	(5,625,000)	9,150,000	

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### SHARE OPTIONS *(continued)*

#### (b) New Scheme

As at 30 June 2004, 19,100,000 and 41,800,000 share options at the exercise price of HK\$1.04 and HK\$2.05, respectively, remained outstanding under the New Scheme and details of the movements of the said outstanding share options were as follows:

Date of share option granted (*note i*): 24 March 2003

Exercise price (*note ii*): HK\$1.04

Name or category of participant	As at 1 July 2003	Number of share options Granted during the year	Exercised during the year ( <i>note iv</i> )	As at 30 June 2004	Exercise period of share options
<b>Directors</b>					
Mr. Yang Long-san, Rowell	2,400,000	-	-	2,400,000	24 September 2003 – 23 March 2013
	2,400,000	-	-	2,400,000	24 March 2004 – 23 March 2013
	4,800,000	-	-	4,800,000	
Mr. Wang Ming-chun, Morris	2,500,000	-	-	2,500,000	24 September 2003 – 23 March 2013
	2,500,000	-	-	2,500,000	24 March 2004 – 23 March 2013
	5,000,000	-	-	5,000,000	
Mr. Chang Su-pong, Steve	750,000	-	-	750,000	24 September 2003 – 23 March 2013
	750,000	-	-	750,000	24 March 2004 – 23 March 2013
	1,500,000	-	-	1,500,000	
Mr. Yeh Pei-chu, Ivan	750,000	-	-	750,000	24 September 2003 – 23 March 2013
	750,000	-	-	750,000	24 March 2004 – 23 March 2013
	1,500,000	-	-	1,500,000	
Mr. Lai Chen-chu, Jack	850,000	-	-	850,000	24 September 2003 – 23 March 2013
	850,000	-	-	850,000	24 March 2004 – 23 March 2013
	1,700,000	-	-	1,700,000	
Mr. Wong Kui-ming, Luffer	750,000	-	-	750,000	24 September 2003 – 23 March 2013
	750,000	-	-	750,000	24 March 2004 – 23 March 2013
	1,500,000	-	-	1,500,000	

## Report of the Directors

### SHARE OPTIONS *(continued)*

#### (b) New Scheme *(continued)*

Name or category of participant	As at 1 July 2003	Number of share options Granted during the year	Exercised during the year <i>(note iv)</i>	As at 30 June 2004	Exercise period of share options
Mr. Lee Chiu-kang, Alex	100,000	-	-	100,000	24 September 2003 – 23 March 2013
	100,000	-	-	100,000	24 March 2004 – 23 March 2013
	200,000	-	-	200,000	
Mr. Chan Mo-po, Paul	75,000	-	-	75,000	24 September 2003 – 23 March 2013
	75,000	-	-	75,000	24 March 2004 – 23 March 2013
	150,000	-	-	150,000	
Sub-total	16,350,000	-	-	16,350,000	
<b>Other employees and a former director</b>					
In aggregate	1,750,000	-	(750,000)	1,000,000	24 September 2003 – 23 March 2013
	50,000	-	(50,000)	-	24 September 2003 – 28 November 2004
	<i>(note v)</i>				
	1,750,000	-	-	1,750,000	24 March 2004 – 23 March 2013
	50,000	-	(50,000)	-	24 March 2004 – 28 November 2004
	<i>(note v)</i>				
Sub-total	3,600,000	-	(850,000)	2,750,000	
Total	19,950,000	-	(850,000)	19,100,000	

## Report of the Directors

### SHARE OPTIONS *(continued)*

#### (b) New Scheme *(continued)*

Date of share option granted (note i): 11 February 2004

Exercise price (note ii): HK\$2.05

Name or category of participant	As at 1 July 2003	Number of share options Granted during the year (note vi)	Exercised during the year	As at 30 June 2004	Exercise period of share options
<b>Directors</b>					
Mr. Wang Ming-chun, Morris	-	400,000	-	400,000	16 February 2005 – 10 February 2014
	-	400,000	-	400,000	16 August 2005 – 10 February 2014
	-	400,000	-	400,000	16 February 2006 – 10 February 2014
	-	1,200,000	-	1,200,000	
Mr. Chang Su-pong, Steve	-	166,000	-	166,000	16 February 2005 – 10 February 2014
	-	166,000	-	166,000	16 August 2005 – 10 February 2014
	-	168,000	-	168,000	16 February 2006 – 10 February 2014
	-	500,000	-	500,000	
Mr. Yeh Pei-chu, Ivan	-	266,000	-	266,000	16 February 2005 – 10 February 2014
	-	266,000	-	266,000	16 August 2005 – 10 February 2014
	-	268,000	-	268,000	16 February 2006 – 10 February 2014
	-	800,000	-	800,000	
Mr. Lai Chen-chu, Jack	-	100,000	-	100,000	16 February 2005 – 10 February 2014
	-	100,000	-	100,000	16 August 2005 – 10 February 2014
	-	100,000	-	100,000	16 February 2006 – 10 February 2014
	-	300,000	-	300,000	
Mr. Wong Kui-ming, Luffer	-	200,000	-	200,000	16 February 2005 – 10 February 2014
	-	200,000	-	200,000	16 August 2005 – 10 February 2014
	-	200,000	-	200,000	16 February 2006 – 10 February 2014
	-	600,000	-	600,000	
Ms. Hui Siu-ling, Elina	-	66,000	-	66,000	16 February 2005 – 10 February 2014
	-	66,000	-	66,000	16 August 2005 – 10 February 2014
	-	68,000	-	68,000	16 February 2006 – 10 February 2014
	-	200,000	-	200,000	

## Report of the Directors

### SHARE OPTIONS (continued)

#### (b) New Scheme (continued)

Name or category of participant	As at 1 July 2003	Number of share options Granted during the year (note vi)	Exercised during the year	As at 30 June 2004	Exercise period of share options
Mr. Lee Chiu-kang, Alex	-	66,000	-	66,000	16 February 2005 - 10 February 2014
	-	66,000	-	66,000	16 August 2005 - 10 February 2014
	-	68,000	-	68,000	16 February 2006 - 10 February 2014
	-	200,000	-	200,000	
Mr. Chan Mo-po, Paul	-	50,000	-	50,000	16 February 2005 - 10 February 2014
	-	50,000	-	50,000	16 August 2005 - 10 February 2014
	-	50,000	-	50,000	16 February 2006 - 10 February 2014
	-	150,000	-	150,000	
Sub-total	-	3,950,000	-	3,950,000	
<b>Other employees</b>					
In aggregate	-	13,322,000	-	13,322,000	16 February 2005 - 10 February 2014
	-	13,446,000	-	13,446,000	16 August 2005 - 10 February 2014
	-	11,082,000	-	11,082,000	16 February 2006 - 10 February 2014
Sub-total	-	37,850,000	-	37,850,000	
Total	-	41,800,000	-	41,800,000	

#### Notes:

- (i) The vesting period of share options is from the date of the grant until the commencement of the exercise period.
- (ii) The exercise price of share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- (iii) The weighted average closing market price per share immediately before the dates of which the share options were exercised was HK\$1.87.
- (iv) The weighted average closing market price per share immediately before the dates of which the share options were exercised was HK\$1.89.
- (v) The amount represents share options granted to Mr. Yip Ka-kay, Kevin, former director of the Company, with exercise period of share options changed from 24 September 2003 to 23 March 2013 to 24 September 2003 to 28 November 2004 and from 24 March 2004 to 23 March 2013 to 24 March 2004 to 28 November 2004 followed his resignation on 28 November 2003.
- (vi) The closing price of the Company's shares immediately before 11 February 2004, the date of grant of the options during the year, was HK\$1.92.

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### SHARE OPTIONS *(continued)*

The directors do not consider it is appropriate to disclose a theoretical value of the share options of the Company granted because a number of factors crucial for the valuation are subjective and uncertain. Accordingly, any valuation of the options based on various speculative assumptions would not be meaningful, and would be misleading.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed under the section headed "SHARE OPTIONS", 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 AND CONNECTED TRANSACTIONS

During the year, the Group paid operating lease rentals in respect of land and buildings and plant and machinery of approximately HK\$998,200 to Isystems Technology, Inc., a company of which Messrs. Yang Long-san, Rowell and Yang Yun-tsai (father of Mr. Yang Long-san, Rowell) own 19.4% and 16.8% of the issued share capital, respectively. The value of the aggregate rental does not exceed the thresholds under Rule 14.25(1) of the Listing Rules applicable in the period ended 30 March 2004 and Rule 14A.34 of the revised Listing Rules which came into effect on 31 March 2004.

The independent non-executive directors of the Company have reviewed and confirmed that the connected transactions during the year were:

- (i) conducted in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms;
- (iii) fair and reasonable so far as the shareholders of the Company are concerned; and
- (iv) the value of the aggregate rental does not exceed the thresholds under Rule 14.25(1) of the Listing Rules applicable in the period ended 30 March 2004 and Rule 14A.34 of the revised Listing Rules which came into effect on 31 March 2004.

Other than as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules and 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.

## Report of the Directors

### SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2004, the interests and short positions of the substantial shareholders in more than 5% of the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO were as follows:

#### (a) Long positions in shares of the Company

Name of substantial shareholder	No. of ordinary shares	Capacity and nature of interest	% of issued share capital
Mr. Yang Long-san, Rowell	245,862,724	Beneficial owner of 21,152,000 shares and interest of controlled corporation in 224,710,724 shares ( <i>Note i</i> )	38.30%
Peipus International Ltd. ( <i>Note i</i> )	224,710,724	Beneficial owner	35.00%
Nordea I SICAV-Far Eastern Value Fund	46,033,000	Investment manager	7.17%
Value Partners Limited ( <i>Note ii</i> )	37,178,000	Investment Manager	5.79%
Mr. Cheah Cheng Hye ( <i>Note ii</i> )	37,178,000	Interest of controlled corporation	5.79%

Notes:

- (i) The entire issued share capital of Peipus International Ltd., is owned by Mr. Yang Long-san, Rowell. Accordingly, Mr. Yang Long-san, Rowell is deemed to be interested in all the shares in which Peipus International Ltd. is interested pursuant to the SFO.
- (ii) The issued share capital of Value Partners Limited is owned as to approximately 32.53% by Mr. Cheah Cheng Hye. Accordingly, Mr. Cheah Cheng Hye is deemed to be interested in all the shares in which Value Partners Limited is interested pursuant to the SFO.

#### (b) Long positions in underlying shares and short positions in shares and underlying shares

Other than as disclosed under the section headed "SHARE OPTIONS", there were no long positions in the underlying shares or short positions in the shares and underlying shares of the Company, which were recorded in the register as required to be kept pursuant to Section 336 of Part XV of SFO.

## Report of the Directors

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### MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers in aggregate accounted for approximately 33% of the turnover of the Group and the largest customer accounted for approximately 8% of the total turnover of the Group.

The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 52% of the total purchases of the Group and the largest supplier accounted for approximately 23% of the total purchases of the Group.

At no time during the year did a director, an associate of a director or a shareholder of the Company, which to the knowledge of the directors owns more than 5% of the Company's issued share capital, have an interest in any of the five largest customers or suppliers of the Group.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or the Companies Act 1981 of Bermuda (as amended), which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year ended 30 June 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

The term of office for each independent non-executive director of the Company is the period up to his retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-Laws.

### MODEL CODE

The Company has adopted the Code of Conduct regarding securities transactions by directors as set out in Appendix 10 to the Listing Rules during the relevant accounting period and all directors have complied with the required standard of dealings set out therein.

### DISCLOSURE PURSUANT TO PARAGRAPH 13.13 OF THE LISTING RULES

In accordance with Practice Note No. 19 of the Listing Rules applicable in the period ended 30 March 2004 and paragraph 13.13 of the revised Listing Rules which came into effect on 31 March 2004, the Group hereby discloses that the Group had a trading receivable from a customer, namely Dongguan Huaguan Electronics Co., Ltd. ("DHEC"), of approximately HK\$125 million at 30 June 2004, which was interest-free and secured by leasehold land and buildings held by DHEC. This receivable arose from sales made during the year. The amount due exceeded 8% of relevant percentage ratios (as defined in the Listing Rules). Up to the date of this report, 2% of the receivable from DHEC had been settled.

## Report of the Directors

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### AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The Group's financial statements for the year ended 30 June 2004 have been reviewed by the audit committee, who are of the opinion that such statements comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

### POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 37 to the financial statements.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the directors, the directors confirm that the Company has maintained the amount of public float as required under the Listing Rules during the year.

### 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

**Yang Long-san, Rowell**

*Chairman and Chief Executive Officer*

Hong Kong, 25 October 2004