

Report of the Directors

The directors present their report and the audited financial statements for the year ended 30 June 2005.

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 2005 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 2005 are set out in the consolidated income statement on page 25 of the annual report. An interim dividend of HK2.2 cents per share amounting to approximately HK\$14,201,000 was paid to the shareholders during the year.

The directors did not recommend the payment of a final dividend for the year ended 30 June 2005.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$65 million on land and buildings, approximately HK\$94 million on moulds and machinery and approximately HK\$21 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 2005, resulting in a revaluation surplus of approximately HK\$18 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.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 26 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. Wong Kui-ming, Luffer

Ms. Hui Siu-ling, Elina

Mr. Yeh Pei-chu, Ivan

(resigned on 1 June 2005)

Mr. Lai Chen-chu, Jack

(resigned on 1 June 2005)

Independent non-executive directors:

Mr. Lee Chiu-kang, Alex

Mr. Liu Zixian

Mr. Lau Siu-ki, Kevin

(appointed on 1 September 2005)

Mr. Chan Mo-po, Paul

(resigned on 1 September 2005)

In accordance with Bye-Laws 111, 115 and 127 of the Company's Bye-Laws, Mr. Lau Siu-ki, Kevin will retire and, being eligible, will offer himself 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 and Mr. Lau Siu-ki, Kevin, 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 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

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive directors

Mr. Yang Long-san, Rowell, aged 49, is the Chairman and Chief Executive Officer of the Company. He is the founder of the Group and has over 24 years' experience in the computer and electronics industry. He is responsible for the Group's overall strategic planning, policy making and financial decisions.

Mr. Wang Ming-chun, Morris, aged 51, 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 23 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 52, joined the Group in March 1991. He holds a diploma in Electronic Engineering from 國立台北工業專科學校 National Taipei Institute of Technology of Taiwan. He has over 23 years' experience in the computer monitor industry. Mr. Chang is responsible for the business development of TV related business of the Group.

Mr. Wong Kui-ming, Luffer, aged 44, joined the Group in April 1994. Mr. Wong holds a bachelor of science degree in 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 18 years' experience in the computer industry.

Ms. Hui Siu-ling, Elina, aged 47, joined the Group in May 1994. Ms. Hui is responsible for the administration of the Group.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS *(continued)*

Independent non-executive directors

Mr. Lee Chiu-kang, Alex, aged 55, has been in the investment business, both in Canada and Hong Kong, for over 20 years. He has worked as the head of investment operations for several 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. Liu Zixian, aged 55, is the director of the Management Committee of Shenzhen Grand Industrial Zone and the Management Committee of Guangdong Shenzhen Export Processing Zone. Mr. Liu graduated from the North Communications University, the PRC in 1974 and has over twenty years of experience in administrative management, international economics and corporate management.

Mr. Lau Siu-ki, Kevin, aged 47, joined the Company in September 2005, is currently an independent non-executive director of other eight public companies listed on the Stock Exchange, namely, COL Capital Limited, Carry Wealth Holdings Limited, Comba Telecom Systems Holdings Limited, Forefront International Holdings Limited, Foxconn International Holdings Limited, Greenfield Chemical Holdings Limited, Sys Solution Holdings Limited and TCL Communication Technology Holdings Limited.

Mr. Lau has over 20 years of experience in corporate finance, financial advisory and management, accounting and auditing. Mr. Lau is currently a financial advisory consultant running his own management consultancy firm, Hin Yan Consultants Limited and also a consultant to the Corporate Finance division of PCP CPA Limited, a medium sized certified public accountant firm in Hong Kong. Previously, he worked at Ernst & Young for over 15 years.

Mr. Lau graduated from Hong Kong Polytechnic in 1981. He is a fellow member of both the Association of Chartered Certified Accountants (ACCA) and The Hong Kong Institute of Certified Public Accountants. Mr. Lau has been elected as a member of the world council of ACCA since 2002. He has also served on the executive committee of the Hong Kong branch of ACCA (ACCA Hong Kong) since 1995, and was the chairman of ACCA Hong Kong in 2000/2001.

Report of the Directors

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2005, the interests and short positions held by the directors in shares and 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:

Name of director	Nature of interest	Number of ordinary shares held	Number of share options held	Total no. of ordinary shares and share options held	% of issued share capital
Mr. Yang Long-san, Rowell	Beneficial owner of 13,852,000 shares and 7,300,000 share options and interest of controlled corporation of 224,710,724 shares (Note)	238,562,724	7,300,000	245,862,724	38.09%
Mr. Wang Ming-chun, Morris	Beneficial owner	388,000	6,450,000	6,838,000	1.06%
Mr. Chang Su-pong, Steve	Beneficial owner	–	2,000,000	2,000,000	0.31%
Mr. Wong Kui-ming, Luffer	Beneficial owner	1,230,000	2,600,000	3,830,000	0.59%
Ms. Hui Siu-ling, Elina	Beneficial owner	–	200,000	200,000	0.03%
Mr. Lee Chiu-kang, Alex	Beneficial owner	100,000	550,000	650,000	0.10%
Mr. Chan Mo-po, Paul	Beneficial owner of 75,000 shares and 375,000 share options and family interest in 606,896 shares	681,896	375,000	1,056,896	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.

Save as disclosed above and under the section headed "SHARE OPTIONS", none of the Directors, chief executives or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations were recorded in the register required to be kept under Section 352 of the SFO as at 30 June 2005.

Report of the Directors

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 27 to the financial statements.

(a) Old Scheme

As at 30 June 2005, 4,250,000 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 2004	Number of share options			As at 30 June 2005	Exercisable period of share options
		Granted during the year	Exercised during the year (viii) (ix)	Lapsed during the year		
Directors						
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	-	(2,500,000)	-	2,500,000	
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	-	(250,000)	-	250,000	
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	-	(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	-	-	(150,000)	150,000	
Mr. Chan Mo-po, Paul	75,000	-	-	-	75,000	1 January 2001 – 31 December 2005
Sub-Total	6,875,000	-	(3,250,000)	(150,000)	3,475,000	

Report of the Directors

SHARE OPTIONS (continued)

(a) Old Scheme (continued)

Name or category of participant	As at 1 July 2004	Number of share options			As at 30 June 2005	Exercisable period of share options
		Granted during the year	Exercised during the year (viii) (ix)	Lapsed during the year		
Other employees and a former director						
In aggregate	425,000	–	(225,000)	(200,000)	–	1 January 2000 – 31 December 2004
	1,850,000	–	–	(1,075,000)	775,000	1 January 2001 – 31 December 2005
				(note iii)		
	2,275,000	–	(225,000)	(1,275,000)	775,000	
Total	9,150,000	–	(3,475,000)	(1,425,000)	4,250,000	

(b) New Scheme

As at 30 June 2005, 17,400,000 and 37,066,000 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 2004	Number of share options			As at 30 June 2005	Exercisable period of share options
		Granted during the year	Exercised during the year	Lapsed during the year		
Directors						
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. 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 2004	Number of share options			As at 30 June 2005	Exercisable period of share options
		Granted during the year	Exercised during the year	Lapsed during the year		
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	13,150,000	-	-	-	13,150,000	
Other employees and former directors						
In aggregate	1,850,000	-	-	(850,000) ^(iv)	1,000,000	24 September 2003 – 23 March 2013
	2,600,000	-	-	(850,000) ^(iv)	1,750,000	24 March 2004 – 23 March 2013
	750,000	-	-	-	750,000 ^(iv)	24 September 2003 – 31 May 2006
	750,000	-	-	-	750,000 ^(iv)	24 March 2004 – 31 May 2006
Sub-total	5,950,000	-	-	(1,700,000)	4,250,000	
Total	19,100,000	-	-	(1,700,000)	17,400,000	

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 2004	Number of share options			As at 30 June 2005	Exercisable period of share options
		Granted during the year	Exercised during the year	Lapsed during the year		
Directors						
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. 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	
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	2,850,000	–	–	–	2,850,000	

Report of the Directors

SHARE OPTIONS (continued)

(b) New Scheme (continued)

Name or category of participant	As at 1 July 2004	Number of share options			As at 30 June 2005	Exercisable period of share options
		Granted during the year	Exercised during the year	Lapsed during the year		
Other employees and former directors						
In aggregate	266,000	–	–	–	266,000 ^(vi)	16 February 2005 – 31 May 2006
	13,322,000	–	–	(1,396,000)	11,926,000	16 February 2005 – 10 February 2014
	100,000	–	–	(100,000) ^(iv)	–	16 February 2005 – 10 February 2014
	13,446,000	–	–	(1,409,000)	12,037,000	16 August 2005 – 10 February 2014
	266,000	–	–	(266,000) ^(vi)	–	16 August 2005 – 10 February 2014
	100,000	–	–	(100,000) ^(iv)	–	16 August 2005 – 10 February 2014
	11,082,000	–	–	(1,095,000)	9,987,000	16 February 2006 – 10 February 2014
	268,000	–	–	(268,000) ^(vi)	–	16 February 2006 – 10 February 2014
	100,000	–	–	(100,000) ^(iv)	–	16 February 2006 – 10 February 2014
Sub-total	38,950,000	–	–	(4,734,000)	34,216,000	
Total	41,800,000	–	–	(4,734,000)	37,066,000	

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 amount includes 875,000 share options granted to Mr. Lai Chen-chu, Jack, former director of the Company, lapsed automatically in accordance with the terms of the Old Scheme as a result of his resignation on 1 June 2005.
- (iv) The amount represents share options granted to Mr. Lai Chen-chu, Jack, former director of the Company, lapsed automatically in accordance with the terms of the New Scheme as a result of his resignation on 1 June 2005.
- (v) The amount represents share options granted to Mr. Yeh Pei-chu, Ivan, former director of the Company, with the last date of the exercise period of share options changed from 23 March 2013 to 31 May 2006 as a result of his resignation on 1 June 2005.
- (vi) The amount represents share options granted to Mr. Yeh Pei-chu, Ivan, former director of the Company, with the last date of the exercise period of share options changed from 10 February 2014 to 31 May 2006 as a result of his resignation on 1 June 2005.
- (vii) The amount represents share options granted to Mr. Yeh Pei-chu, Ivan, former director of the Company, lapsed automatically in accordance with the terms of the New Scheme as a result of his resignation on 1 June 2005.
- (viii) The weighted average closing market price per share immediately before the dates of which the share options were exercised was HK\$1.46.
- (ix) The weighted average closing market price per share immediately before the dates of which the share options were exercised was HK\$1.28.

Report of the Directors

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 2005, 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:

Name of substantial shareholder	Capacity and nature of interest	No. of ordinary shares held	No. of share options held	Total no. of ordinary shares and share options held	% of issued share capital
Mr. Yang Long-san, Rowell	Beneficial owner of 13,852,000 shares and 7,300,000 share options and interest in controlled corporation of 224,710,724 shares (Note)	238,562,724	7,300,000	245,862,724	38.09%
Peipus International Ltd.	Beneficial owner	224,710,724	–	224,710,724	34.81%
Nordea I SICAV-Far Eastern Value Fund	Investment manager	46,033,000	–	46,033,000	7.13%

Note: 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.

Save as disclosed above and under the section headed "SHARE OPTIONS", there were no interest or a short position 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 the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers in aggregate accounted for less than 30% of the total turnover of the Group. The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 54% of the total purchases of the Group and the largest supplier accounted for approximately 17% of the total purchases of the Group.

At no time during the year did a director, an associate of 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 and suppliers of the Group.

EMOLUMENT POLICY

The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The emoluments of the directors of the Company are decided by the board of directors, as authorised by the shareholders at the annual general meeting, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company maintains a share option scheme, pursuant to which, share options are granted to selected eligible participants, with a view to provide incentive to the options holders to participate and contribution the growth of the Group.

Report of the Directors

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 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules on the Stock Exchange, in force prior to the accounting period commencing on or after 1 January 2005, throughout the accounting period covered by this annual report, save that the independent non-executive directors are not appointed for a specific term, but are subject to retirement by rotation in accordance with the Company's Bye-Laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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

As at 30 June 2005, the Group had trade receivables due from the following entities which individually exceeds 8 percent of the market capitalization and/or the total assets of the Group:

Name of Entities	Amount of Trade Receivables <i>HK\$'000</i>	Market Capitalization	Total Assets	Note
Korea Data Systems	128,280	22.58%	0.17%	(i) (iv)
MAG Technology Co., Ltd. ("MAG")	128,925	22.69%	0.17%	(ii) (iv)
Gateway Company Inc.	116,300	20.47%	0.16%	(i) (iv)
Donguan Huaguan Technology Ltd. ("DHEC")	58,601	10.32%	0.01%	(iii) (iv)
Dixons Stores Group	57,723	10.16%	0.01%	(i) (iv)
Viewsonic China Limited	57,682	10.16%	0.01%	(i) (iv)
Lenovo (Beijing) Limited & Shanghai Lenovo Electronic Co., Ltd.	57,319	10.10%	0.01%	(i) (iv)

Notes:

- (i) The amounts are interest-free, unsecured and have a normal repayment term not exceeding 90 days.
- (ii) The amount is interest-free and secured by the trademark of MAG. Up to the date of this report, 1% of the receivable from MAG had been settled.
- (iii) The amount is interest-free and secured by leasehold land and buildings held by DHEC. Up to the date of this report, 12% of the receivable from DHEC had been settled.
- (iv) The entities are independent third parties not connected directors, chief executives or substantial shareholders of the Group or their respective associates.

Report of the Directors

AUDIT COMMITTEE

The Group's financial statements for the year ended 30 June 2005 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.

REMUNERATION COMMITTEE

The remuneration committee comprises two independent non-executive directors and one executive director. The remuneration committee has adopted terms of reference which are in line with the code provisions of the Code on Corporate Governance.

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, 27 October 2005