

# 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 31 March 2006.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group consist of the marketing and distribution of electronic components, and the design, manufacture and sale of electronic products. There were no significant changes in the nature of the Group's principal activities during the year.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2006 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 31 to 102.

The directors recommend the payment of a final dividend of HK2 cents per ordinary share in respect of the year to shareholders on the register of members on 23 August 2006. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet. No interim dividend was paid during the year.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

## SHARE CAPITAL AND SHARE OPTIONS

There was no movement in either the Company's authorised or issued share capital during the year. Details of the Company's share capital are set out in note 29 to the financial statements.

Details of movements in the Company's share options during the year, together with the reasons therefor, are set out in note 30 to the financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law (2004 Revision) of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

As at 31 March 2006, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law (2004 Revision) of the Cayman Islands, amounted to HK\$141,691,000, of which HK\$8,102,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$156,300,000, may be distributed in the form of fully paid bonus shares.

# Report of the Directors

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

### RESULTS

	Year ended 31 March				
	2006	2005	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE	<b>2,452,230</b>	2,287,354	1,771,473	1,689,296	1,194,465
PROFIT/(LOSS) BEFORE TAX	<b>16,231</b>	242,376	142,397	17,298	(52,198)
Tax	<b>(7,891)</b>	(32,266)	(16,427)	(4,732)	(395)
PROFIT/(LOSS) FOR THE YEAR	<b>8,340</b>	210,110	125,970	12,566	(52,593)
Attributable to:					
Equity holders of the Company	<b>10,531</b>	210,110	125,970	12,566	(52,593)
Minority interests	<b>(2,191)</b>	—	—	—	—
	<b>8,340</b>	210,110	125,970	12,566	(52,593)

### ASSETS AND LIABILITIES

	As at 31 March				
	2006	2005	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS	<b>969,460</b>	1,050,889	794,299	569,373	487,115
TOTAL LIABILITIES	<b>(552,344)</b>	(576,992)	(487,454)	(357,885)	(316,373)
	<b>417,116</b>	473,897	306,845	211,488	170,742

# Report of the Directors

## DIRECTORS

The directors of the Company during the year and at the balance sheet date were:

### Executive directors:

Mr. So Yuk Kwan (*Chairman*)

Mr. Lee Jeong Kwan (*CEO*)

Mr. So Chi On (*CEO*)

Mr. Lai Yat Hung, Edmund (resigned on 1 March 2006)

Mr. Lai Yun Wing (resigned on 1 April 2005)

### Independent non-executive directors:

Dr. Hon. Lui Ming Wah, SBS, JP

Mr. Charles Edward Chapman

Mr. Wong Ka Kit

In accordance with article 112 of the Company's articles of association, Mr. Lui Ming Wah and Mr. So Chi On will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive directors are appointed for a specific term and they are required to retire by rotation in accordance with the Company's articles of association.

The Company has received annual confirmations of independence from Mr. Lui Ming Wah, Mr. Charles Edward Chapman and Mr. Wong Ka Kit, pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers the independent non-executive directors to be independent as at the date of this report.

## DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a material interest 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.

## Report of the Directors

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2006, the interests and short positions of the directors and chief executives in the shares and underlying shares of the Company or any of its associated corporation (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 "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

#### Long position in shares of the Company

##### (a) Interests in shares of the Company

Name of director	Capacity	Number of shares held and nature of interest		Total	Percentage of interest in the Company's issued share capital
		Personal interest	Other interest		
Mr. So Yuk Kwan	Founder of a discretionary trust	–	140,814,300 (Note)	140,814,300	34.76
Mr. Lee Jeong Kwan	Beneficial owner	1,000,000	–	1,000,000	0.25
Mr. So Chi On	Beneficiary of a trust	–	140,814,300 (Note)	140,814,300	34.76

*Note:* B.K.S. Company Limited ("BKS"), which is a wholly-owned subsidiary of Credit Cash Limited ("CCL"), is the legal and beneficial owner of 140,814,300 shares of HK\$0.10 each in the issued share capital of the Company. The entire issued share capital of CCL is held by Trident Trust Company (B.V.I.) Limited ("Trident") (formerly known as Trident Corporate Services (B.V.I.) Limited), which is the trustee of a discretionary trust, the beneficiaries of which include Mr. So Chi On and other family members of Mr. So Yuk Kwan.

##### (b) Interests in underlying shares of the Company

The interests of the directors and chief executives in the share options of the Company are separately disclosed in note 30 to the financial statements.

Save as disclosed above, as at 31 March 2006, none of the directors or chief executives had registered an interest or short position in the shares or underlying shares 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.

# Report of the Directors

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 30 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' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2006, so far as is known to, or can be ascertained after reasonable enquiry by the directors and the chief executives of the Company, the persons or corporations (other than the directors and chief executives of the Company) who had interests of 5% or more of the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company were as follows:

### Long position in shares of the Company

Name	Number of shares held	Percentage of interest in the Company's issued share capital
BKS	140,814,300 ( <i>Note</i> )	34.76
CCL	140,814,300 ( <i>Note</i> )	34.76
Trident	140,814,300 ( <i>Note</i> )	34.76
Madam Yeung Kit Ling	140,814,300 ( <i>Note</i> )	34.76
Madam Leung Hoi Man	140,814,300 ( <i>Note</i> )	34.76

*Note:* The 140,814,300 shares in the Company were beneficially held by BKS which is a wholly-owned subsidiary of CCL. CCL is a company wholly-owned by Trident, which is the trustee of a discretionary trust, the beneficiaries of which include Mr. So Chi On, Madam Yeung Kit Ling and other family members of Mr. So Yuk Kwan. Madam Leung Hoi Man is the spouse of Mr. So Chi On. Therefore, BKS, CCL, Trident, Madam Yeung Kit Ling and Madam Leung Hoi Man are interested in the same block of shares.

Save as disclosed above, as at 31 March 2006, the Company has not been notified by any person or corporation, other than the directors of the Company whose interests are set out above, having interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

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

## **CHARITABLE CONTRIBUTIONS**

During the year, the Group made charitable contributions amounting to HK\$170,000.

## **MAJOR CUSTOMERS AND SUPPLIERS**

In the year under review, sales to the Group's five largest customers accounted for less than 30.0% of total sales. Purchases from the Group's five largest suppliers for the year accounted for approximately 86.2% of the Group's total purchases and purchases from the largest supplier included therein amounted to approximately 27.6%.

None of the directors of the Company or any of their associates, 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 and suppliers.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

## **POST BALANCE SHEET EVENT**

Details of the significant post balance sheet event of the Group are set out in note 16(b) to the financial statements.

## **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

**So Yuk Kwan**

*Chairman*

Hong Kong

25 July 2006