

## 18 Report of the Directors

### **DIRECTORS' REPORT**

The directors present their report and the audited consolidated financial statements for the year ended 30 June 2006.

### **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The principal activities of the Company's principal subsidiaries, associates and a jointly controlled entity as at 30 June 2006 are set out in notes 48, 20 and 21 to the consolidated financial statements, respectively.

### **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 30 June 2006 are set out in the consolidated income statement on page 31 of the consolidated financial statements. An interim dividend of HK2.5 cents per share amounting to approximately HK\$16,155,000 was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of HK2.5 cents per share to the shareholders on the Register of Members on 28 November 2006, amounting to approximately HK\$16,170,000.

### **PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group spent approximately HK\$106 million on moulds and machinery and approximately HK\$11 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 2006, resulting in a revaluation surplus of approximately HK\$6.8 million.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

### **SHARE CAPITAL**

Details of movements in the share capital of the Company during the year are set out in note 36 to the consolidated 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.

## 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

Ms. Hui Siu-ling, Elina

Mr. Lee Yi, Richard

(appointed on 19 May 2006)

Mr. Wong Kui-ming, Luffer

(resigned on 19 May 2006)

### 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(A) and 115 of the Company's Bye-Laws, Mr. Yang Long-san, Rowell, Mr. Chang Su-pong, Steve and Ms. Hui Siu-ling, Elina and Mr. Lee Yi, Richard will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

## DIRECTORS' SERVICE CONTRACTS

Except for Mr. Wang Ming-chun, Morris and Mr. Lee Yi, Richard, 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.

Mr. Lee Chiu-kang, Alex, an independent non-executive director, has entered into a service contract with the Company on 29 October 2003, for an initial term of two years deemed to be commencing from 26 May 1997. This service contract is renewable automatically for successive terms of two years, subject to his retirement by rotation in accordance with the Company Bye-Laws. The service contract 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.

## BIOGRAPHICAL DETAILS OF DIRECTORS

### Executive directors

**Mr. Yang Long-san, Rowell**, aged 50, is the Chairman and Chief Executive Officer of the Company. He is the founder of the Group and has over 25 years' experience in the computer and electronics industry. He is responsible for the Group's overall strategic planning, policy making and financial decisions.

## 20 Report of the Directors

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

#### Executive directors *(continued)*

**Mr. Wang Ming-chun, Morris**, aged 52, 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 24 years' experience in the computer monitor industry. Mr. Wang is responsible for the operation and development of monitor related business of the Group.

**Mr. Chang Su-pong, Steve**, aged 53, 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 24 years' experience in the computer monitor industry. Mr. Chang is responsible for the business development of TV related business of the Group.

**Mr. Lee Yi, Richard**, aged 56, joined the Group in May 2006. He holds a bachelor degree and a master degree in Business Finance from the University of San Francisco. Mr. Lee has over 25 years' experience in international banking, corporate finance, financial advisory and management. Prior to joining the Group, Mr. Lee served Fortis Bank Taipei Branch as the General Manager and RaboBank Taipei Representative Office as the Chief Representative for seven years. Mr. Lee is the Chief Financial Officer and the Head of Investor Relations of the Group.

**Ms. Hui Siu-ling, Elina**, aged 48, joined the Group in May 1994. Ms. Hui is responsible for the administration of the Group.

#### Independent non-executive directors

**Mr. Lau Siu-ki, Kevin**, aged 48, joined the Company in September 2005, is currently an independent non-executive director for nine other public companies listed on The Stock Exchange of Hong Kong Limited (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, Samson Holding Limited, Sys Solution Holdings Limited and TCL Communication Technology Holdings Limited.

Mr. Lau has over 25 years' 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.

**Mr. Lee Chiu-kang, Alex**, aged 56, 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. Mr. Lee is also holding a post as adjunct professor in City University of Hong Kong.

**BIOGRAPHICAL DETAILS OF DIRECTORS** (continued)**Independent non-executive directors** (continued)

**Mr. Liu Zixian**, aged 56, is the director of the Management Committee of Shenzhen Grand Industrial Zone and the Management Committee of Guandong 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.

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

As at 30 June 2006, 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 Rules Governing The Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in shares of the Company

Name of director	Nature of interest	Number of ordinary shares held	Number or 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 4,800,000 share options and interest in controlled corporation of 224,710,724 shares (Note)	238,562,724	4,800,000	243,362,724	37.62%
Mr. Wang Ming-chun, Morris	Beneficial owner	388,000	8,200,000	8,588,000	1.33%
Mr. Chang Su-pong, Steve	Beneficial owner	–	2,600,000	2,600,000	0.40%
Ms. Hui Siu-ling, Elina	Beneficial owner	–	800,000	800,000	0.12%
Mr. Lau Siu-ki, Kevin	Beneficial owner	–	200,000	200,000	0.03%
Mr. Lee Chiu-kang, Alex	Beneficial owner	200,000	800,000	1,000,000	0.15%
Mr. Liu Zixian	Beneficial owner	–	200,000	200,000	0.03%

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 2006.

## 22 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 37 to the consolidated financial statements.

#### (a) Old Scheme

As at 30 June 2006, no 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 2005	Number of share options			As at 30 June 2006	Exercisable period of share options
		Granted during the year	Exercised during the year	Lapsed/ cancelled during the year		
<b>Directors</b>						
Mr. Yang Long-san, Rowell	2,500,000	-	-	(2,500,000)	-	1 January 2001 – 31 December 2005
Mr. Wang Ming-chun, Morris	250,000	-	-	(250,000)	-	1 January 2001 – 31 December 2005
Mr. Lee Chiu-kang, Alex	150,000	-	-	(150,000)	-	1 January 2001 – 31 December 2005
Sub-Total	2,900,000	-	-	(2,900,000)	-	
<b>Other employees and former directors</b>						
In aggregate	1,350,000	-	-	(1,350,000)	-	1 January 2001 – 31 December 2005
Total	4,250,000	-	-	(4,250,000)	-	

## Report of the Directors (23)

## SHARE OPTIONS (continued)

## (b) New Scheme

As at 30 June 2006, 15,450,000, 29,785,000 and 25,000,000 share options at the exercise price of HK\$1.04, HK\$2.05 and HK\$1.70, 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 2005	Number of share options			As at 30 June 2006	Exercisable period of share options
		Granted during the year	Exercised during the year (ix)	Lapsed/ cancelled during the year		
<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. 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	
Sub-total	11,500,000	-	-	-	11,500,000	
<b>Other employees and former directors</b>						
In aggregate	1,000,000	-	(300,000)	-	700,000	24 September 2003 – 23 March 2013
	750,000	-	-	(750,000) (iii)	-	24 September 2003 – 31 May 2006
	75,000	-	-	(75,000) (iv)	-	24 September 2003 – 23 March 2013
	750,000	-	-	-	750,000 (v)	24 September 2003 – 18 May 2008
	1,750,000	-	-	-	1,750,000	24 March 2004 – 23 March 2013
	750,000	-	(750,000) (iii)	-	-	24 March 2004 – 31 May 2006
	75,000	-	-	(75,000) (iv)	-	24 March 2004 – 23 March 2013
	750,000	-	-	-	750,000 (v)	24 March 2004 – 18 May 2008
	5,900,000	-	(1,050,000)	(900,000)	3,950,000	
Total	17,400,000	-	(1,050,000)	(900,000)	15,450,000	

# 24 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 2005	Granted during the year	Exercised during the year	Number of share options Lapsed/ cancelled during the year	As at 30 June 2006	Exercisable 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	
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	
Sub-total	2,100,000	-	-	-	2,100,000	
<b>Other employees and former directors</b>						
In aggregate	11,926,000	-	-	(2,360,000)	9,566,000	16 February 2005 – 10 February 2014
	266,000	-	-	(266,000) <sup>(vi)</sup>	-	16 February 2005 – 31 May 2006
	50,000	-	-	(50,000) <sup>(iv)</sup>	-	16 February 2005 – 10 February 2014
	200,000	-	-	-	200,000 <sup>(vii)</sup>	16 February 2005 – 18 May 2008
	12,037,000	-	-	(2,374,000)	9,663,000	16 August 2005 – 10 February 2014
	50,000	-	-	(50,000) <sup>(iv)</sup>	-	16 August 2005 – 10 February 2014
	200,000	-	-	-	200,000 <sup>(vii)</sup>	16 August 2005 – 18 May 2008
	9,987,000	-	-	(2,131,000)	7,856,000	16 February 2006 – 10 February 2014
	50,000	-	-	(50,000) <sup>(iv)</sup>	-	16 February 2006 – 10 February 2014
	200,000	-	-	-	200,000 <sup>(vii)</sup>	16 February 2006 – 18 May 2008
	34,966,000	-	-	(7,281,000)	27,685,000	
	37,066,000	-	-	(7,281,000)	29,785,000	
Total	37,066,000	-	-	(7,281,000)	29,785,000	

## Report of the Directors (25)

**SHARE OPTIONS** (continued)**(b) New Scheme** (continued)

Date of share option granted (note i): 13 February 2006  
 Exercise price (note ii): HK\$1.70

Name or category of participant	As at 1 July 2005	Number of share options			As at 30 June 2006	Exercisable period of share options
		Granted during the year	Exercised during the year	Lapsed/ cancelled during the year		
<b>Directors</b>						
Mr. Wang Ming-chun, Morris	-	1,000,000	-	-	1,000,000	1 July 2006 – 31 December 2008
	-	1,000,000	-	-	1,000,000	1 January 2007 – 31 December 2008
	-	2,000,000	-	-	2,000,000	
Mr. Chang Su-pong, Steve	-	300,000	-	-	300,000	1 July 2006 – 31 December 2008
	-	300,000	-	-	300,000	1 January 2007 – 31 December 2008
	-	600,000	-	-	600,000	
Ms. Hui Siu-ling, Elina	-	300,000	-	-	300,000	1 July 2006 – 31 December 2008
	-	300,000	-	-	300,000	1 January 2007 – 31 December 2008
	-	600,000	-	-	600,000	
Mr. Lee Chiu-kang, Alex	-	200,000	-	-	200,000	1 July 2006 – 31 December 2008
	-	200,000	-	-	200,000	1 January 2007 – 31 December 2008
	-	400,000	-	-	400,000	
Mr. Liu Zixian	-	100,000	-	-	100,000	1 July 2006 – 31 December 2008
	-	100,000	-	-	100,000	1 January 2007 – 31 December 2008
	-	200,000	-	-	200,000	
Mr. Lau Siu-ki, Kevin	-	100,000	-	-	100,000	1 July 2006 – 31 December 2008
	-	100,000	-	-	100,000	1 January 2007 – 31 December 2008
	-	200,000	-	-	200,000	
Sub-total	-	4,000,000	-	-	4,000,000	
<b>Other employees and former directors</b>						
In aggregate	-	12,500,000	-	(2,500,000)	10,000,000	1 July 2006 – 31 December 2008
	-	500,000	-	-	500,000 <sup>(viii)</sup>	1 July 2006 – 18 May 2008
	-	12,500,000	-	(2,500,000)	10,000,000	1 January 2007 – 31 December 2008
	-	500,000	-	-	500,000 <sup>(viii)</sup>	1 January 2007 – 18 May 2008
	-	26,000,000	-	(5,000,000)	21,000,000	
Total	-	30,000,000	-	(5,000,000)	25,000,000	

## 26 Report of the Directors

### SHARE OPTIONS *(continued)*

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

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 represents share options granted to Mr. Yeh Pei-chu, Ivan, a 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.
- (iv) The amount represents share options granted to Mr. Chan Mo-po, Paul, a former director of the Company, lapsed automatically in accordance with the terms of the New Scheme as a result of his resignation on 1 September 2005.
- (v) The amount represents share options granted to Mr. Wong Kui-ming, Luffer, a former director of the Company, with the last date of the exercise period of share options changed from 23 March 2013 to 18 May 2008 as a result of his resignation on 19 May 2006.
- (vi) The amount represents share options granted to Mr. Yeh Pei-chu, Ivan, a 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. Wong Kui-ming, Luffer, a former director of the Company, with the last date of the exercise period of share options changed from 10 February 2014 to 18 May 2008 as a result of his resignation on 19 May 2006.
- (viii) The amount represents share options granted to Mr. Wong Kui-ming, Luffer, a former director of the Company, with the last date of the exercise period of share options changed from 31 December 2008 to 18 May 2008 as a result of his resignation on 19 May 2006.
- (ix) The weighted average closing market price per share immediately before the dates of which the share options were exercised was ranged from HK\$0.853 to HK\$1.028.

### 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 machinery of approximately HK\$997,000 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 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 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.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2006, 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	Interest in underlying shares pursuant to share options	Aggregated interest	% of issued share capital
Mr. Yang Long-san Rowell	Beneficial owner of 13,852,000 shares and 4,800,000 share options and interest in controlled corporation 224,710,724 shares (Note 1)	238,562,724	4,800,000	243,362,724	37.62%
Peipus International Ltd (Note 1)	Beneficial owner	224,710,724	–	224,710,724	34.74%
Nordea I SICAV-Far Eastern Value Fund	Investment manager	46,033,000	–	46,033,000	7.12%
Prudential plc	Investment manager	45,540,000	–	45,540,000	7.04%
Cheah Cheng Hye	Interest in controlled corporation (Note 2)	39,580,000	–	39,580,000	6.12%
Value Partners Limited (Note 2)	Investment manager	39,580,000	–	39,580,000	6.12%

## 28 Report of the Directors

### SUBSTANTIAL SHAREHOLDERS' INTERESTS *(continued)*

Notes:

- (1) 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.
- (2) The issued share capital of Value Partners Limited is owned as to approximately 32.77% 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.

Save as disclosed under the section headed "SHARE OPTIONS", there were no long positions in the underlying shares 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 Part XV of the SFO.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers in aggregate accounted for less than 30% of the total revenue of the Group. The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 41% of the total purchases of the Group and the largest supplier accounted for approximately 21% 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 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 contribute the growth 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.

### CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied throughout the year ended 30 June 2006 with most of the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. Please refer to the Corporate Governance Report as set out on pages 10 to 17 of this Annual Report.

## 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.

## AUDIT COMMITTEE

The Group's consolidated financial statements for the year ended 30 June 2006 have been reviewed by the Audit Committee of the Company, who are of the opinion that such statements comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

## 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, 20 October 2006