

The directors present their report together with the audited financial statements of the Company and the Group for the year ended 30 September 2006.

## **PRINCIPAL ACTIVITIES**

The Group is principally engaged in the information technology business including the provision of system integration services, facility management services and information technology infrastructure network development in the People's Republic of China and Hong Kong. The Group is also engaged in trading of a wide range of leisure and athletic footwear.

## **SEGMENT INFORMATION**

An analysis of the Group's results, assets and liabilities by segment for the year is set out in note 3 to the financial statements.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year are set out in the consolidated income statement on page 23.

The directors do not recommend the payment of dividend for the year ended 30 September 2006.

## **FINANCIAL SUMMARY**

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 68.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of the movements in property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

## **SHARE CAPITAL**

Details of the movements in share capital of the Company during the year are set out in note 20 to the financial statements.

## **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in note 23 to the financial statements.

## **PRE-EMPTIVE RIGHTS**

There are no provision for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

The Company did not redeem any of its shares during the year and neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the year.



## 12 Directors' Report

### SHARE OPTION SCHEME

The Company had adopted a share option scheme (the "Share Option Scheme") pursuant to the ordinary resolution passed by the shareholders of the Company (the "Shareholders") on 12 June 2002. Under the Share Option Scheme, the original scheme mandate limit i.e., the total number of shares in respect of which options may be granted under the Share Option Scheme (the "Scheme Mandate Limit") was set at 10% of the shares in the capital of the Company (the "Shares" ) in issue as at the date of adoption of the Share Option Scheme, i.e. 40,000,000 Shares, which represented a maximum number of Shares that might be issued upon the exercise of the options granted under the Share Option Scheme to subscribe for shares in accordance with the terms thereof (the "Options") under the Share Option Scheme. Subject to the prior Shareholders' approval, the Company may, at any time thereafter, refresh the Scheme Mandate Limit to the extent not exceeding 10% of the Shares in issue as at the aforesaid approval.

Pursuant to the ordinary resolutions passed by the Shareholders on 24 March 2006, the Scheme Mandate Limit was refreshed so that the total number of Shares which may fall to be issued upon exercise of all Options to be granted under the Share Option Scheme shall not exceed 115,000,000 Shares, being 10% of the issued share capital of the Company as at 24 March 2006.

Pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme at any time will not exceed 30% of the Shares in issue from time to time. No Options shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

No adjustment has been made to the Options granted under the Share Option Scheme.

The Company confirms that there is no grantee who has been granted with the Options, the exercise of which will result in the total number of Shares issued and to be issued to that grantee exceeding 1% of the issued share capital of the Company in the 12-month period up to and including the date of such grant pursuant to Rule 17.03(4) of the Listing Rules.

No share option was granted or exercised for the year ended 30 September 2006. Post year end and as at the date hereof, there were an aggregate of 114,500,000 Options granted to the eligible participants of which no Options had been exercised and 114,500,000 Options remain outstanding to be exercised (note 32).

## DIRECTORS

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

### *Executive directors*

Mr. Too Shu Wing ( <i>Chairman</i> )	(Appointed on 6 July 2006 and appointed as chairman on 16 October 2006)
Mr. Yan Wa Tat	
Mr. Tai King Foon	
Mr. Kwok Ming Fai	(Resigned on 14 August 2006)
Mr. Lo Chi Fai	(Appointed on 14 July 2006 and resigned on 10 November 2006)

### *Non-executive director*

Mr. Lee Man Fa	(Resigned as chairman on 16 October 2006 and appointed as Non-executive director on 16 October 2006)
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### *Independent non-executive directors*

Mr. Liu Kwok Wah	
Mr. Tsui Pak Hang	(Appointed on 11 August 2006)
Mr. Chan Wai Ming	(Appointed on 11 August 2006)
Mr. Wong Chi Chung	(Resigned on 28 August 2006)
Mr. Leung Sai Cheong	(Resigned on 28 August 2006)

Pursuant to Bye-Law 86, any director appointed to fill a causal vacancy on the Board shall hold office only until the next following general meeting of the Company, and any director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company. Such directors shall then be eligible for re-election.

Further, pursuant to Bye-Law 87, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation at every annual general meeting. A retiring director shall be eligible for re-election.

In accordance with Bye-Law 86, Mr. Too Shu Wing, Mr. Chan Wai Ming and Mr. Tsui Pak Hang shall retire from their offices by rotation at the annual general meeting. Being eligible, Mr. Too Shu Wing will offer himself for re-election as executive director and Mr. Chan Wai Ming and Mr. Tsui Pak Hang will offer themselves for re-election as independent non-executive directors. At the annual general meeting, an ordinary resolution will be proposed to re-elect Mr. Too Shu Wing as executive director and each of Mr. Chan Wai Ming and Mr. Tsui Pak Hang as independent non-executive directors.

In accordance with Bye-Law 87, Mr. Liu Kwok Wah shall retire from his office as executive director. Being eligible, Mr. Liu Kwok Wah will offer himself for re-election as executive director.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-Laws.

The Company has received from each of the independent non-executive directors an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors are independent to the Company.

## 14 Directors' Report

### DIRECTORS' SERVICE CONTRACTS

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

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries and fellow 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.

### DIRECTORS INTERESTS IN THE SHARE CAPITAL

As at 30 September 2006, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

#### Long positions in shares of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital
Lee Man Fa	Held by controlled corporation ( <i>Note</i> )	196,792,000	13.46%

*Note:* These shares were held by Info Fortune Holdings Limited, whose entire issued share capital are beneficially owned by Mr. Lee Man Fa.

Save as disclosed above, as at 30 September 2006, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2006, the following person (other than a director or chief executive of the Company) had interests in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of SFO:

### Long positions in shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital
Info Fortune Holdings Limited ( <i>Note 1</i> )	Beneficial owner	196,792,000	13.57%
Grandtech Management Limited	Beneficial owner	160,544,458	11.07%
Goldlite International Limited ( <i>Note 2</i> )	Beneficial owner	150,000,000	10.34%
Jet Palace Development Limited	Beneficial owner	120,000,000	8.27%
Rainbow Bridge Group Limited	Beneficial owner	105,708,000	7.29%
Win Power Limited	Beneficial owner	82,360,000	5.68%
Wyndham Profit International Limited ( <i>Note 2</i> )	Beneficial owner	75,000,000	5.17%
Hikari International Limited ( <i>Note 2</i> )	Beneficial owner	75,000,000	5.17%

*Notes:*

- 196,792,000 Shares of these shares are owned by Info Fortune Holdings Limited, a company wholly-owned by Mr. Lee Man Fa.
- Lum Lap Kwan, Simon is the sole shareholder of Goldlite International Limited and a 45% shareholder of Hikari International Limited. Wong Wai Wing, Stephanie is the sole shareholder of Wyndham Profit International Limited and a 55% shareholder of Hikari International Limited.

Save as disclosed above, as at 30 September 2006, according to the records required to be kept by the Company under section 336 of the SFO, there was no person (except for the directors and chief executive of the Company) who had any interest or short positions in the shares or underlying shares of the Company.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 71% of the total sales for the year, in which sales to the largest customer represented approximately 21% of the total sales for the year.

Purchases from the Group's five largest suppliers amounted to approximately 80% of the total purchases for the year while total purchases from the largest supplier represented approximately 70% of the total purchases for the year.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.



## 16 Directors' Report

### **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE**

Details of the compliance by the Company with the code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules on pages 17 to 20 of the Corporate Governance Report in this report.

### **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required under the Listing Rules during the year and up to the date of this report.

### **AUDITORS**

The financial statements have been audited by the Company's first auditors, Messrs. Grant Thornton, who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

**Too Shu Wing**

*Chairman*

Hong Kong, 27 February 2007