

The Directors submit their report together with the audited financial statements for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the Group during the year were sales of information technology products, provision of information system consultancy and integration services, and information technology operation value-added services.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 63.

The Directors do not recommend the payment of a dividend (2005: Nil).

RESERVES

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

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$490,000 (2005: HK\$1,923,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the financial statements.

INVESTMENT PROPERTY

Details of the movements in investment property of the Group are set out in note 16 to the financial statements.

董事會謹此提呈彼等之報告及截至二零零六年十二月三十一日止年度之經審核財務報表。

主要業務及地區業務分析

本公司之主要業務為投資控股。年內，本集團之主要業務為銷售資訊科技產品及提供定製資訊系統諮詢及集成服務，以及資訊科技運營增值服務。

本集團於本年度之表現按業務及地區劃分之分析載於財務報表附註5。

業績及分配

本集團截至二零零六年十二月三十一日止年度之業績載於第63頁之綜合收益表。

董事並不建議派付任何股息（二零零五年：無）。

儲備

年內本集團及本公司之儲備變動詳情載於財務報表附註23。

捐獻

本集團於本年度作出的慈善及其它捐獻金為490,000港元（二零零五年：1,923,000港元）。

物業、廠房及設備

本集團物業、廠房及設備之變動詳情載於財務報表附註15。

投資物業

本集團投資物業之變動詳情載於財務報表附註16。

Report of the Directors

董事會報告

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options are set out in note 22 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2006, the Company had the aggregate amount of reserves including contributed surplus, other reserves and retained earnings of HK\$108,089,000 available for distribution as calculated under the Companies Act 1981 of Bermuda (as amended) (2005: Nil). In addition, the Company's share premium account, amounted to HK\$269,586,000 (2005: HK\$100,556,000) may be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and there was no restriction against such rights under the laws of Bermuda.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 148.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

股本及購股權

本公司股本及購股權之變動詳情載於財務報表附註22。

可供分派儲備

根據百慕達一九八一年公司法(經修訂)計算,本公司於二零零六年十二月三十一日有儲備(包括實繳盈餘、其他儲備及保留盈利)合共108,089,000港元可供分派(二零零五年:無)。此外,本公司可以繳足紅股方式分派股份溢價賬中為數269,586,000港元(二零零五年:100,556,000港元)之款項。

優先認股權

本公司之公司細則並無有關優先認股權之條文規定,而百慕達法例亦無有關該等權利之限制。

五年財務概要

本集團於過去五個財政年度之業績及資產與負債概要載於第148頁。

購買、出售或贖回證券

本公司於年內並無贖回其任何股份。年內,本公司或其任何附屬公司概無購買或出售本公司任何股份。

Report of the Directors

董事會報告

DIRECTORS

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

Executive Directors:

CHEUNG Yuk Fung
KUI Man Chun
XU Wensheng
LI Wenjin
CHAN Yiu Kwong
XU Chang Jun
LO Siu Yu (resigned on 18 October 2006)
ZHOU Jian (resigned on 20 November 2006)

Non-executive Director:

LIU Yangsheng, Charles (resigned on 17 April 2006)

Independent non-executive Directors:

TAM Chun Fai
LEUNG Wai Man, Roger
XU Sitao

In accordance with the Company's Bye-laws 87(1) and 87(2), one-third of the Directors of the Company are subject to retirement by rotation and re-election at the annual general meeting of the Company.

Messrs. Xu Wensheng, Li Wenjin and Xu Sitao will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

董事

年內及直至本報告日期之董事為：

執行董事：

張玉峰
渠萬春
徐文生
李文晉
陳耀光
徐昌軍
羅韶宇 (於二零零六年十月十八日辭任)
周健 (於二零零六年十一月二十日辭任)

非執行董事：

劉揚聲 (於二零零六年四月十七日辭任)

獨立非執行董事：

譚振輝
梁偉民
許思濤

根據本公司之公司細則第87(1)及第87(2)條，本公司三分之一董事須於本公司股東週年大會上輪值告退並可膺選連任。

徐文生先生、李文晉先生及許思濤先生將退任，而彼等符合資格並願意於應屆股東週年大會膺選連任。

Report of the Directors

董事會報告

DIRECTORS' SERVICE CONTRACTS

As at the date of this report, each of Mr. KUI Man Chun, Mr. LI Wenjin, Mr. XU Wensheng, Mr. XU Chang Jun and Mr. CHAN Yiu Kwong has entered into a service contract with the Company for a term of one year from 1 January 2004 and shall continue thereafter unless and until terminated by either the Company or the Directors giving to the other not less than a notice of three months. Save as disclosed herein, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on page 15 to 18.

董事之服務合約

於本報告日期，渠萬春先生、李文晉先生、徐文生先生、徐昌軍先生及陳耀光先生已各自與本公司訂立服務合約，任期自二零零四年一月一日起計，為期一年，並於其後繼續有效，除非及直至本公司或董事向對方發出不少於三個月之通知而終止。除本報告披露者外，各董事概無與本公司或本集團任何成員公司訂有或擬訂立任何服務合約，不包括於一年內屆滿或可遭本公司終止而毋須賠償（法定賠償除外）之服務合約。

董事於合約之權益

本公司、其同系附屬公司或其控股公司概無於本年度終結時或年內任何時間訂有任何本公司董事於當中直接或間接擁有任何重大權益，且與本集團業務有關之重大合約。

董事及高級管理人員之履歷詳情

董事及高級管理人員之履歷詳情概要載於第15至18頁。

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2006, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

(a) Ordinary shares of HK\$0.0025 each in the Company

Name of Director	董事姓名	Number of shares held		Total
		Personal interest	Corporate interest	
		個人權益	公司權益	總數
Kui Man Chun (Note)	渠萬春 (附註)	–	757,083,636	757,083,636
Xu Wensheng	徐文生	13,200,000	–	13,200,000
Li Wenjin	李文晉	13,200,000	–	13,200,000
Chan Yiu Kwong	陳耀光	5,328,000	–	5,328,000
Xu Chang Jun	徐昌軍	13,200,000	–	13,200,000
Xu Sitao	許思濤	600,000	–	600,000

Note:

These shares are held by Kui Man Chun through Hi Sun Limited, a company which Kui Man Chun holds a 99.16% interest, and Rich Global Limited, a wholly-owned subsidiary of Hi Sun Limited.

董事及行政總裁於股份、相關股份及債券之權益及淡倉

於二零零六年十二月三十一日，各董事及行政總裁於本公司及其相聯法團（定義見證券及期貨條例（「證券及期貨條例」））之股份、相關股份及債券中擁有，已記入本公司根據證券及期貨條例第352條存置之登記冊或已知會本公司之權益及淡倉如下：

(a) 本公司每股面值0.0025港元之普通股

附註：

該等股份由渠萬春透過Hi Sun Limited（渠萬春持有99.16%權益之公司）及Hi Sun Limited之全資附屬公司Rich Global Limited持有。

Report of the Directors

董事會報告

(b) Ordinary shares in associated corporations

Name of Director 董事姓名	Name of associated corporation 相聯法團名稱
Kui Man Chun 渠萬春	Rich Global Limited
Kui Man Chun 渠萬春	Hi Sun Limited
Li Wenjin 李文晉	Hi Sun Limited

Save as disclosed above, none of the Directors or chief executive had any interests or short positions in the shares, or underlying shares in, or debentures, of the Company or any of its associated corporations.

Save as disclosed under the heading "Share option scheme" below, at no time during the year was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or other body corporate.

(b) 相聯法團之普通股

Number of shares held 所持股份數目	Category of interest 權益類別
2 ordinary shares 2股普通股	Corporate 公司
30,245,000 ordinary shares 30,245,000股普通股	Personal 個人
255,000 ordinary shares 255,000股普通股	Personal 個人

除上文披露者外，董事或行政總裁概無於本公司或其任何相聯法團之股份、相關股份或債券中擁有任何權益或淡倉。

除下文「購股權計劃」披露者外，於年內任何時間，本公司、其控股公司或其任何附屬公司或同系附屬公司概無訂有任何安排，致使董事及本公司行政總裁可藉購買本公司或其他法人團體之股份或債券而獲益。

SHARE OPTION SCHEME

(a) The Company

The Company operates a share option scheme (the "Scheme") for the purpose of attracting, retaining and motivating talented employees in order to strive for future developments and expansion of the Group. Eligible participants of the Scheme include the Group's full-time employees, and executive and non-executive Directors. The Scheme became effective on 29 November 2001 and unless otherwise cancelled or amended, will remain valid and effective for a period of 10 years from that date.

The total number of shares in respect of which options may be granted shall not (together with all the other Schemes, if any) exceed 10% of the total issued capital of the Company as at date of approval of the Scheme unless the Company obtains a fresh approval from shareholders to renew the 10% limit.

The maximum number of shares in respect of which options may be granted under the Scheme, together with any unexercised share options granted under the Scheme and any other share option schemes of the Company in issue, may not exceed 30% of the relevant class of securities of the Company in issue at any time. On 18 March 2004, 33,000,000 share options were granted to certain directors and employees at an exercise price of HK\$0.374 per share (the average closing price of the shares as quoted in the daily quotations sheets issued by the Stock Exchange of Hong Kong Limited for the five business days immediately preceding 18 March 2004) with an expiry date of 17 March 2014.

Pursuant to an ordinary resolution passed on 17 August 2005, a refreshment of the limit on grant of options under the Scheme was approved by the shareholders. Upon refreshing the 10% limit on grant of options under the Scheme, 33,305,403 shares may be issued pursuant to the grant of further options under the Scheme.

購股權計劃

(a) 本公司

本公司之購股權計劃（「該計劃」）乃就吸引、留聘及鼓勵具實力員工為本集團之未來發展及拓展努力工作而設。該計劃之合資格參與者包括本集團全職僱員、執行董事及非執行董事。該計劃已於二零零一年十一月二十九日生效，除非另行撤銷或修訂，否則該計劃將自生效當日起十年期間一直有效。

除非本公司就更新10%限額取得股東之新批准，否則可予授出之購股權（連同其他所有計劃，如有）所涉及之股份總數，不得超過本公司於該計劃批准日期之全部已發行股本10%。

就該計劃可授出之購股權，連同根據該計劃或本公司任何其他購股權計劃已授出惟尚未行使之任何購股權涉及之股份數目，最多不得超過本公司於任何時間已發行之有關類別證券之30%。於二零零四年三月十八日，33,000,000份購股權按行使價每股0.374港元（香港聯合交易所有限公司緊接二零零四年三月十八日前五個營業日發出的每日報價單所報股份平均收市價）授予若干董事及僱員，到期日為二零一四年三月十七日。

根據二零零五年八月十七日通過的普通決議案，股東批准更新根據該計劃授出的購股權限額。該計劃項下授出購股權限額10%經更新後，33,305,403股股份可根據該計劃項下進一步授出的購股權發行。

Report of the Directors

董事會報告

On 26 September 2005, 33,300,000 share options were granted to certain directors and employees at an exercise price of HK\$0.768 per share (the average closing price of the shares as quoted in the daily quotations sheets issued by the Stock Exchange of Hong Kong Limited for the five business days immediately preceding 26 September 2005) with an expiry date of 25 September 2015.

Pursuant to an ordinary resolution passed on 28 June 2006, each of the existing issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company was subdivided into four ordinary shares of HK\$0.0025 each (the "Share Subdivision"), which was approved by the shareholders of the Company and became effective on 29 June 2006.

The Share Subdivision has led to an adjustment to the exercise prices of the outstanding options and the number of shares to be issued by the Company upon exercise of the outstanding options. For share options with exercise period from 18 March 2004 to 17 March 2014, the number of shares to be issued by the Company upon full exercise of such outstanding options immediately before the Share Subdivision has been increased from 23,000,000 shares to 92,000,000 shares and the exercise price has been adjusted from HK\$0.374 to HK\$0.0935 per share. For share options with exercise period from 26 September 2005 to 25 September 2015, the number of shares to be issued by the Company upon full exercise of such outstanding options immediately before the Share Subdivision has been increased from 33,300,000 shares to 133,200,000 shares and the exercise price has been adjusted from HK\$0.768 to HK\$0.192 per share.

Pursuant to an ordinary resolution passed on 11 December 2006, a refreshment of the limit on grant of options under the Scheme was approved by the shareholders. Upon the refreshment of the limit on grant of options under the Scheme, an additional 43,000,000 shares may be issued pursuant to the grant of further options under the Scheme.

於二零零五年九月二十六日，33,300,000份購股權按行使價每股0.768港元（香港聯合交易所有限公司緊接二零零五年九月二十六日前五個營業日發出的每日報價單所報股份平均收市價）之行使價授出予若干董事及僱員，到期日為二零一五年九月二十五日。

根據於二零零六年六月二十八日通過之普通決議案，本公司股本中每股面值0.01港元之現有已發行及未發行普通股已分拆成為四股每股面值0.0025港元之普通股（「股份分拆」）。本公司股東已批准股份分拆，並於二零零六年六月二十九日生效。

股份分拆導致須調整未行使購股權之行使價及本公司於未行使購股權獲行使時將予發行之股份數目。就行使期由二零零四年三月十八日至二零一四年三月十七日之購股權而言，本公司於緊接股份分拆前，在有關尚未行使購股權獲悉數行使時將予發行之股份數目，由23,000,000股增至92,000,000股，而行使價則由每股股份0.374港元調整至每股股份0.0935港元。就行使期由二零零五年九月二十六日至二零一五年九月二十五日之購股權而言，本公司於緊接股份分拆前，在有關尚未行使購股權獲悉數行使時將予發行之股份數目，由33,300,000股增至133,200,000股，而行使價則由每股股份0.768港元調整至每股股份0.192港元。

根據於二零零六年十二月十一日通過之普通決議案，股東批准更新該計劃項下可授出購股權之限額。更新該計劃項下可授出購股權之限額後，可根據該計劃項下進一步授出之購股權發行額外43,000,000股股份。

On 2 January 2007, 43,000,000 share options were granted to certain employees at an exercise price of HK\$2.00 per share (the average closing price of the shares as quoted in the daily quotations sheets issued by Stock Exchange of Hong Kong Limited for the five business days immediately preceding 2 January 2007) with an expiry date of 1 January 2010.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company or to any of their associates, in excess of 1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences either immediately or after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the Hong Kong Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Hong Kong Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

於二零零七年一月二日，本公司向若干僱員授出43,000,000份購股權，行使價為每股2.00港元（香港聯合交易所有限公司緊接二零零七年一月二日前五個營業日發出之每日報價單所報股份平均收市價），到期日為二零一零年一月一日。

授出購股權予董事、本公司行政總裁或主要股東或彼等之任何聯繫人士須得到獨立非執行董事之事先批准。此外，授出任何購股權予本公司之主要股東或獨立非執行董事或彼等之任何聯繫人士，以致彼等可藉此獲得之股份於任何十二個月期間超過本公司於任何時間之已發行股份1%或其總值（根據本公司股份於授出當日之價格計算）超過5,000,000港元，均須於股東大會上取得股東事先批准。

建議授出之購股權可於建議授出當日起計21日內接納，而承授人須於接納建議時支付合共1港元作為象徵式代價。已授出購股權之行使期乃由董事釐定，於即時或若干歸屬期後開始，惟最遲不得於授出購股權當日起十年或該計劃屆滿日期（以較早之日期為準）後終止。

購股權之行使價由董事釐定，惟不得低於以下之較高者：(i)本公司股份在建議授出購股權當日於香港聯交所之收市價；(ii)本公司股份於緊接建議授出日期前五個交易日於香港聯交所之平均收市價；及(iii)本公司股份面值。

Report of the Directors

董事會報告

As at 31 December 2006, the particulars of the share options granted to each of the Directors and employees of the Company under the Scheme are as follows: –

Movements in the Share Options:

於二零零六年十二月三十一日，根據該計劃授予各董事及本公司僱員之購股權詳情如下：

購股權變動：

Name 姓名	Date of grant 授出日期	Exercise Price before/after Share Subdivision 股份分拆前 /後之行使價 (HK\$) (港元)	Number of options held at	Exercised before Share Subdivision 股份分拆前 行使	Number of options held immediately	Adjustment for Share Subdivision 就股份分拆 調整	Number of options held after	Exercised after Share Subdivision 股份分拆後 行使	Number of options held at
			1 January 2006 於二零零六年 一月一日 所持之 購股權數目		before Share Subdivision 緊接股份 分拆前所持之 購股權數目		Share Subdivision 股份分拆後 所持之 購股權數目		31 December 2006 於二零零六年 十二月 三十一日 所持之 購股權數目
Directors									
董事									
Mr. Kui Man Chun 渠萬春先生	18 March 2004* 二零零四年三月十八日*	0.374/0.0935	3,000,000	-	3,000,000	9,000,000	12,000,000	-	12,000,000
	26 September 2005** 二零零五年九月二十六日**	0.768/0.192	3,300,000	-	3,300,000	9,900,000	13,200,000	-	13,200,000
Mr. Xu Wensheng 徐文生先生	18 March 2004* 二零零四年三月十八日*	0.374/0.0935	3,300,000	-	3,300,000	9,900,000	13,200,000	(13,200,000)	-
	26 September 2005** 二零零五年九月二十六日**	0.768/0.192	3,300,000	-	3,300,000	9,900,000	13,200,000	-	13,200,000
Mr. Li Wenjin 李文晉先生	18 March 2004* 二零零四年三月十八日*	0.374/0.0935	3,300,000	-	3,300,000	9,900,000	13,200,000	(13,200,000)	-
	26 September 2005** 二零零五年九月二十六日**	0.768/0.192	3,300,000	-	3,300,000	9,900,000	13,200,000	-	13,200,000
Mr. Chan Yiu Kwong 陳耀光先生	18 March 2004* 二零零四年三月十八日*	0.374/0.0935	1,500,000	-	1,500,000	4,500,000	6,000,000	(6,000,000)	-
	26 September 2005** 二零零五年九月二十六日**	0.768/0.192	1,000,000	-	1,000,000	3,000,000	4,000,000	-	4,000,000
Mr. Xu Chang Jun 徐昌軍先生	18 March 2004* 二零零四年三月十八日*	0.374/0.0935	3,300,000	-	3,300,000	9,900,000	13,200,000	(13,200,000)	-
	26 September 2005** 二零零五年九月二十六日**	0.768/0.192	3,300,000	-	3,300,000	9,900,000	13,200,000	-	13,200,000
Mr. Lo Siu Yu (Note 1) 羅韶宇先生 (附註1)	18 March 2004* 二零零四年三月十八日*	0.374/0.0935	3,300,000	-	3,300,000	9,900,000	13,200,000	(13,200,000)	-
	26 September 2005** 二零零五年九月二十六日**	0.768/0.192	3,300,000	-	3,300,000	9,900,000	13,200,000	(13,200,000)	-
			35,200,000	-	35,200,000	105,600,000	140,800,000	(72,000,000)	68,800,000
Employees									
僱員									
(In aggregate) (總計)	18 March 2004* 二零零四年三月十八日*	0.374/0.0935	15,300,000	(10,000,000)	5,300,000	15,900,000	21,200,000	(8,000,000)	13,200,000
	26 September 2005** 二零零五年九月二十六日**	0.768/0.192	15,800,000	-	15,800,000	47,400,000	63,200,000	(63,200,000)	-
			66,300,000	(10,000,000)	56,300,000	168,900,000	225,200,000	(143,200,000)	82,000,000

* The exercisable period of the above share options is from 18 March 2004 to 17 March 2014 (both dates inclusive).

** The option period commences on 26 September 2005 and expires 10 years thereafter. Options granted are vested as follows:

On 26 September 2005	Up to 50%
On 26 September 2006	Up to 100%

Note 1: On 18 October 2006, Mr. Lo has resigned as Executive Director of the Company.

During the year, the weighted average closing price immediately before the dates on which the options were exercised was HK\$1.257 per share (being adjusted for effect of the Company's share subdivision in June 2006).

As at the date of this report, the Company has 98,115,000 share options outstanding.

(b) Employee incentive scheme of a subsidiary

On 4 April 2005, the Company approved its wholly-owned subsidiary, Turbo Speed Technology Limited ("Turbo Speed"), to adopt an employee incentive scheme (the "Employee Incentive Scheme") to motivate the employees of Turbo Speed and its subsidiary (the "Turbo Speed Group"). Eligible participants of the Employee Incentive Scheme include the full-time employees of Turbo Speed or any of its subsidiaries, including any directors of Turbo Speed or any of its subsidiaries (but excluding any person who is a Director of the Company) provided always that such term shall exclude any person who has tendered his resignation or who at the relevant time is working out his period of notice pursuant to his employment contract or otherwise. The Employee Incentive Scheme became effective from 4 April 2005 to 31 December 2008, unless terminated by resolution of a remuneration committee formed by the Board to administer the Employee Incentive Scheme (the "Committee").

* 上述購股權之行使期由二零零四年三月十八日至二零零一四年三月十七日(首尾兩日包括在內)。

** 購股權期間由二零零五年九月二十六日開始及於其後十年屆滿。授出購股權歸屬情況如下：

二零零五年九月二十六日	最多50%
二零零六年九月二十六日	最多100%

附註1: 於二零零六年十月十八日, 羅先生辭任本公司執行董事。

年內, 緊接購股權行使日期前之加權平均收市價為每股1.257港元(已就二零零六年六月本公司進行股份分拆的影響作出調整)。

於本報告日期, 本公司有98,115,000份購股權尚未行使。

(b) 一家附屬公司之僱員獎勵計劃

於二零零五年四月四日, 本公司批准其全資附屬公司 Turbo Speed Technology Limited ("Turbo Speed") 採納其僱員獎勵計劃 ("僱員獎勵計劃"), 以鼓勵 Turbo Speed 及其附屬公司 ("Turbo Speed 集團") 之僱員。僱員獎勵計劃的合資格參與者包括 Turbo Speed 或其任何附屬公司的全職僱員, 包括 Turbo Speed 或其任何附屬公司的任何董事 (但不包括為本公司董事的任何人士), 惟上述計劃不適用於已遞交辭呈或根據彼之僱傭合約或以其他形式的僱用條款, 已於有關時間發出離職通知的人士。除非董事會就執行僱員獎勵計劃而成立的薪酬委員會 ("委員會") 以決議案終止該計劃外, 僱員獎勵計劃於二零零五年四月四日起生效, 直至二零零八年十二月三十一日止。

Report of the Directors

董事會報告

The total number of shares in respect of which options may be granted shall not exceed 4,682,275 ordinary shares of Turbo Speed (“Turbo Speed Shares”), representing approximately 13.0% of the existing issued share capital of Turbo Speed, currently held by a wholly-owned subsidiary of the Company. Share options may be offered to any employee determined by the Committee in its absolute discretion from time to time by reference to: (i) the performance of that employee; and (ii) the financial performance of the Turbo Speed Group and the extent to which the Turbo Speed Group has achieved its intended business plans. The maximum number of the Turbo Speed Shares which may be offered to an employee who is also a director of companies within the Turbo Speed Group in any 12-month period may not exceed 1% of the entire issued share capital of Turbo Speed.

On 8 July 2005, 1,425,000 share options had been granted to certain directors and employees of a subsidiary of Turbo Speed to subscribe ordinary shares of Turbo Speed at an exercise price of HK\$1.922 per share. The exercisable period of the above share options is from 8 July 2005 to 31 December 2008 (both dates inclusive). During the year ended 31 December 2006 and up to the date of this report, 1,245,000 share options have been lapsed and no share options have been exercised. As at the date of this report, Turbo Speed has 180,000 share options outstanding.

有關授出購股權所涉及的股份總數不得超過Turbo Speed的4,682,275股普通股（「Turbo Speed股份」），相當於Turbo Speed現時由本公司一家全資附屬公司持有之已發行股本約13.0%。購股權可由委員會不時參考下列各項後全權酌情決定向任何僱員提呈：(i)該名僱員的表現；及(ii)Turbo Speed集團的財務表現及其可達致其擬定業務計劃的程度。於任何十二個月期間，可向同時為Turbo Speed集團內公司董事之僱員提呈的Turbo Speed股份，最多不得超過Turbo Speed全部已發行股本的1%。

於二零零五年七月八日，已向Turbo Speed一家附屬公司若干董事及僱員授出1,425,000份購股權，可按每股1.922港元的行使價認購Turbo Speed普通股。上述購股權的行使期為二零零五年七月八日至二零零八年十二月三十一日（包括首尾兩天在內）。截至二零零六年十二月三十一日止年度及直至本報告日期，已有1,245,000份購股權失效，且並無任何購股權獲行使。於本報告日期，Turbo Speed有180,000份購股權尚未行使。

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2006, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and chief executive.

Name of shareholder

股東名稱

Number of ordinary shares

普通股數目

Rich Global Limited ("RGL") *

757,083,636(L)

Hi Sun Limited ("HSL") *

757,083,636 (L)(Note 2)

(附註2)

Note: 1. The Letter "L" denotes a long position in shares.

附註：1. 「L」表示股份之好倉。

2. HSL is interested in the Company's share capital by virtue of its 100% shareholding in RGL.

2. HSL因持有RGL100%股權而於本公司股本擁有權益。

* Mr. Kui Man Chun and Mr. Li Wenjin are directors of RGL and Mr. Kui Man Chun, Mr. Li Wenjin, Mr. Xu Wensheng and Mr. Chan Yiu Kwong are directors of HSL which were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

* 渠萬春先生及李文晉先生為RGL董事及渠萬春先生、李文晉先生、徐文生先生及陳耀光先生為HSL董事，而其於本公司股份或相關股份中，擁有或被視作或當作擁有須根據證券及期貨條例第XV部第2及3分部規定披露之權益或淡倉。

CONNECTED TRANSACTIONS

Other significant related party transactions entered by the Group during the year ended 31 December 2006, which also constitute connected transactions under the Listing Rules, are disclosed in note 32, to the financial statements.

關連交易

本集團於截至二零零六年十二月三十一日止年度內訂立之若干重大有關連人士交易構成上市規則項下關連交易，於財務報表附註32披露。

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

管理合約

年內，概無訂立或存在任何與本公司全部或任何重大業務部分相關之管理及行政合約。

Report of the Directors

董事會報告

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	11%
– five largest suppliers combined	37%

Sales

– the largest customer	22%
– five largest customers combined	64%

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

CONVERTIBLE PREFERENCE SHARES ISSUED BY SUBSIDIARIES

(a) Convertible preference shares issued by Turbo Speed Technology Limited (“Turbo Speed”)

On 9 November 2004, Turbo Speed subsidiary of the Company, entered into a subscription agreement with independent third parties in relation to the subscription of 6,837,608 convertible preference shares of US\$0.10 each of Turbo Speed for a total subscription price of US\$4 million (approximately HK\$31.2 million) (the “TS Subscription”).

Pursuant to an ordinary resolution passed on 4 April 2005, the Company approved the TS Subscription and the TS Subscription was completed on 29 April 2005. During the year, no convertible preference shares had been converted into new ordinary share of either Turbo Speed or the Company.

On 18 January 2007, 3,418,804 convertible preference shares in Turbo Speed were converted into 51,866,667 new ordinary shares of the Company of HK\$0.0025 each at a conversion price of HK\$0.3 per share.

主要客戶及供應商

本集團主要供應商和客戶的應佔採購和銷售百分比如下：

採購

– 最大供應商	11%
– 五大供應商合計	37%

銷售

– 最大客戶	22%
– 五大客戶合計	64%

董事、彼等之聯繫人士或據董事所知擁有本公司股本超過5%之股東，概無於上述主要客戶或供應商中擁有任何權益。

附屬公司發行可換股優先股

(a) Turbo Speed Technology Limited (「Turbo Speed」) 發行之可換股優先股

於二零零四年十一月九日，本公司附屬公司 Turbo Speed 與獨立第三方就認購 6,837,608 股每股面值 0.10 美元之 Turbo Speed 可換股優先股訂立認購協議，總認購價為 4,000,000 美元（約 31,200,000 港元）（「該 TS 認購」）。

根據於二零零五年四月四日通過之普通決議案，本公司批准該 TS 認購，而該 TS 認購已於二零零五年四月二十九日完成。年內，並無可換股優先股轉換為 Turbo Speed 或本公司新普通股。

於二零零七年一月十八日，3,418,804 股 Turbo Speed 可換股優先股按轉換價每股 0.3 港元轉換為 51,866,667 股每股面值 0.0025 港元之本公司新普通股。

(b) Convertible preference shares issued by Emerging Technology Limited (“Emerging Technology”)

On 21 August 2006, Emerging Technology, a subsidiary of the Company, entered into a subscription agreement with independent third parties in relation to the subscription of 760,778 convertible preference shares of US\$1.00 each of Emerging Technology for a total subscription price of US\$18 million (approximately HK\$140 million) (the “ET Subscription”).

Pursuant to an ordinary resolution passed on 25 September 2006, the Company approved the ET Subscription and the ET Subscription was completed on 12 October 2006. Details of which are set out in note 25(b) to the financial statements. During the year and up to the date of this report, no convertible preference shares had been converted into new ordinary shares of either Emerging Technology or the Company.

SUBSEQUENT EVENTS

(i) Termination of disposal and issue of preference shares by Pax Technology Limited (“PAX”)

On 6 November 2006, the Company entered into a sale and purchase agreement (“the PAX Disposal Agreement”) with Keen Ambition Enterprise Limited (the “Purchaser”), a company incorporated in the British Virgin Islands and Mr. Mo Ying San (the “Guarantor”), who owns the entire issued share capital of the Purchaser, in relation to the disposal of the entire issued share capital of an aggregate of 35,000,000 ordinary shares of HK\$1.00 of PAX, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company, for a consideration of HK\$200 million, which is to be satisfied by cash. The Purchaser and the Guarantor are both third parties independent of the Group.

(b) Emerging Technology Limited (「Emerging Technology」) 發行之可換股優先股

於二零零六年八月二十一日，本公司附屬公司 Emerging Technology 與獨立第三方就認購 Emerging Technology 760,778 股每股面值 1.00 美元之可換股優先股（「該 ET 認購」）訂立認購協議，總認購價為 18,000,000 美元（約 140,000,000 港元）。

根據於二零零六年九月二十五日通過之普通決議案，本公司批准該 ET 認購，而該 ET 認購已於二零零六年十月十二日完成。認購之詳情載於財務報表附註 25(b)。年內及截至本報告日期，並無可換股優先股轉換為 Emerging Technology 或本公司新普通股。

結算日後事項

(i) 終止出售百富科技有限公司（「百富」）及發行優先股

於二零零六年十一月六日，本公司與一家於英屬處女群島註冊成立之公司 Keen Ambition Enterprise Limited（「買方」）及擁有買方全部已發行股本之武迎新先生（「擔保人」）訂立買賣協議（「百富出售協議」），出售本公司於香港註冊成立之間接全資附屬公司百富全部已發行股本合共 35,000,000 股每股面值 1.00 港元之普通股，代價為 200,000,000 港元，將以現金支付。買方及擔保人均為本集團獨立第三方。

Report of the Directors

董事會報告

On 4 April 2007, the Company, the Purchaser and the Guarantor entered into a termination agreement to terminate the PAX Disposal Agreement in consideration of the return of the deposit of HK\$5 million by the Company to the Purchaser.

On 4 April 2007, PAX and the Company entered into a subscription agreement (the "PAX Subscription Agreement") with Digital Investment Limited (the "PAX Subscriber") in relation to the subscription by the PAX Subscriber of 8,750,000 preference shares of PAX of HK\$1.00 each (the "PAX Preference Shares") at a total subscription price of US\$10 million (equivalent to approximately HK\$78.1 million) (the "PAX Subscription"). The PAX Preference Shares represent 25% of the existing issued share capital of PAX and 20% of the issued share capital of PAX as enlarged by the PAX Subscription. The Subscriber is a third party independent of the Group.

The Completion of the PAX Subscription is subject to the approval by the shareholders of the Company.

(ii) Grant of options

On 2 January 2007, 43,000,000 share options had been granted to certain employees of the Company pursuant to the Share Option Scheme of the Company to subscribe ordinary shares of the Company at an exercise price of HK\$2.00 per share. The exercisable period of these share options is from 2 January 2007 to 1 January 2010 (both dates inclusive).

於二零零七年四月四日，本公司、買方與擔保人訂立終止協議，按本公司向買方退回訂金5,000,000港元之代價，終止百富出售協議。

於二零零七年四月四日，百富及本公司與 Digital Investment Limited (「百富認購人」) 就百富認購人按總認購價10,000,000美元(約相等於78,100,000港元)認購8,750,000股每股1.00港元之百富優先股(「百富優先股」)(「百富認購」)訂立認購協議(「百富認購協議」)。百富優先股相當於百富現有已發行股本25%及百富經百富認購擴大之已發行股本20%。認購人為本集團之獨立第三方。

百富認購須待本公司股東批准，方告作實。

(ii) 授出購股權

於二零零七年一月二日，本公司根據本公司購股權計劃向本公司若干僱員授出43,000,000份購股權，可按行使價每股2.00港元認購本公司普通股。有關購股權行使期由二零零七年一月二日至二零一零年一月一日(包括首尾兩天)。

(iii) Conversion of convertible preference shares in a subsidiary of the Company

On 12 January 2007, the Company received a notice from a holder of the convertible preference shares issued by Turbo Speed for the conversion of all of its 3,418,804 convertible preference shares into the ordinary shares of the Company pursuant to the terms of the subscription agreement dated 9 November 2004.

As a result of the above conversion, 51,866,667 new ordinary shares of the Company were issued and allotted to the convertible preference shares holder at a conversion price of HK\$0.3 per share on 18 January 2007.

(iii) 兌換本公司一家附屬公司之可換股優先股

於二零零七年一月十二日，本公司接獲一名持有由Turbo Speed發行的可換股優先股持有人通知，並根據日期為二零零四年十一月九日認購協議之條款，將其所持3,418,804股可換股優先股悉數轉換為本公司普通股。

基於上述轉換，本公司於二零零七年一月十八日按每股股份0.3港元之轉換價，向可換股優先股持有人發行及配發51,866,667股本公司新普通股。

(iv) Proposed acquisition of the entire interest in Baifu Hualong and Pacific Sheen and disposal of 5% interest in Hualong Holding

On 10 February 2007, the Company entered into a sale and purchase agreement (the “Hualong Agreement”) with 王秉人 (Wang Bing Ren), 王中方 (Wang Zhong Fang), 蔣杰忠 (Jiang Jie Zhong), 趙樹勳 (Zhao Shu Xun) (also known as 趙力斌 (Zhao Li Bin)), 李寧川 (Li Ning Chuan) and Everon Group Holdings Limited (a company incorporated in Hong Kong) (collectively the “Vendors”), who are parties independent of the Group, pursuant to which the Company conditionally agreed to procure the acquisition of the entire registered capital of Hangzhou Baifu Holding Company Limited (“Baifu Hualong”), a company to be incorporated in the PRC which will hold the entire interest in 杭州華隆電子技術有限公司 (Hangzhou Hualong Electronic Technology Company Limited), a company established in the PRC (“Hualong Electronic”) and 杭州華隆信息技術有限公司 (Hangzhou Hualong Information Technology Company Limited), a company established in the PRC (“Hualong Information”) prior to completion of the Hualong Agreement, the entire issued share capital of Pacific Sheen International Limited (富順國際有限公司), a company incorporated in Hong Kong (“Pacific Sheen”) and its subsidiary (collectively referred to as the “Hualong Group”) and the shareholders’ loans of HK\$24.0 million (the “Shareholders’ Loans”) for a total consideration of RMB300.7 million (equivalent to approximately HK\$302.9 million) (the “Hualong Acquisition”). The consideration for the Hualong Acquisition will be satisfied as to RMB200.7 million (equivalent to approximately HK\$202.1 million) in cash and as to the remaining balance of RMB100.0 million (equivalent to approximately HK\$100.7 million) by way of the 36,900,146 new shares of the Company (the “Consideration Shares”) at a consideration of HK\$2.73 per share.

(iv) 建議收購百富華隆及富順國際全部權益及出售Hualong Holding 5%權益

於二零零七年二月十日，本公司與獨立於本集團之人士王秉人、王中方、蔣杰忠、趙樹勳（又名趙力斌）、李寧川及信安控股有限公司（於香港註冊成立之公司）（統稱「賣方」）訂立買賣協議（「華隆協議」）。據此，本公司有條件同意促使收購將於中國註冊成立之杭州百富控股有限公司（「百富控股」）全部註冊股本、於香港註冊成立之富順國際有限公司（「富順國際」）及其附屬公司（統稱「華隆集團」）全部已發行股本以及股東貸款24,000,000港元（「股東貸款」），總代價為人民幣300,700,000元（約相當於302,900,000港元）（「華隆收購」）。百富控股將持有於中國成立之杭州華隆電子技術有限公司（「華隆電子」）及於華隆協議完成前於中國成立之杭州華隆信息技術有限公司（「華隆信息技術」）全部權益。華隆收購代價中，人民幣200,700,000元（約相當於202,100,000港元）將以現金支付，餘額人民幣100,000,000元（約相當於100,700,000港元）則以本公司36,900,146股每股作價2.73港元之新股份（「代價股份」）支付。

As part of the transactions in relation to the Hualong Acquisition, the Company and the Vendors will execute all relevant documents for the disposal of 5% of the issued share capital of Hualong Holding, a subsidiary of the Company which will become the immediate holding company of Baifu Hualong and Pacific Sheen upon completion of the Hualong Agreement, to the Vendors for a total consideration of RMB15.0 million (equivalent to approximately HK\$15.1 million), which is equal to 5% of the total consideration to be paid by the Group for the Hualong Acquisition (the "Hualong Disposal").

The Hualong Acquisition and the Hualong Disposal and the transactions contemplated herein above have not been completed up to the date of this report.

As at 31 December 2006, the aggregate audited carrying value of the total net assets of the Hualong Group amounted to approximately HK\$169.8 million. Goodwill arising from the Hualong Acquisition and Hualong Disposal will be finalised upon completion of management's assessment of the fair value of identifiable assets and liabilities of the Hualong Group.

(v) Effect of the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law")

On 16 March 2007, the National People's Congress approved the new CIT Law. The new CIT Law changes the corporate income tax rate to 25% with effect from 1 January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As at the date that this announcement are approved for issue, detailed measures concerning these items has yet to be issued by the State Council. Consequently, the Group is not in a position to assess the impact, if any, to the carrying value of deferred tax assets and liabilities as at 31 December 2006. The Group will continue to evaluate the impact as more detailed regulations are announced.

作為有關華隆收購交易之其中一環，本公司與賣方將就以總代價人民幣15,000,000元（約相當於15,100,000港元，相當於本集團就華隆出售將支付總代價5%）向賣方出售本公司附屬公司Hualong Holding已發行股本5%（「華隆出售」）簽署所有有關文件，Hualong Holding將於華隆協議完成後成為百富華隆及富順國際之直接控股公司。

直至本報告日期，上述華隆收購及華隆出售以及據此擬進行之交易尚未完成。

於二零零六年十二月三十一日，華隆集團資產淨值總額經審核賬面值總額約為169,800,000港元。華隆收購及華隆出售所產生商譽將於管理層完成評估華隆集團可識別資產及負債公平值後落實。

(v) 中華人民共和國企業所得稅法（「新企業所得稅法」）之影響

於二零零七年三月十六日，全國人民大會批准新企業所得稅法。自二零零八年一月一日起，新企業所得稅法之企業所得稅率將改為25%。新企業所得稅法亦提供優惠稅率，就指定行業及活動提供稅務優惠、不追溯條款以及釐定應課稅溢利。截至本公佈批准刊發日期，國務院尚未就有關項目頒佈詳細措施。因此，本集團未能就二零零六年十二月三十一日之遞延稅項資產及負債賬面值評估有關影響（如有）。本集團將就頒佈之更多詳細規例繼續評估其影響。

Report of the Directors

董事會報告

(vi) Exercise of share options

Subsequent to the year end and up to the date of this report, total aggregate number of 26,885,000 share options have been exercised, which result in the issue of 26,885,000 additional ordinary shares of the Company. As at the date of this report, the Company has 98,115,000 share options outstanding.

PENSION SCHEME

The subsidiaries operating in Hong Kong are required to participate in a defined contribution retirement scheme or the Group or Company set up in accordance with the Hong Kong Mandatory Provident Fund Ordinance. Under the scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK\$1,000 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries up to a maximum of HK\$1,000 (the "mandatory contributions"). The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65 years old, death or total incapacity.

In addition, pursuant to the government regulations in the People's Republic of China (the "PRC"), the Group is required to contribute an amount to certain retirement benefit schemes based on approximately 7% to 20% of the wages for the year of those workers in the PRC. The local municipal government undertakes to assume the retirement benefits obligations of those workers of the Group.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors have an interest in any business constituting a competing business to the Group.

SUFFICIENCY OF PUBLIC FLOAT

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

(vi) 行使購股權

於年結日後及截至本報告日期止，總共 26,885,000 份購股權獲行使，導致發行額外 26,885,000 股本公司普通股。於本報告日期，本公司有 98,115,000 份尚未行使購股權。

退休金計劃

於香港營運之附屬公司須參加本集團或本公司根據香港強制性公積金條例成立之定額供款退休計劃。根據計劃，僱員須按月薪 5% 作出供款，上限為 1,000 港元，而彼等可選擇作出額外供款。僱主每月供款按僱員月薪 5% 計算，上限為 1,000 港元（「強制性供款」）。僱員年屆 65 歲退休、身故或喪失工作能力時，享有全部僱主供款。

此外，根據中華人民共和國（「中國」）政府法規規定，本集團須按中國僱員該年薪金約 7% 至 20%，向若干退休福利計劃作出供款。當地省政府對本集團的該類僱員作出退休福利責任保證。

董事於競爭業務的權益

概無任何董事於任何與本集團構成競爭的業務中擁有任何權益。

足夠公眾持股量

根據本公司現有公開資料及就董事所知，董事確認，本公司於年內維持上市規則規定的公眾持股量。

Report of the Directors

董事會報告

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Cheung Yuk Fung

Chairman

Hong Kong, 17 April 2007

核數師

羅兵咸永道會計師事務所已審核財務報表，而羅兵咸永道會計師事務所即將任滿告退，惟符合資格獲重新委任。

代表董事會

主席

張玉峰

香港，二零零七年四月十七日