

Directors' Report

The Board is pleased to present to the shareholders their first report and audited financial statements of the Company and of the Group for the financial year ended 30 April 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 13 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

The results for the year ended 30 April 2004 are set out in the consolidated income statement on page 25.

DIVIDENDS

The Board has resolved to recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on 23 September 2004 a final dividend of HK\$0.02 (approximately RMB0.021) per share to be paid on or about 7 October 2004 to the shareholders whose names appear on the register of members of the Company on 23 September 2004. The proposed final dividend will amount to total dividends of HK\$12,450,000 (approximately RMB13,197,000).

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 22 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 28 and note 23 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group and the Company are set out in note 11 to the financial statements.

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DISTRIBUTABLE RESERVES

Reserves of the Company at 30 April 2004 available for distribution amounted to RMB451,184,000. The Company's share premium account and contributed surplus, in the amount of RMB143,252,000 and RMB294,402,000 respectively are also available for distribution to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution of share premium and contributed surplus if (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

PRE-EMPTIVE RIGHT

There are no pre-emptive provisions under the Company's Bye-Laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS

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

Executive Directors

Mr. Sun Shao Feng (*Chairman and Managing Director*)

Ms. Jiang Xiao Jun (resigned on 8 April 2004)

Mr. Huang Hua

Mr. Leung Kwok Fai Ben Rich

Mr. Kung Sze Wai

Independent Non-executive Directors

Mr. Lin Chuan Bi

Mr. Hu Ji Rong

In accordance with Bye-law 87(1) of the Company's Bye-Laws, Mr. Huang Hua will retire from office as director by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

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DIRECTORS' SERVICE AGREEMENTS

Each of Mr. Sun Shao Feng, Mr. Leung Kwok Fai Ben Rich and Mr. Kung Sze Wai entered into a service agreement with the Company on 20 December 2003 for an initial term of three years commenced on 13 January 2004, the date of commencement of listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and shall continue thereafter the expiration of the said three years term unless and until terminated by either party giving to the other not less than six months' notice in writing. These directors are entitled to annual remuneration of HK\$1,200,000 (approximately RMB1,272,000) in aggregate and they are also entitled to participate into any bonus plan to be determined by the Board absolutely.

Mr. Huang Hua entered into a service agreement with the Company on 20 December 2003 for an initial term of two years commenced on 13 January 2004 and shall continue thereafter the expiration of the said two years term unless and until terminated by either party giving to the other not less than six months' notice in writing. Mr. Huang is entitled to an annual remuneration of HK\$120,000 (approximately RMB127,200) and he is also entitled to participate into any bonus plan to be determined by the Board absolutely.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming Annual General Meeting has unexpired service agreement which is determinable by the Company within one year without payment of compensation, other than statutory compensation.

PROFILES OF DIRECTORS AND SENIOR EXECUTIVES

Profiles of Directors and Senior Executives of the Group are set out on pages 14 to 16.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 April 2004, the interests and short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

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Long positions in shares of the Company

Name of director	Type of interest	No. of ordinary shares	Percentage of issued share capital
Sun Shao Feng	Corporate	405,000,000	65.06%

Note:

These 405,000,000 ordinary shares of the Company are held through Capital Mate Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Sun Shao Feng.

Interests in share options

The Company adopted a share option scheme on 12 December 2003 ("Scheme"), pursuant to which the Board may, at their discretion, invite any eligible participants to take up options to subscribe for shares of the Company in aggregate not exceeding 30% of the shares in issue from time to time. During the year under review, no share options were granted under the Scheme.

Save as disclosed above, none of the Directors, chief executives or their associates had any interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed under the headings "Directors' and Chief Executives' Interests in Securities" above, at no time during the year was the Company or any of its subsidiaries, its holding company, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations (as defined in the SFO) or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 April 2004, so far as is known to the Directors, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

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Long positions in shares of the Company

Name	Number of Ordinary shares	Percentage of issued share capital
Capital Mate Limited	405,000,000 (Note 1)	65.06%
Cheah Cheng Hye	44,559,000 (Note 2)	7.16%
Value Partners Limited	44,559,000 (Note 2)	7.16%

Notes:

1. These 405,000,000 ordinary shares of the Company are held by Capital Mate Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Sun Shao Feng, Chairman and Managing Director of the Company.
2. Mr. Cheah Cheng Hye is deemed to be interested in these 44,559,000 ordinary shares of the Company which are held by Value Partners Limited, a company incorporated in the British Virgin Islands and is controlled by Mr. Cheah Cheng Hye.

Save as disclosed above, the Directors are not aware of any other persons who have any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Apart from the information disclosed under the heading "Connected Transactions" below, there was no other contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, subsisted at the end of the year or at any time during the year, and in which a Director had, whether directly or indirectly, a material interest, nor there was any other contract of significance in relation to the Company's business between the Company or any of the Company's subsidiaries and holding company or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 30 April 2004, none of the Directors of the Company is interested in any business which competes or is likely to compete, either directly or indirectly, with the Group's business.

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CONNECTED TRANSACTIONS

Significant related party transactions which also constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), entered into by the Group during the year are disclosed in note 25 to the financial statements. Other than disclosed therein, there was no other connected transaction of the Company and the Group during the year ended 30 April 2004.

RETIREMENT SCHEME ARRANGEMENT

Particulars of the Group's retirement scheme are set out in note 9 to the financial statement.

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.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate percentage of purchases attributable to the Group's five largest suppliers in the year was less than 30% of the Group's purchases.

The aggregate percentage of turnover attributable to the Group's five largest customers was approximately 40% of the Group's turnover and the percentage of turnover attributable to the Group's largest customer was approximately 13% of the Group's turnover for the year.

None of the Directors, their associates or shareholders, who to the knowledge of the directors own more than 5% of the Company's share capital, had any interest in any of the five largest customers.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

The listing of the Company's shares on the Stock Exchange commenced on 13 January 2004 ("the Listing Date"). Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period between the Listing Date and 30 April 2004.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice ("Code") as set out in Appendix 14 of the Listing Rules throughout the period since the Listing Date up to 30 April 2004, except that the independent non-executive directors of the Company are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's Bye-Laws.

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AUDIT COMMITTEE

The Company established an Audit Committee on 12 December 2003 with written terms of reference in compliance with the Code. The primary duties of the Audit Committee are to review the financial reporting process of the Group. The Audit Committee consists of the two independent non-executive directors, namely Mr. Lin Chuan Bi and Mr. Hu Ji Rong. During the year ended 30 April 2004, the Audit Committee held 2 meetings with all members present to review with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters. In addition, the Audit Committee has reviewed the final results for the year ended 30 April 2004.

SUBSEQUENT EVENTS

There is no significant event subsequent to the balance sheet date as at 30 April 2004.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint CCIF CPA Limited (formerly known as Charles Chan, Ip & Fung CPA Ltd.) as auditors.

On behalf of the Board

Sun Shao Feng

Chairman

Hong Kong, 25 August 2004