



Directors' Report

The directors present their annual report and the audited financial statements of the Group for the year ended 30 June 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 14 to the financial statements.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 30 June 2005 are set out in the consolidated income statement on page 21. An interim dividend of HK1.0 cent per share amounting to HK\$8,765,576 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK1.5 cents per share to the shareholders whose names appear on the register of members on 18 November, 2005, amounting to approximately HK\$13,148,000, and the retention of the remaining profit for the year.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 19 to the financial statements.



Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Mr. Chen Dong
Mr. Chen Jinyan
Ms. Kong Ping
Mr. Chen Qinzhi (resigned on 1 May 2005)

Independent non-executive directors:

Mr. Huang Yongfeng
Mr. Yu Zhong Ming (appointed on 1 September 2004)
Mr. Lo Kin Chung (appointed on 1 September 2004)
Mr. Tong Lap Hong (resigned on 1 September 2004)

In accordance with Articles 86 and 87 of the Articles of Association of the Company, Mr. Chen Dong and Ms. Kong Ping retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Messrs. Chen Jinyan and Chen Qinzhi entered into service agreements with the Company for a term of three years whilst Messrs. Chen Dong and Kong Ping have service agreements for a term of one year. All the above service agreements commenced from 1 September 2003 and will continue thereafter until terminated by either party by giving three months' prior written notice. The service agreements of Messrs. Chen Dong and Kong Ping expired on 31 August 2005 and they were re-appointed by the Board on 1 September 2005 to continue to act as the executive directors of the Company for a term of one year. Mr. Chen Qinzhi resigned as director of the Company on 1 May 2005 and his service agreement was terminated simultaneously.

Other than as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Each of the independent non-executive directors entered into service agreements with the Company for a term of one year and either the Company or the independent non-executive director may terminate the appointment by giving the other a prior notice of two months in writing before its expiration. Mr. Tong Lap Hong resigned as independent non-executive director of the Company on 1 September 2004 and his service agreement was terminated simultaneously.

DIRECTORS' INTERESTS IN SECURITIES

At 30 June 2005, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("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

(a) Ordinary shares of HK1.0 cent each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Approximate shareholding percentage
Mr. Chen Dong	Held by controlled corporation (<i>note</i>)	581,910,000	66.39%

Note: The shares are held by Talent Crown Investment Limited ("Talent Crown"), a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Chen Dong. Mr. Chen Dong is the younger brother of Mr. Chen Jinyan and both are the executive directors of the Company.

(b) Share options

Name of director	Capacity	Number of options held	Number of underlying shares
Mr. Chen Jinyan	Beneficial owner	4,000,000	4,000,000

Other than as disclosed above, none of the directors nor their associates had any interest or short positions in any shares or underlying shares of the Company or any of its associated corporations as at 30 June 2005.



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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save 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 by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' interests in securities" above, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions – Ordinary shares of HK1.0 cent each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate shareholding percentage
Credit Suisse Group	Held by controlled corporation (<i>note</i>)	43,868,097	5.00%

Note: These shares were beneficially held by Credit Suisse Group.

Other than disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2005.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 21 to the financial statements.

The following table disclosed movements in the Company's share options during the year:

Directors	Date of grant	Exercise period	Exercise price <i>HK\$</i>	Outstanding at 1.7.2004	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30.6.2005
Mr. Chen Jinyan	23.12.2003	23.12.2003 to 22.12.2013	0.612	4,000,000	-	-	-	4,000,000
Mr. Chen Qinzhi	23.12.2003	23.12.2003 to 22.12.2013	0.612	4,000,000	-	-	(4,000,000)	-
Total for directors				8,000,000	-	-	(4,000,000)	4,000,000
Employees	23.12.2003	23.12.2003 to 22.12.2013	0.612	34,250,000	-	-	-	34,250,000
Granted Total				42,250,000	-	-	(4,000,000)	38,250,000

The closing price of the Company's shares immediately before 23 December 2003, the date of the relevant grant, was HK\$0.62.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for 33% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 12% of the Group's total sales. The aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 80% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 23% of the Group's total purchase.

None of the directors, their associates or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers or suppliers of the Group.



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PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDIT COMMITTEE

Pursuant to the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Company set up an audit committee (the "Committee") on 16 August 2003. The Committee was established with written terms of reference and has been adopted for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Committee now comprises three members, all being independent non-executive directors of the Company. The Group's audited financial statements, including the supplementary consolidated financial information, for the year, have been reviewed by the Committee.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 30 June 2005 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive directors confirmation of his independence and the Company considers that each of them to be independence and the Company considers that each of them to be independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the model code set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the model code throughout the year ended 30 June 2005.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Chen Jinyan

CHAIRMAN

Hong Kong

30 September 2005