

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 25 to the financial statements.

RESULTS

The results of the Group for the year ended 30th June, 2005 are set out in the consolidated income statement on page 13.

The directors do not recommend the payment of a dividend.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30th June, 2005, the five largest customers of the Group together accounted for approximately 65% of the Group's turnover and the aggregate purchases attributable to the Group's five largest suppliers were 99%. The largest customer accounted for approximately 40% of the Group's turnover and the largest supplier accounted for approximately 42% of the Group's purchases.

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 share capital) have an interest in any of the Group's five largest suppliers or customers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 10 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 17 to the financial statements.

**DIRECTORS'
R E P O R T****DIRECTORS**

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

Executive directors

Ms. Zhou Liping (*Chairman*)

Ms. Guan Mei (*Deputy Chairman*)

Mr. Huang Flynn Xuxian

Independent non-executive directors

Mr. Shea Chun Lok, Quadrant

Mr. Chan Yiu Kwong

Mr. Ngai Chi Yung

In accordance with Clauses 91 and 99(B) of the Company's bye-laws, Mr. Huang Flynn Xuxian and Mr. Chan Yiu Kwong will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

08

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the above clauses.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

At 30th June, 2005, the interests of the directors and their associates in the 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 of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions

Ms. Guan Mei was interested in 9,250,000 shares of the Company, representing approximately 16.66% of the issued share capital of the Company as at 30th June, 2005. These shares were held by Aster Well Limited, a company incorporated in the British Virgin Islands and is beneficially owned by Ms. Guan Mei.

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

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 23 to the financial statements.

ARRANGEMENTS TO PURCHASE SHARES

At no time during the year was the Company or its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or 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

At 30th June, 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

Name	Number of shares	Percentage of the issued share capital of the Company
Pioneer Wealth Limited (<i>Note 1</i>)	13,477,250	24.27%
Aster Well Limited (<i>Note 2</i>)	9,250,000	16.66%

Note 1: The entire share capital of Pioneer Wealth Limited is beneficially owned by Ms. Deng Hong.

Note 2: The entire share capital of Aster Well Limited is beneficially owned by Ms. Guan Mei.

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

**DIRECTORS'
R E P O R T**

171005

Shang Hua

Jo.: 14029(N)

(CT-CA)

2P*241005

05 Directors

P. 10**10****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.

EMOLUMENT POLICY

The emolument policy of the employee of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30th June, 2005.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 30th June, 2005 with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), except that non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation at annual general meeting.

The Code of Best Practice was replaced by the Code on Corporate Governance Practice (the "Code") which are applicable to the Company for the financial year commencing 1st July, 2005. The Company has proceeded to take measures to comply with the Code.

The Company has adopted a code of conduct regarding securities transactions by directors on terms on less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

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

171005

AUDIT COMMITTEE**Shang Hua**

Jo.: 14029(N)

(CT-CA)

2P*241005

05 Directors

P. 11

The Audit Committee was established in accordance with the requirements of the Code of Best Practice as set out in Appendix 14 of the Listing Rules. It comprises three Independent Non-Executive Directors of the Company to review on matters regarding internal controls and financial reporting of the Group.

POST BALANCE SHEET EVENT

Details of a significant event occurring after the balance sheet date is set out in note 24 to the financial statements.

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

Zhou Liping*CHAIRMAN*

Hong Kong, 12th October 2005