

## DIRECTORS' REPORT

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

### Corporate Reorganisation

The Company was incorporated with limited liability in Bermuda on January 27, 2004.

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on March 17, 2005.

Details of the reorganisation are set out in note 24 to the financial statements.

The shares of the Company are listed on the Stock Exchange with effect from May 12, 2005 (the "Listing Date").

### Principal Activities

The Company acts as an investment holding company. The activities of the Company's principal subsidiaries are set out in note 13 to the financial statements.

### Results and Appropriations

The results of the Group for the year ended June 30, 2005 are set out in the consolidated income statement on page 23.

No interim dividend was paid to shareholders during the year. The directors have resolved to recommend the payment of a final dividend of HK6.9 cents per ordinary share for the year ended June 30, 2005 to the shareholders on the register of members on December 15, 2005. A resolution regarding the payment of such dividend will be proposed at the forthcoming annual general meeting of the Company. The final dividends proposed after the balance sheet date have not been recognised as a liability at the balance sheet date.

For the purpose of the forthcoming annual general meeting and entitlement to the proposed dividend, the register of members of the Company will be closed from December 12, 2005 to December 15, 2005 (both days inclusive).

### Property, Plant and Equipment

Details of movements during the year in the property, plant and equipment of the Group are set out in note 12 to the financial statements.

### Share Capital

Details of movements during the year in the share capital of the Company are set out in note 24 to the financial statements.

## DIRECTORS' REPORT

### Reserves

Details of movements in reserves of the Group and the Company are set out in the consolidated statement of changes in equity on page 26 of the annual report and note 26 to the financial statements, respectively.

### Purchase, Sale or Redemption of the Company's Listed Securities

Since the Listing Date and up to June 30, 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

### Directors

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

#### *Executive directors:*

Mr. Hung Tsung Chin

Mr. Wang Yao Chu

Mr. Liao Wen I

Ms. Chen Mei Huei

Mr. Yip Ho Chi

#### *Non-executive director:*

Mr. Chen Jo Wan (appointed on October 27, 2004 and resigned on July 15, 2005)

#### *Independent non-executive directors:*

Mr. Hsu Chun Yi (appointed on October 27, 2004)

Mr. Chen Chung Ho (appointed on October 27, 2004)

Mr. Tsan Wen Nan (appointed on October 27, 2004)

In accordance with the Clause 87(1) of the Company's Bye-laws, Mr. Yip Ho Chi retires by rotation and, being eligible, offers himself for re-election.

In accordance with Clause 86(2) of the Company's Bye-laws, Mr. Hsu Chun Yi, Mr. Chen Chung Ho and Mr. Tsan Wen Nan retire and, being eligible, offer themselves for re-election.

### Directors' Service Contracts

Each of the executive directors of the Company has entered into a service contract with the Company for a term of three years commencing April 1, 2005, which may be terminated by either party thereto giving to the other three months' prior notice in writing, which notice period shall not be expired at any time during the first year commencing April 1, 2005.

Each of the non-executive directors and independent non-executive directors of the Company has entered into letters of appointment with the Company and be appointed for a period of one year commencing April 1, 2005 and may be terminated by either party giving to the other three months' prior notice in writing.

Other than as disclosed above, none of the directors of the Company has a contract of service with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (except for statutory compensation).

## Directors' and Chief Executives' Interests in Shares and Underlying Shares

At June 30, 2005, the interests of the directors, the chief executive and their associates in the securities 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 (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 Companies (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### (i) Ordinary shares of HK\$0.1 each of the Company

Name	Nature of interest	Number of shares interested	Approximate percentage of interest
Mr. Hung Tsung Chin	Corporate	147,523,125 ( <i>Note 1</i> )	29.00%
Mr. Wang Yao Chu	Corporate	111,150,000 ( <i>Note 2</i> )	21.85%
Mr. Liao Wen I	Corporate	75,489,375 ( <i>Note 3</i> )	14.84%
Ms. Chen Mei Huei	Corporate	147,523,125 ( <i>Note 1</i> )	29.00%

*Notes:*

1. These shares are registered in the name of Metroasset Investments Limited which is held by Mr. Hung Tsung Chin as to 45.09%, his wife, Ms. Chen Mei Huei, as to 44.38% and Mr. Hung Shih Shih (on trust for Mr. Hung Chih Chun, a son of Mr. Hung Tsung Chin and Ms. Chen Mei Huei) as to 10.53%.
2. These shares are registered in the name of Success Power Investments Limited which is held by Mr. Wang Yao Chu as to 58.80% and his wife, Ms. Tseng Wei Ti, as to 41.20%.
3. These shares are registered in the name of Wellever Investments Limited which is held by Mr. Liao Wen I as to 86.14% and his wife, Ms. Lin Hsiu Ling, as to 13.86%.

All interests in shares stated above represent long position.

# DIRECTORS' REPORT

## (ii) Share options

Details of the Company's share option scheme are set out in note 25 to the financial statements.

During the year, no options were granted, exercised, lapsed or cancelled. A summary of the share options granted by the Company on July 30, 2005 is as follows:

Type of grantee	Exercise price (Note 1)	Option period (Note 2)	Number of share options outstanding at July 1, 2004 and June 30, 2005	Number of share options granted on July 30, 2005
<i>Directors</i>				
Mr. Hung Tsung Chin	HK\$1.02	August 1, 2005 to July 31, 2015	–	500,000
Mr. Wang Yao Chu	HK\$1.02	August 1, 2005 to July 31, 2015	–	500,000
Mr. Liao Wen I	HK\$1.02	August 1, 2005 to July 31, 2015	–	500,000
Ms. Chen Mei Huei	HK\$1.02	August 1, 2005 to July 31, 2015	–	500,000
Mr. Yip Ho Chi	HK\$1.02	August 1, 2005 to July 31, 2015	–	500,000
<i>Employees</i>				
	HK\$1.02	August 1, 2005 to July 31, 2015	–	4,020,000
			<u>–</u>	<u>6,520,000</u>

Notes:

- The closing price of the Company's shares on July 29, 2005, the day before the date of grant, was HK\$1.02.
- The maximum percentage of the share options which may be exercised is determined in stages as follows:

On or after the second year anniversary of the date of grant	50%
On or after the third year anniversary of the date of grant	remaining 50%

Save as disclosed above, as at June 30, 2005, none of the directors and chief executive of the Company had or were deemed to have any interest or short position in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company pursuant to the Model Code of the Listing Rules.

## Substantial Shareholders

As at June 30, 2005, the interests of the substantial shareholders in the shares or underlying shares of the Company which have been disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Number of ordinary shares held	Approximate percentage of interest
Metroasset Investments Limited	147,523,125	29.00% (Note 1)
Success Power Investments Limited	111,150,000	21.85% (Note 2)
Wellever Investments Limited	75,489,375	14.84% (Note 3)

### Notes:

1. Metroasset Investments Limited is held by Mr. Hung Tsung Chin as to 45.09%, his wife, Ms. Chen Mei Huei, as to 44.38% and Mr. Hung Shih Shih (on trust for Mr. Hung Chih Chun, a son of Mr. Hung Tsung Chin and Ms. Chen Mei Huei) as to 10.53%.
2. Success Power Investments Limited is held by Mr. Wang Yao Chu as to 58.80% and his wife, Ms. Tseng Wei Ti, as to 41.20%.
3. Wellever Investments Limited is held by Mr. Liao Wen I as to 86.14% and his wife, Ms. Lin Hsiu Ling, as to 13.86%.

All the interests in shares stated above represent long position.

Save as disclosed above, so far as is known to the directors, as at June 30, 2005, there was no person (other than a director or chief executive of the Company) who had an interest in the shares or underlying shares in the Company which would fall to be disclosed to the Company pursuant to section 336 of the SFO.

## Arrangements to Purchase Shares or Debentures

Other than the share option scheme of the Company, 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 benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Directors' Interests in Contracts of Significance

Other than as disclosed in note 34 to the financial statements, no contracts of significance to which the Company or any of 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.

# DIRECTORS' REPORT

## Corporate Governance

The Company has complied in the period between the Listing Date and June 30, 2005 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in 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.

## Emolument Policy

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included insurance and medical cover, subsidized training programme as well as share option scheme.

The determination of emoluments of the directors of the Company had taken into consideration their expertise and job specifications.

## Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

## Major Customers and Suppliers

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 47% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 24% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 30% of the total purchases.

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

## Sufficiency of Public Float

The Company has maintained a sufficient public float in the period between the Listing Date and June 30, 2005.

## Post Balance Sheet Event

Details of the significant event occurring after the balance sheet date are set out in note 33 to the financial statements.

## Auditors

During the year, Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company. A resolution will be submitted to the annual general meeting to re-appoint them.

On behalf of the Board

*Chairman*

**Hung Tsung Chin**

Hong Kong, October 19, 2005