

## Report of the Directors

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

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

### SEGMENTAL INFORMATION

An analysis of the Group's turnover and results by principal activity and geographical location of markets for the year ended 30 June 2005 is set out in note 5 to the financial statements.

### RESULTS AND APPROPRIATION

The Group's results for the year ended 30 June 2005 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 25 to 70.

The directors of the Company do not recommend the payment of a dividend in respect of the year.

### SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results and of the assets, liabilities and minority interests of the Group for the last five financial years is set out below. The amounts for the financial year ended 30 June 2005 are those set out in the accompanying financial statements on pages 25 and 70. The amounts for the financial year ended 30 June 2004 and before are extracted from previously published audited financial statements of the Company and restated as appropriate. The restatements made to these prior year amounts are in respect principally of retrospective adoption of accounting standards that came into effect subsequent to the respective former financial years.

### RESULTS

	Year ended 30 June				
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
TURNOVER	<u>138,262</u>	<u>189,026</u>	<u>208,770</u>	<u>248,829</u>	<u>225,601</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>(150,164)</u>	<u>30,345</u>	<u>40,356</u>	<u>64,868</u>	<u>50,088</u>

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### ASSETS, LIABILITIES AND MINORITY INTERESTS

	At 30 June				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
NON-CURRENT ASSETS	110,305	246,550	185,258	146,592	139,467
CURRENT ASSETS	360,487	273,401	298,277	259,680	221,226
<b>TOTAL ASSETS</b>	<b>470,792</b>	519,951	483,535	406,272	360,693
CURRENT LIABILITIES	16,264	16,686	19,516	16,909	24,851
NON-CURRENT LIABILITIES	2,954	4,073	4,697	5,599	5,460
<b>TOTAL LIABILITIES</b>	<b>19,218</b>	20,759	24,213	22,508	30,311
MINORITY INTERESTS	–	–	20,924	–	5,984
<b>NET ASSETS</b>	<b>451,574</b>	499,192	438,398	383,764	324,398

### FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group are set out in note 13 to the financial statements.

### SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 27 and 28 to the financial statements, respectively.

### 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.

### PLACEMENT OF NEW SHARES AND CONNECTED TRANSACTION

During the year, the Company completed a top-up placing and subscription arrangement whereby an aggregate of 489,000,000 new ordinary shares in the Company were issued and allotted at a price of HK\$0.20 per share to Golden Prince Group Limited, a company incorporated in the British Virgin Islands. Mr. Ng Leung Ho, chairman and executive director of the Company, owned the entire issued share capital of Golden Prince Group Limited. Both of Mr. Ng Leung Ho and Golden Prince Group Limited are substantial shareholders of the Company. The placing price of HK\$0.20 per share represents a discount of about 13.04% to the quoted closing price of HK\$0.23 per share on 12 January 2005, being the last trading day prior to the inception of the top-up placing and subscription agreement. The net proceed raised per share, net of related expenses, is approximately HK\$0.19 and the aggregate share issue proceeds amounted to approximately HK\$95 million, which has been retained as general working capital of the Company and/or will be utilized for any future possible acquisition. Further details of the top-up placing and subscription arrangement are set out in the Company's press announcement of 13 January 2005.

## Report of the Directors

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the period from 27 October 2004 to 29 April 2005, by virtue of exercise of the rights granted by the Company's shareholders to the directors under general mandate, the Company repurchased on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in aggregate 34,888,000 of its ordinary shares of HK\$0.10 each at a total consideration before expenses of approximately HK\$6,151,000. The subject shares were cancelled after repurchases and the issued share capital of the Company was reduced by the nominal value thereof.

Other than the foregoing, and as disclosed under the above section "Placement of New Shares and Connected Transaction", neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

### **RESERVES**

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and the consolidated statement of changes in equity, respectively.

### **DISTRIBUTABLE RESERVES**

At 30 June 2005, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$2,884,000 as computed in accordance with the Companies Act 1981 of Bermuda. In addition, under the laws of Bermuda, the Company's share premium account, with a balance of approximately HK\$73,538,000 as at 30 June 2005, may be distributed in the form of fully paid bonus shares.

### **MAJOR CUSTOMERS AND SUPPLIERS**

In the year under review, the sales to the Group's five largest customers accounted for approximately 43.7% of the total sales for the year and the sales to the largest customer included therein amounted to 33.6%.

Purchases from the Group's five largest suppliers accounted for approximately 61.2 per cent. of the total purchases for the year and the purchase from the largest supplier included therein amounted to 16.8 per cent..

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

## Report of the Directors

### DIRECTORS

The directors of the Company during the year and up to the date of this report are as follows:

#### Executive directors

Mr. Ng Leung Ho  
Ms. Lee Ming Hin  
Mr. Wang Weining  
Mr. Hu Xiaoming

#### Non-executive director

Mr. Ng Leung Tung

#### Independent non-executive directors

Mr. Lo Cheung Kin  
Mr. Zou Zi Ping  
Mr. Zhu Jian Hong

Mr. Ng Leung Tung was previously an executive director of the Company and has been re-designated non-executive director of the Company since 3 January 2005.

In accordance with the bye-laws 111(A) and 111(B) of the Company, Mr. Hu Xiaoming, Mr. Ng Leung Tung and Mr. Zou Zi Ping shall retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

### BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

#### Executive directors

Mr. Ng Leung Ho, aged 57, is the Chairman and the founder of the Group. Mr. Ng held directorship in various subsidiaries of the Company. He is also the chairman of Zhongke Nanotech Engineering Center Co., Ltd., the jointly controlled entity of the Company engaged in the business of Nano technology applications. Mr. Ng has more than 35 years of experience in the design, manufacture, and trading of men's suits in Hong Kong and the People's Republic of China (the "PRC"). Mr. Ng is currently a member of the Chinese People's Political Consultative Conference and is a visiting professor at the Fujian Teachers University. Mr. Ng is responsible for the corporate strategic planning and formulation of corporate policies for the Group. In addition, Mr. Ng oversee the Group's product development and industrialization efforts in various areas of Nano technology, made possible through the application of research results obtained by of Zhongke Nanotech Engineering Center Co., Ltd.

Ms. Lee Ming Hin, aged 50, is an executive director. Ms. Lee has served the Group for more than 15 years and is the director of various subsidiaries of the Company. Prior to joining the Group, Ms. Lee had more than 15 years of experience in raw material procurement, sales and marketing in the apparel industry. Ms. Lee currently oversees the general administration, finance, personnel functions and raw material procurement of the Group.

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Mr. Wang Weining, aged 32, is an executive director and joined the Group in 2004. He is responsible for overseeing the business and market development of the Group's Hi-Tech business interests in Nano-technology and software compression products. Mr. Wang held a Doctorate degree in condensed matter physics from Institute of Physics, Chinese Academy of Science, and also a Master degree in Engineering. Before joining the Group, Mr. Wang has undertaken post doctorate research in the field of Nano-technology in the Chinese Academy of Science, and has also worked as a patent attorney in Beijing.

Mr. Hu Xiaoming, aged 40, is an executive director and joined the Group in 2004. He is responsible for overseeing the industrialization of research results obtained from the Group's interest in Nano-technology research. Mr. Hu obtained his Doctorate degree in Polymer Chemistry and Physics from the Department of Organic Silane, Institute of Chemistry, Chinese Academy of Science and further his post-doctoral studies in Chemistry in Tsing Hua University. Mr. Hu is an associate researcher of the Institute of Chemistry, Chinese Academy of Science, and the deputy general manager in Zhongke Engineering Center Co., Ltd., a joint venture company established by a subsidiary of the Company and the Chinese Academy of Science.

### **Non-executive director**

Mr. Ng Leung Tung, aged 38, is the non-executive director. Mr. Ng has served the Group since its founding and was previously an executive director of the Company. Mr. Ng was re-designated non-executive director of the Company since 3 January 2005. Mr. Ng has extensive experience with the garment industry and prior to his re-designation, he is responsible for overseeing the sales and marketing of the Group's products in the PRC market. Mr. Ng Leung Tung is the younger brother of Mr. Ng Leung Ho.

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

Mr. Lo Cheung Kin, aged 57, graduated from the Fujian Teachers University in 1975. Mr. Lo is a director of the companies under the Victorfield Group in Hong Kong, a private investment group engaged in property development, management and investment, construction, trading and securities business in Hong Kong and the PRC. Mr. Lo has more than 25 years of experience in corporate management, the tourism and hospitality industry, and property investment, development and management in the PRC. Mr. Lo is also an executive director of Buildmore International Limited, a company listed on the Stock Exchange of Hong Kong Ltd.

Mr. Zou Zi Ping, aged 51, has extensive experience in the hotel industry in the PRC. He is currently the general manager of the Fuzhou Lakeside Hotel and the managing director of the Fuzhou Lakeside Hotel Management Company. Mr. Zou is also a visiting assistant professor of the Fujian Teachers University and Fujian Minjiang University.

Mr. Zhu Jian Hong, aged 40, is a member of the Chinese Institute of Certified Public Accountants. Mr. Zhu graduated from the Accountancy Department of the Shanghai University of Finance and Economics and has obtained over 16 years of experience in accountancy and financial management, including working as lecturer of accountancy in Jimei Finance & Economics College in Xiamen Special Economics Zone and statutory audit of companies' financial statements. Mr. Zhu was also a member of Financial Bureau of Xianyou Province, Fujian, the PRC, where he held the responsibility of provincial administration of accountancy and finance.

## Report of the Directors

### Senior management

Mr. Lam J Fung, aged 38, is the financial controller and the company secretary of the Company. Mr. Lam obtained a bachelor degree in Social Science from the University of Hong Kong and is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Lam has over 12 years of experience in auditing, accounting and finance.

Mr. Zhong Ming Cheng, aged 52, is a director of Digital 910 Limited and also the general manager of Zhongke Nanotech Engineering Center Co., Ltd., the Group's joint venture company engaged in the business of Nano technology applications. Mr. Zhong graduated from the School of Business Administration of Management Executive Officer College, Jiangsu province in 1984 and the School of Business Administration of the Chinese Communist Party School, Jiangsu province with a bachelor's degree in 1994, and obtained a post-graduate qualification from the School of Finance and Economics of Suzhou University in 1997. Mr. Zhong joined the Group in 2001. He is a senior economist and has more than 23 years of experience in general management and administration in various industries. Mr. Zhong currently takes up his principal duties as oversee of the general management and business development of the Suzhou operation of Zhongke Nanotech.

Mr. Hui Kin Chung, aged 38, is the factory manager of Good Fellow Garment (Fujian) Co., Ltd. and oversees the Group's production process and quality control. Mr. Hui joined the Group in 1989 and has over 20 years of experience in the apparel manufacturing industry.

### DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ng Leung Ho and Ms. Lee Ming Hin, being executive directors, and Mr. Lo Cheung Kin, Mr. Zou Zi Ping and Mr. Zhu Jian Hong, being independent non-executive directors, has entered into service contract with the Company for a term of three years commencing 25 October 2004.

Each of Mr. Wang Weining and Mr. Hu Xiaoming, being executive directors, has entered into service contract with the Company for a term of three years commencing 19 July 2004.

Mr. Ng Leung Tung, being non-executive director, has entered into service contract with the Company for a term of three years commencing 3 January 2005.

In addition, apart from Mr. Ng Leung Ho, being the Chairman of the Company, all directors of the Company shall be subject to retirement by rotation in accordance with the bye-laws of the Company. The term of office of each executive director may also be terminated with three months' notice served by either party on the other.

The contractual remuneration and discretionary bonus entitled by the executive directors and non-executive director (subject to certain conditions) may be increased by an annual increment of no more than 5 per cent after each year of completed service. The emoluments of the independent non-executive directors will be determined by the Board (as to be authorized by the shareholders of the Company at the forthcoming annual general meeting) in its discretion with reference to their duties and responsibilities.

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Save as disclosed above, no director of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

### 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 in existence during the year.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES OR SHORT POSITION IN SHARES AND UNDERLYING SHARES

At 30 June 2005, the interests or short positions of directors or chief executives of the Company or their respective associates in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO were as follows:

	Personal interest	Family interests	Corporate interests	Total interests	Total interests as % of the issued share capital	Interests in underlying shares (share options)	Total interests (including underlying shares) as % of issued share capital	Note
Mr. Ng Leung Ho	63,036,000	-	960,000,000	1,023,036,000	34.8%	27,200,000	35.7%	1,2
Ms. Lee Ming Hin	-	-	-	-	0%	20,000,000	0.68%	3
Mr. Wang Weining	-	-	-	-	0%	20,000,000	0.68%	3
Mr. Hu Xiaoming	-	-	-	-	0%	20,000,000	0.68%	3
Mr. Ng Leung Tung	-	-	-	-	0%	20,000,000	0.68%	3

#### Notes:

- The corporate interests attributed to Mr. Ng Leung Ho of 960,000,000 shares are held by Golden Prince Group Limited, a company incorporated in the British Virgin Islands. The entire issued share capital of Golden Prince Group Limited is directly wholly owned by Mr. Ng Leung Ho.
- The interests in underlying shares attributed to Mr. Ng Leung Ho includes:
  - share options to subscribe for 7,200,000 new shares in the Company, exercisable at a price of HK\$0.10 per share. These share options were granted pursuant to a previously existed share option scheme adopted by the Company, which has been terminated on 23 November 2001. These share options remain outstanding and are exercisable during the period from 1 May 1999 to 24 October 2008; and
  - share options to subscribe for 20,000,000 new shares in the Company, exercisable at a price of HK\$0.24 per share and granted pursuant to the Company's existing share option scheme, as adopted by the Company's shareholders in the Company's annual general meeting held on 23 November 2001.

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3. The interests in underlying shares attributed to these directors represent share options to subscribe for new shares in the Company, exercisable at a price of HK\$0.24 per share and granted pursuant to the Company's existing share option scheme, as adopted by the Company's shareholders in the Company's annual general meeting held on 23 November 2001.

Save as disclosed above, none of the directors and chief executive of the Company or their associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of the SFO or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities transaction by Directors of Listed Companies.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the year was the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangement to enable the Directors of the Company or their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### SHARE OPTION SCHEME

At the annual general meeting of the Company held on 23 November 2001, the shareholders of the Company approved the adoption of a new share option scheme (the "New Scheme") and the termination of the share option scheme adopted by the Company on 25 October 1998 (the "Old Scheme")

#### The Old Scheme

The Old Scheme was designed to provide incentives to participants although no such purpose was mentioned in the terms of the Old Scheme. The major terms of the Old Scheme are summarized as follows:

1. Eligible participants of the Old Scheme include and full-time employees (including executive directors) of the Company and its subsidiaries (but excluding the independent non-executive directors of the Company).
2. The maximum number of shares of the Company in respect of which options might be granted under the Old Scheme and/or under any other share option schemes must not exceed 10% of the issued share capital of the Company from time to time.
3. The maximum number of shares of the Company in respect of which options might be granted to a participant, when aggregated with shares issued and which may fall to be issued under the Old Scheme must not exceed 25% of the maximum number of shares issued and which may fall to be issued under the Old Scheme from time to time.
4. Any option may be exercised in whole or in part within a period which is determined and notified by the board of directors when making an offer of option and in any event shall not be later than 10 years from the date of adoption of the Old Scheme.



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### The Old Scheme (continued)

5. Unless otherwise determined by the board of directors in its discretion, there is no general requirement in respect of the minimum period for which an option must be held before it can be exercised.
6. The acceptance of an option, if accepted, must be made not more than 21 days after the date of offer of the option with a non-refundable payment of HK\$1.00 as consideration for the grant of option from the grantee to the Company. The full amount of the subscription price for shares must be paid upon exercise of an option.
7. The subscription price per share in respect of an option shall not be less than the higher of (i) 80% of the average closing price of the Company's shares quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the 5 trading days immediately preceding the date of offer of the option; and (ii) the nominal value of the Company's share.

As the Old Scheme was terminated on 23 November 2001, no further options will be offered under the Old Scheme. However, in all other respects the provisions of the Old Scheme shall remain in force and all outstanding options granted under the Old Scheme prior to termination shall continue to be valid and exercisable until upon expiry. Particulars of options granted under the Old Scheme and remained outstanding up to 30 June 2005 are as follows:

Director	Number of shares under options			Subscription price per share	Date of grant of share options	Vesting and exercisable period
	Beginning of year	Exercised during the year	End of year			
Mr. Ng Leung Ho	7,200,000	-	7,200,000	HK\$0.10	1 February 1999	1 May 1999 to 24 October 2008

### The New Scheme

The documented purpose of the New Scheme is to recognize the contribution of the executives and employees to the Group by granting share options to them as incentives or rewards. The major terms of the Old Scheme are summarized as follows:

1. Eligible participants of the New SO Scheme include executive, employee, executive director and/or non-executive director (including independent non-executive director) of the Company and its subsidiaries who is in employment at the time when the option is granted to such person.
2. The total number of shares available for issue upon exercise of all options to be granted under the New Scheme and other share option schemes of the Company must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the New Scheme and such limit may be refreshed by the shareholders of the Company in general meeting. The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30% of the shares of the Company from time to time.

## Report of the Directors

### The New Scheme (continued)

3. The total number of shares and to be issued upon exercise of the options granted and to be granted to each eligible person (including both exercised and outstanding options) in any 12-month period up to and including the date of grant is limited to 1% of the shares of the Company in issue. Any further grant of options in excess of this limit is subject to separate shareholders' approval in a general meeting of the Company.
4. Any grant of share options to a director, chief executive or substantial shareholders of the Company or any of their associates are subject to approval in advance by the independent non-executive directors of the Company.
5. Any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or any of their associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person within the 12-month period up to the date of grant of options representing in aggregate in excess of 0.1% of the shares of the Company in issue and having an aggregate value (based on closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, is subject to prior approval by shareholders in a general meeting.
6. Unless otherwise determined by the board of directors in its absolute discretion, there is no general requirement in respect of the minimum period for which an option must be held before it can be exercised.
7. The exercise period of the share options granted is determinable by the directors of the Company, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or the expiry date of the New SO Scheme, if earlier.
8. The offer of a grant of option, if accepted, may be accepted within the date specified in the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee.
9. The exercise price of the share options is determinable by the directors of the Company, but may not be less than the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.
10. The New SO Scheme will, unless otherwise cancelled or amended, remain in force for 10 years commencing from the date of adoption on 23 November 2001.

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### The New Scheme (continued)

Particulars of options granted under the New Scheme during the year and remained outstanding up to 30 June 2005 are as follows:

Directors	Number of shares under option			End of year	Subscription price per share	Date of grant of share options	Vesting and exercisable period
	Beginning of year	Granted during the year	Exercised during the year				
Mr. Ng Leung Ho	-	20,000,000	-	20,000,000	HK\$0.24	10 January 2005	10 January 2005 to 23 November 2011
Ms. Lee Ming Hin	-	20,000,000	-	20,000,000	HK\$0.24	10 January 2005	10 January 2005 to 23 November 2011
Mr. Wang Weining	-	20,000,000	-	20,000,000	HK\$0.24	10 January 2005	10 January 2005 to 23 November 2011
Mr. Hu Xiaoming	-	20,000,000	-	20,000,000	HK\$0.24	10 January 2005	10 January 2005 to 23 November 2011
Mr. Ng Leung Tung	-	20,000,000	-	20,000,000	HK\$0.24	10 January 2005	10 January 2005 to 23 November 2011
	-	<u>100,000,000</u>	<u>-</u>	<u>100,000,000</u>			
Employees	-	144,800,000	(27,800,000)	117,000,000	HK\$0.24	10 January 2005	10 January 2005 to 23 November 2011
Total	-	<u>244,800,000</u>	<u>(27,800,000)</u>	<u>217,000,000</u>			

The share options granted are not recognized in the accounts until they are exercised. The directors consider that a number of factors crucial for the valuation of the share options of the Company granted are subjective and uncertain. Consequently, any valuation of the share options based on various speculative assumptions would not be meaningful and would be misleading. Accordingly, the directors do not consider it appropriate to disclose a theoretical value of the share options of the Company granted during the year.

### RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefit scheme in operation for the financial year ended 30 June 2005 are set out in note 3 to the financial statements.

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### SUBSTANTIAL SHAREHOLDERS

At 30 June 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the Company had been notified of the following substantial shareholder's interests or short positions, being 5% or more of the Company's issued share capital:

Name	Capacity	Number of shares	Percentage of holding
Mr. Ng Leung Ho	Beneficial owner	1,050,236,000 ( <i>Note 1</i> )	35.7%
Golden Prince Group Limited	Beneficial owner	960,000,000 ( <i>Note 2</i> )	32.6%

*Notes:*

- The beneficial interests of Mr. Ng Leung Ho in 1,048,146,000 shares comprise corporate interest in 960,000,000 shares, held through Golden Prince Group Limited, and personal interest in 90,236,000 shares, comprising 63,036,000 shares and 27,200,000 underlying shares in respect of shares options granted by the Company to him.
- The entire issued share capital in Golden Prince Group Limited is beneficially owned by Mr. Ng Leung Ho, whose interests in shares of the Company are disclosed in the section headed "Directors' and chief executive's interests in shares or short position in shares and underlying shares".

Save as disclosed above, at 30 June 2005, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interest and short positions, being 5% or more of the Company's issued share capital.

### DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, no directors of the Company are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses for which the directors of the Company were appointed as directors to represent the interest of the Company and/or the Group.

### REFRESHMENT OF GENERAL MANDATE

On 14 March 2005, in view that the previously applicable mandate granted to the Company's directors to allot, issue and deal with new shares not exceeding 20% of the issued share capital of the Company (as approved by the Company's shareholders in last year's annual general meeting held on 30 November 2004) has been substantially utilized upon completion of the top-up placing and subscription of 489,000,000 new ordinary shares in the Company (as explained in the above section on "Placement of New Shares and Connected Transaction"), a resolution was passed by shareholders of the Company for the refreshment of general mandate to deal with new shares not exceeding 20% of the issued share capital of the Company at that date. The refreshed general mandate will expire on the forthcoming annual general meeting and shareholders' approval will be sought after for the grant to the Company's directors a new general mandate to deal with shares in the Company.

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### CORPORATE GOVERNANCE

The Code of Best Practice as set out in appendix 14 of the Listing Rules was in force and remained applicable for all listed issuers in respect of accounting periods commencing prior to 1 January 2005. In the opinion of the directors, the Company complied with the Code of Best Practice throughout the period covered by the annual report, except that independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company. Commencing 25 October 2005, revisions have been made to appoint the independent non-executive directors on the basis of specific term of three years.

The Company has adopted the Model Code for Securities transaction by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules in respect of securities dealing by directors. The Company has made specific enquiry to all directors of the Company in respect of securities dealing by the directors and is not aware of any non-compliance with the Model Code.

The Company has received annual confirmation of independence from each of the Independent Non-executive director and considers the confirmation continues to be valid at the date of this report.

The Code of Best Practice as set out in appendix 14 of the Listing Rules was replaced by the Code of Corporate Governance Practices, effective for accounting periods commencing on or after 1 January 2005. The Company will report on its compliance with applicable requirements of the Code of Corporate Governance Practices in due course.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the and within the knowledge of the directors, it is confirmed that there is sufficient public float of more than 25 per cent of the Company's issued shares at the latest practicable date prior to the issue of the annual report.

### AUDIT COMMITTEE

The Company has established an audit committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. It also reviews the effectiveness of the audit process and risk evaluation. The audit committee currently comprises the three independent non-executive directors of the Company, namely, Mr. Lo Cheung Kin, Mr. Zou Zi Ping and Mr. Zhu Jian Hong. The audit committee has reviewed the accompanying financial statements prior to their publication.

### POST BALANCE SHEET EVENT

Details of the post balance sheet event of the Group are set out in note 33 to the financial statements.

### AUDITORS

The accompanying financial statements were audited by RSM Nelson Wheeler who shall retire. A resolution for the appointment of auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Ng Leung Ho**  
*Chairman*

Hong Kong, 28 October 2005