

Report of the Directors

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporation

As at 30 June 2006, the interests and short positions of each of the Directors and chief executives in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required pursuant to Section 352 of the SFO to be entered in the register required to be kept by the Company; or were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO); and were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of issued share capital of the Company
Mr. Zhang Yuping (alia, Cheung Yu Ping) ("Mr. Zhang")	Controlled Corporation (Note1)	713,800,000(L) 12,500,000(S)	68.8% 1.2%
Mr. Song Jianwen	Controlled Corporation (Note2)	11,850,000(L)	1.142%

The letters "L" and "S" denote the person's long positions and short positions in the Shares respectively.

Note 1: Mr. Zhang Yuiping owned 51.5% of the issued share capital of Best Growth International Limited ("Best Growth"), which in turn owned 68.8% long positions and 1.2% short positions of the issued capital of the Company.

Note 2: Mr. Song Jianwen owned the entire share capital of Artnew Developments Limited, which in turn owned 1.142% of the issued share capital of the Company.

Save as disclosed above, the Directors or chief executives of the Company were not aware that there was any party who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Substantial Shareholders' Interests and Short Positions in Shares

As at 30 June 2006, the interests or short positions of the persons, other than a Director or chief executive of the Company, in the shares or underlying shares or debentures of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholder	Number of Shares held	Approximate percentage of issued share capital of the Company
Best Growth (Note 1)	713,800,000(L) 12,500,000(S)	68.8% 1.2%
Mr. Zhang Yuping (Note 1)	713,800,000(L) 12,500,000(S)	68.8% 1.2%
The Swatch Group Hong Kong Limited (Note 2)	90,000,000(L)	8.67%
Hayek Nicolas Georges (Note 2)	90,000,000(L)	8.67%
Dunearn Investments (Mauritius) Pte Ltd (Note 3)	123,500,000(L)	9.94%
Seletar Investments Pte Ltd (Note 3)	123,500,000(L)	9.94%
Temasek Capital (Private) Limited (Note 3)	123,500,000(L)	9.94%
Temasek Holdings (Private) Limited (Note 3)	123,500,000(L)	9.94%

The letters "L" and "S" denote the person's long positions and short positions in the Shares respectively.

<i>Note 1:</i>	Best Growth is owned by the Zhang's family in the following manner:	
	Mr. Zhang Yuping	51.5%
	Ms. Zhang Yuhong, younger sister of Mr. Zhang	14.7%
	Mr. Jiang Xuebin, younger brother-in-law of Mr. Zhang	13.6%
	Mr. Zhang Yuwen, younger brother of Mr. Zhang	2.4%
	Ms. Zhang Qiuling, cousin of Mr. Zhang	1.4%
	Ms. Zhang Huiling, younger sister of Mr. Zhang	5.2%
	Ms. Xiao Meirong, mother of Mr. Zhang	9.6%
	Ms. Xiao Xiaohong, cousin of Mr. Zhang	1.0%
	Ms. Jiang Xueping, younger sister of Mr. Jiang Xuebin	0.6%

Note 2: These 90,000,000 Shares are held in the name of and registered in the capacity of The Swatch Group Hong Kong Limited as a beneficial owner. The entire issued share capital of The Swatch Group Hong Kong Limited is beneficially owned by The Swatch Group Limited, a 38.02% interest of which is in turn beneficially owned by Mr. Hayek Nicolas Georges. Pursuant to the Securities and Futures Ordinance, both of The Swatch Group Limited and Mr. Hayek Nicolas Georges were deemed to be interested in all the shares held by The Swatch Group Hong Kong Limited.

Note 3: These 123,500,000 Shares are held in the name of and registered in the capacity of Dunearn Investments (Mauritius) Pte Ltd as a beneficial owner. The entire issued share capital of Dunearn Investments (Mauritius) Pte Ltd is owned by Seletar Investments Pte Ltd, a 100% interest of which is in turn beneficially owned by Temasek Capital (Private) Limited. Temasek Capital (Private) Limited's entire interest is owned by Temasek Holdings (Private) Limited.

Dividend Distribution

The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2006.

Share Option Scheme

A share option scheme was adopted by the Company to grant share options to selected participants as incentives and rewards for their contributions to the Group.

As at the date of this report, no option had been granted or agreed to be granted by the Company pursuant to the Share Option Scheme.

Purchase, Sale or Redemption of Listing Shares

During the period under review, the Company has entered into Subscription Agreements with Swatch Group, Temasek and United Capital Investment respectively for the Private Placing of 148,500,000 new Shares to the three said parties and raised approximately HK\$460,000,000 for the expansion of the sales network of the Company; and at the same time a total of 56,250,000 new Shares as the consideration paid for the acquisition of Elegant International. Details of the Placing are as follow:

Name of company	Price per Share <i>(HK\$)</i>	New Shares <i>('0,000)</i>
Temasek	3.1	12,350
Swatch	3.1	1,250
United Capital Investment	3.1	1,250
Total		14,850

During the period under review, the Placing has not yet completed. However, the Group has entered into Formal Acquisition Agreement with Elegant International Holdings Limited on 27 July 2006.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

Disclosure of Information on the Website of the Stock Exchange

An interim report for the six months ended 30 June 2006 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the website of the Stock Exchange in due course.

Acknowledgement

The Directors would like to take this opportunity to express our sincere thanks to all the shareholders for their continuous support and to all our staff for their dedication and contribution to the Group during the reporting period.

General Information

As at the date of this report, the Executive Directors of the Company are Mr. Zhang Yuping, Mr. Song Jianwen and Mr. Huang Yonghua, the Non-executive Directors are Mr. Chen Sheng, Mr. Shen Zhiyuan and Mr. Shi Zhongyang, the Independent Non-executive Directors are Mr. Liu Huangsong, Mr. Cai Jianmin and Mr. Wong Kam Fai William.

By order of the Board

Zhang Yuping

Chairman

22 August 2006, Hong Kong