

## REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report and the audited financial statements of the Company and of the Group for the year ended 30 April 2006.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 16 to the financial statements.

### SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical area of operations for the year ended 30 April 2006 is set out in note 6(c) to the financial statements.

### RESULTS AND DIVIDENDS

The Group's loss for the year ended 30 April 2006 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 76.

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

### SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years as at 30 April 2002, 2003, 2004, 2005 and 2006, prepared on the basis set out therein, is set out on pages 77 and 78 of this annual report. This summary does not form part of the audited financial statements.

### FIXED ASSETS

Details of movements in the fixed assets of the Company and of the Group during the year are set out in note 13 to the financial statements.

### SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the year, together with the reasons therefor, and details of the share option scheme of the Company are set out in notes 30 and 31 to the financial statements respectively and disclosed under the heading "Share Option Schemes" below.

### EQUITY

The Company's issued and fully paid share capital as at 30 April 2006 amounted to HK\$249,602,340 divided into 2,496,023,400 ordinary shares of HK\$0.10 each.

### PRE-EMPTIVE RIGHTS

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

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### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity.

### DISTRIBUTABLE RESERVES

As at 30 April 2006, the Company had no reserves available for distribution.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 25 September 2006 to Friday, 29 September 2006, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the Company's annual general meeting to be held on Friday, 29 September 2006, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms are lodged with the Share Registrar of the Company in Hong Kong, Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 22 September 2006.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

### MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for approximately 35% of the total sales for the year and sales to the largest customer included therein amounted to approximately 16% of the total sales.

Purchases from the Group's five largest suppliers accounted for approximately 50% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 27% of the total purchases.

As far as the directors are aware, none of the directors of the Company or their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")), nor any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

## REPORT OF THE DIRECTORS

### DIRECTORS

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

#### Executive Directors:

Mr. Lai Leong (*Chairman*)  
Mr. Wang Hao  
Mr. Clive William Oxley OBE, ED

#### Non-Executive Directors:

Mr. Kwok Chi Sun, Vincent (retired at the annual general meeting held on 27 September 2005)  
Mr. Li Siu Lok, Albert (resigned on 15 July 2006)  
Ms. Wan Choi Ha, Noven (resigned on 1 July 2006)

#### Independent Non-Executive Directors:

Dr. Chow King Wai  
Mr. Chu Kar Wing  
Mr. Wong Kwok Tai

Pursuant to the bye-laws of the Company and in compliance with the "Code on Corporate Governance Practices" set out in Appendix 14 of the Listing Rules, Mr. Wang Hao, Dr. Chow King Wai and Mr. Chu Kar Wing shall retire from office by rotation and, being eligible, they will all offer themselves for re-election at the forthcoming annual general meeting.

### DIRECTORS' BIOGRAPHIES

#### Executive Directors

Mr. Lai Leong, aged 42, is the Chairman of the Company. Since 1991, Mr. Lai has worked for several property and trading companies in the PRC and has over 16 years of experience in corporate management of companies in Hong Kong and in the PRC.

Mr. Wang Hao, aged 43, is an executive director of the Company. Mr. Wang is engaged as an investment consultant of several listed companies in the PRC and has over 13 years of experience in investment management of companies in the PRC.

Mr. Clive William Oxley, OBE, ED, aged 70, is an executive director of the Company. Mr. Oxley served as a senior administrative officer with the Hong Kong Government for 25 years. Since 1995, Mr. Oxley has been acting as a management consultant and is currently the chairman of the Hong Kong Society for the Blind and chairman of the Asian Foundation for the Prevention of Blindness.

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### Independent Non-Executive Directors

Dr. Chow King Wai, aged 51, is an independent non-executive director of the Company. Dr. Chow holds a doctorate conferred by the University of Texas. He has substantial experience in strategic development and management, and has published widely in the field of administrative science. He is also an independent non-executive director of Foundation Group Limited.

Mr. Chu Kar Wing, aged 49, is an independent non-executive director of the Company. Mr. Chu holds a bachelor degree in social science majoring in economics. Mr. Chu has extensive experience in the banking and finance sector. He is also an independent non-executive director of Emperor Entertainment Group Limited, Foundation Group Limited and New Chinese Medicine Holdings Limited respectively.

Mr. Wong Kwok Tai, aged 67, is an independent non-executive director of the Company. Mr. Wong is a Certified Public Accountant and Practicing Member. Mr. Wong has extensive experience in the audit and finance areas in different industries. Currently, he is the sole-proprietor of W. Wong & Co., CPA. He is also an independent non-executive director of CIL Holdings Limited, New Century Group Hong Kong Limited and Xin Corporation Limited respectively.

The Company has received from each of its independent non-executive directors an annual confirmation of their respective independence for the year ended 30 April 2006. The Company considers all independent non-executive directors to be sufficiently independent.

### SENIOR MANAGEMENT

Mr. Chiang Chi Kin, Stephen, aged 37, joined the Company as the Deputy General Manager in October 2004. Mr. Chiang was appointed the Company Secretary of the Company on 1 September 2005 and was appointed a director of Rich Crown International Industries Limited, a subsidiary of the Company on 24 May 2006. Mr. Chiang qualified as a solicitor of the High Court of Hong Kong in 1998 and has over 10 years of experience in corporate and commercial law. He has held management positions with companies listed on the Stock Exchange responsible primarily for legal and company secretarial matters since 2002. Currently, Mr. Chiang is an independent non-executive director of another company listed on the Main Board of the Stock Exchange.

Mr. Ho Yau Hong, Alfred, aged 48, is the Qualified Accountant of the Company. He is a Certified Public Accountant and a fellow of the Hong Kong Institute of Certified Public Accountants and has over 11 years of experience in finance and accounting management. Mr. Ho is in charge of the finance and accounting matters of the Company and joined the Company on 1 October 2004.

### DIRECTORS' SERVICE CONTRACTS

Mr. Lai Leong and Mr. Wang Hao entered into service contracts with the Company, which are determinable by either party giving not less than 6 months' written notice, for a term of 3 years with effect from 3 February 2005.

No director 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.

## REPORT OF THE DIRECTORS

### EMOLUMENT POLICY FOR DIRECTORS

The emoluments payable to directors of the Company are determined in accordance with their duties and responsibilities within the Company and the Company's performance, by a remuneration committee of the board of directors according to its terms of reference.

### DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company, its holding company or any of its subsidiaries was a party and in which any 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.

### POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group transacted during the period from 1 May 2006 up to the date of this report are set out in note 36 to the financial statements.

### DIRECTORS' INTERESTS IN SHARES

As at 30 April 2006, the interests of the directors of the Company in the shares of the Company 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

#### Long Position

Ordinary shares of HK\$0.1 each of the Company:

Director	Nature of interest	Number of shares interested or deemed to be interested	Percentage holdings of the Company's issued share capital as at 30 April 2006
Mr. Lai Leong	Corporate (Note)	1,274,026,000	51.04%

Note: These shares were held through Wealth Success Limited, a company beneficially owned by Mr. Zhu Yi Cai (a former executive director of the Company) and Mr. Lai Leong as to 52% and 48%, respectively.

Save as disclosed above, as at 30 April 2006, none of the directors or chief executives of the Company or their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which 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 and short positions which were taken or deemed to have been taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

## REPORT OF THE DIRECTORS

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme operated by the Company as set out in note 31 to the financial statements and save as disclosed under the heading "Directors' interests in shares" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### SUBSTANTIAL SHAREHOLDERS

As at 30 April 2006, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Name	Nature of interest	Number of shares interested or deemed to be interested	Percentage holding
Wealth Success Limited	Beneficial owner	1,274,026,000 <i>(Note)</i>	51.04%
Mr. Lai Leong	Corporate	1,274,026,000 <i>(Note)</i>	51.04%
Mr. Zhu Yi Cai	Corporate	1,274,026,000 <i>(Note)</i>	51.04%

*Note:* These shares were held by Wealth Success Limited which was beneficially owned by Mr. Zhu Yi Cai and Mr. Lai Leong as to 52% and 48% respectively. Such interest was also disclosed as the interest of Mr. Lai Leong in the above section headed "Directors' interests in shares".

Save as disclosed above, as at 30 April 2006, no person, other than the directors of the Company whose interests were set out in the section headed "Directors' interests in shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

### CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 14 to 22 in this annual report.

### PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the directors of the Company, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended 30 April 2006.

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### AUDITORS

CCIF CPA Limited was appointed as auditors of the Company on 22 February 2006 to fill the casual vacancy left by Messrs. HLB Hodgson Impey Cheng which resigned on 21 February 2006.

CCIF CPA Limited will retire at the forthcoming annual general meeting of the Company and a resolution will be proposed to the meeting to re-appoint CCIF CPA Limited as auditors of the Company.

ON BEHALF OF THE BOARD

**Lai Leong**

*Chairman*

Hong Kong

28 August 2006