

## CAPITAL EXPENDITURES

As at 30 June 2006, the Group has capital commitments of approximately RMB19.1 million in respect of purchases of production plant and machineries.

## CONTINGENT LIABILITIES AND EXCHANGE RISK EXPOSURE

As at 30 June 2006, the Group did not have any significant contingent liabilities (Nil as at 31 December 2005). The Group's operations, sales and purchases were mainly denominated in Renminbi. The Group does not foresee significant risk in exchange rate fluctuations and no financial instruments have been used for hedging purposes.

## SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITION AND DISPOSAL

The Group had no significant investment held for the period ended 30 June 2006. Apart from the Group's reorganisation carried out in about June 2005 to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange which is detailed in note 1 to the financial statements and more fully explained in the paragraph headed "Group reorganisation" in Appendix V to the prospectus of the Company dated 21 March 2006, there had been not been any material acquisitions or disposals of subsidiaries and associated companies made during the period.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2006.

## EMPLOYMENT

As at 30 June 2006, the Group had about 1,700 employees in Hong Kong and in the PRC. Remuneration packages for the employees are maintained at a competitive level of the jurisdiction within which the employees are employed to attract, retain and motivate the employees. Remuneration packages are reviewed periodically. In addition, the Group maintains a share option scheme for the purpose of providing incentives and rewards to the eligible participants for their contributions to the Group.