

Directors' Report

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 30 June 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries at 30 June 2006 are set out in note 30 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2006 are set out in the consolidated income statement on page 25.

An interim dividend of HK1.0 cent per share amounting to HK\$8,766,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK1.0 cent per share to the shareholders whose names appear on the register of members on 30 November 2006, amounting to approximately HK\$8,766,000.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 30 June 2006 comprised the dividend reserve and retained profits of HK\$13,369,000 (2005: HK\$25,156,000).



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DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Mr. Chen Dong
Mr. Chen Jinyan
Ms. Kong Ping

Independent non-executive directors:

Mr. Huang Yongfeng
Mr. Yu Zhong Ming
Mr. Lo Kin Chung

In accordance with Articles 86 and 87 of the Articles of Association of the Company, Messrs. Chen Jinyan and Lo Kin Chung retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Mr. Chen Jinyan entered into a service agreement with the Company for a term of three years whilst Mr. Chen Dong and Ms. Kong Ping have service agreements for a term of one year. All the above service agreements commenced from 1 September 2003 and will continue thereafter until terminated by either party by giving three months' prior written notice. All of the service agreements expired on 31 August 2006 and Mr. Chen Dong and Ms. Kong Ping were re-appointed by the board of directors on 1 September 2006 to continue to act as the executive directors of the Company for a term of one year and Mr. Chen Jinyan was re-appointed for a term of two years.

Other than as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Each of the independent non-executive directors entered into service agreements with the Company for a term of one year and either the Company or the independent non-executive director may terminate the appointment by giving the other a prior notice of two months in writing before its expiration.

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DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2006, the interests of the directors and their associates in the shares and underlying shares 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 ("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 Issuers, were as follows:

Long positions

(a) *Ordinary shares of HK1.0 cent each of the Company*

Name of director	Capacity	Number of issued ordinary shares held	Approximate shareholding percentage
Mr. Chen Dong	Held by controlled corporation (<i>note</i>)	581,910,000	66.39%

Note: The shares are held by Talent Crown Investment Limited ("Talent Crown"), a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Chen Dong. Mr. Chen Dong is the younger brother of Mr. Chen Jinyan and both are the executive directors of the Company.

(b) *Share options*

Name of director	Capacity	Number of options held	Number of underlying shares
Mr. Chen Jinyan	Beneficial owner	4,000,000	4,000,000

Other than as disclosed above, none of the directors nor their associates had any interest or short positions in any shares or underlying shares of the Company or any of its associated corporations as at 30 June 2006.



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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share options", at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' interests in shares and underlying shares" above, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions—Ordinary shares of HK1.0 cent each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate shareholding percentage
Credit Suisse Group	Held by controlled corporation (<i>note</i>)	43,868,097	5.00%

Note: These shares were beneficially held by Credit Suisse Group.

Other than disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2006.

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SHARE OPTIONS

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

The following table disclosed movements in the Company's share options during the year:

Grantee	Date of grant	Exercise period	Exercise price HK\$	Outstanding at 1.7.2005	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30.6.2006
Directors								
Mr. Chen Jinyan	23.12.2003	23.12.2003 to 22.12.2013	0.612	4,000,000	-	-	-	4,000,000
Employees	23.12.2003	23.12.2003 to 22.12.2013	0.612	34,250,000	-	-	-	34,250,000
Granted Total				38,250,000	-	-	-	38,250,000

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding 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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for 33% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 12% of the Group's total sales. The aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 72% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 25% of the Group's total purchase.

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



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PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Chen Jinyan

CHAIRMAN

Hong Kong

29 September 2006