

Directors' Report

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

Corporate Reorganisation

The Company was incorporated and registered as an exempted Company with limited liability in the Cayman Islands under the Companies Law (2004 Second, Revision) of the Cayman Islands on 19 August 2005.

Pursuant to a reorganisation to rationalize the structure of the Group in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 16 November 2005.

Details of reorganisation are set out in note 1 to the financial statements.

The shares of the Company were listed on the Main Board of the Stock Exchange since 14 December 2005.

Principal Activities

The Company is an investment holding company. The activities of its subsidiaries are set out in note 36 to the 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 26.

The Board of Directors has recommended the payment of a final dividend of HK2 cents (FY2004/05: nil) per share. Together with an interim dividend of HK3 cents (FY2004/05: nil) per share already paid, the total dividend for the year will be HK5 cents.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

Revalued Assets

In the prospectus dated 30 November 2005, the Company included a valuation of its properties at HK\$2,530,000, which has not been incorporated in the financial statements for the year ended 30 June 2006. These properties have been included in the balance sheet at 30 June 2006 at HK\$2,510,000, being their historical cost less accumulated depreciation and accumulated impairment losses. Had the properties been stated at their revalued amount in the financial statements, additional depreciation of approximately HK\$1,000 would have been charged against the income statement.

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 27 to the financial statements.

Purchase, Sale or Redemption of the Company's Listed Securities

Since the listing date of the Company and up to 30 June 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Distributable Reserves of the Company

At 30 June 2006, the Company's reserves available for distribution to shareholders amounted to HK\$541,099,000, which comprises the aggregate of contributed surplus of HK\$514,642,000 and retained profits of HK\$26,457,000.

Directors

The Directors since the date of incorporation to the date of this report, whom were appointed on 16 November 2005, were as follows:

Executive Directors

Lam Chi Ho
Sun Mi Li
Wu Siu Fan, Anita
Tsuji Tadao

Independent Non-Executive Directors

Christopher Roger Moss, OBE
Xie Bai Quan
Chung Wai Kwok, Jimmy

In accordance with Articles 86 and 87 of the Company's Article of Associations, all Directors will retire by rotation, and being eligible, offer themselves for re-election as Directors at the forth coming annual general meeting.

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities (the "Listing Rules") on the Stock Exchange. The Company considers all of the Independent Non-Executive Directors are independent.

Directors' Service Contracts

Each of the Executive Directors of the Company has entered into service contracts with the Company for a term of three years commencing 15 November 2005, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing.

Each of the Independent Non-Executive Directors of the Company has entered into letter of appointment with the Company and is appointed for a period of two years commencing 15 November 2005 subject to retirement by rotation under the Company's Article of Associations.

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Substantial Shareholders

As at 30 June 2006, the following persons had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance ("SFO"):

Long position

Ordinary shares of HK\$0.1 each of the Company

	Capacity	Number of shares			Percentage of issued share capital	Note
		Direct interest	Deemed interest	Total interest		
Fittec Holdings Limited ("Fittec Holdings")	Beneficial owner	720,000,000	–	720,000,000	74.35%	a
Lam Chi Ho	Interest of a controlled corporation	–	720,000,000 (through 100% corporate interest in Fittec Holdings)	720,000,000	74.35%	a
Sun Mi Li	Interest of a controlled corporation	–	720,000,000 (through 100% family interest in Fittec Holdings)	720,000,000	74.35%	b
JP Morgan Chase & Co.	Beneficial owner	57,952,000	–	57,952,000	5.98%	

Lending pool

JP Morgan Chase & Co.	25,876,000	–	25,876,000	2.67%
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Notes:

- (a) These shares are owned by Fittec Holdings, the issued share capital of which is wholly owned by Mr. Lam Chi Ho.
- (b) Ms. Sun Mi Li is the wife of Mr. Lam Chi Ho. Her shareholding in the above table is the family interest of Mr. Lam Chi Ho.

Save as disclosed above and so far as the Company is aware, as at 30 June 2006, no other person had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under Section 336 of SFO.

Directors' Interest in Securities

Save as disclosed in the section "Substantial Shareholders", none of the Directors, chief executives, and their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) at 30 June 2006, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Options

Particular of the Company's share option scheme are set out in note 28 to the financial statements.

No option has been granted under the Company's share option scheme from 16 November 2005 (date of incorporation) to 30 June 2006.

Arrangements to Purchase Shares or Debentures

Save as the "Share Option" disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

Save as disclosed in note 34 to the financial statements so far as the Company is aware, no contract of significance to which the Company, its holding company or 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.

Emolument Policy

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 28 to the financial statements.

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Major Customers and Suppliers

The aggregate sales attributable to the Group's five largest customers comprised approximately 96% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 73% of the Group's total sales for the year.

The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 98% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 91% of the Group's total purchases for the year.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of 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 available to the Company and so far as the Company is aware, the Company has maintained a sufficient public float as required under the Listing Rules since its date of incorporation and up to 30 June 2006.

Donations

During the year, the Group made charitable donations amounting to HK\$1,197,000.

Auditors

Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company since the date of incorporation of the Company and will retire at the forth coming annual general meeting. A resolution will be proposed at the forth coming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditors of the Company.

On behalf of the Board

Lam Chi Ho

Chairman

18 October 2006