

Report of the Directors

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 33 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 43 of the annual report. No interim dividend was paid to the shareholders during the year.

The directors recommend the payment of a final dividend, of HK\$0.11 (equivalent to RMB0.097) per share to the shareholders on the register of members on 15 May 2009.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2008 comprised the merger reserve and retained profits of RMB239,462,000 (2007: RMB191,517,000) in aggregate.

DIRECTORS

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

Executive directors:

Ji Wei (*Chairman*)

Cao Zhao Hui (*Chief Executive Officer*)

Zeng Xin

Zheng Xiao Ping

Wang Xue Xin

Liao Xue Dong

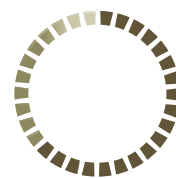
Independent non-executive directors:

Wu Jin Ming

Pang Yuan

Hui Wing Kuen

In accordance with article 87 of the Articles of Association of the Company (the "Articles"), one-third of the directors for the time being shall retire from office by rotation at each annual general meeting of the Company provided that every director shall be subject to retirement at least once every three years. Mr. Wang Xue Xin and Mr. Liao Xue Dong, the executive directors and Mr. Hui Wing Kuen, the independent non-executive director, shall retire from their offices at the Annual General Meeting and shall be eligible to offer themselves for re-election pursuant to articles 87 and 88 of the Articles of Association of the Company.



DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2008, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

(a) *Ordinary shares of HK\$0.01 each of the Company*

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ji Wei	Interest of controlled corporation (Note)	467,889,000	57.56

Note: The shares are held by Star Treasure Investments Holdings Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Ji Wei.

(b) *Share options*

Name of Director	Number of options to subscribe for shares	Capacity	Number of Underlying ordinary shares	Percentage of the issued share capital of the Company
Wang Xue Xin	2,600,000	Beneficial owner	2,600,000	0.32%
Cao Zhao Hui	2,000,000	Beneficial owner	2,000,000	0.25%
Zeng Xin	2,000,000	Beneficial owner	2,000,000	0.25%
Zheng Xiao Ping	2,000,000	Beneficial owner	2,000,000	0.25%
Liao Xue Dong	1,600,000	Beneficial owner	1,600,000	0.20%
Hui Wing Kuen	300,000	Beneficial owner	300,000	0.04%
Pan Yuan	200,000	Beneficial owner	200,000	0.02%
Wu Jin Ming	200,000	Beneficial owner	200,000	0.02%

Other than as disclosed above, none of the directors, chief executives 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 recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 31 December 2008.

DIRECTORS' SERVICE CONTRACTS

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 three months in writing before its expiration.

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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, 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 HK\$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued capital of the Company
Star Treasure Investments Holdings Limited	Beneficial owner	467,889,000	57.56%
Ji Wei	Interest in controlled corporation	467,889,000	57.56%
Wasatch Advisors, Inc.	Investment manager	43,672,703	5.37%
Temasek Holdings (Private) Limited	Beneficial owner	42,256,000	5.20%
Templeton Asset Management Ltd.	Investment manager	40,792,000	5.02%
Montpelier Investment Management LLP	Investment manager	40,980,000	5.04%

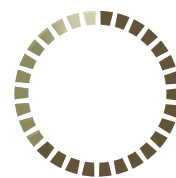
Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2008.

ARRANGEMENT TO PURCHASE 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 benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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.



Report of the Directors (Continued)

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 26 to the consolidated financial statements.

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

Name and category of participation	Number of share options				As at 31 December 2008	Date of grant of share options	Vesting period of share options	Exercise period of share options	Exercise price of share options*	Share price of the Company as at the date of grant of share options**
	As at 1 January 2008	Granted during the year	Exercised during the year	Cancelled/lapsed during the year						
Directors										
Wang Xue Xin	3,000,000	—	(400,000)	—	2,600,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Cao Zhao Hui	2,000,000	—	—	—	2,000,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Zeng Xin	2,000,000	—	—	—	2,000,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Zheng Xiao Ping	2,000,000	—	—	—	2,000,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Liao Xue Dong	1,600,000	—	—	—	1,600,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Hui Wing Kuen	600,000	—	(300,000)	—	300,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Pan Yuan	200,000	—	—	—	200,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Wu Jing Ming	200,000	—	—	—	200,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Sub-total	11,600,000	—	(700,000)	—	10,900,000					
Other employees	25,200,000	—	(1,080,000)	(1,140,000)	22,980,000	23 February 2006	23 February 2006 to 22 February 2008	23 February 2008 to 22 February 2016	2.225	2.225
Other employees	7,000,000	—	—	—	7,000,000	7 February 2007	7 February 2007 to 6 February 2009	7 February 2009 to 6 February 2017	3.200	3.200
Other employees	7,000,000	—	—	—	7,000,000	7 February 2007	7 February 2007 to 6 February 2010	7 February 2010 to 6 February 2017	3.200	3.200
Sub-total	39,200,000	—	(1,080,000)	(1,140,000)	36,980,000					
Total	50,800,000	—	(1,780,000)	(1,140,000)	47,880,000					

* The exercise price of share options is subject to adjustment made in respect of the alteration in capital structure of the Company.

** The share price of the Company as at the date of the grant of share options was the closing price as quoted on the Stock Exchange of the trading day on the date of the grant of share options.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SHARE AWARDS

The share award plan (the “Plan”) of the Company was adopted by the Board on 10 October 2008. The Plan became effective on 10 October 2008 and, unless otherwise terminated or amended, will remain in force for 10 years. Eligible employees, but not directors, are entitled to participate in the Plan.

The purpose of the Plan is to recognise and reward the contribution of the employees to the growth and development of the Group through an award of shares of the Company. Under the Plan, the Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit select an employee for participation in the Scheme and determine the number of shares to be awarded. The Board shall not grant any award of shares which would result in the total number of shares which are the subject of awards granted by the Board under the Scheme (but not counting any which have lapsed or have been forfeited) exceed 2% of the total number of issued shares as at the beginning of that financial year.

During the year and up to the balance sheet date, 13,461,000 ordinary shares of the Company were acquired at an aggregate cost of HK\$19,010,000 (equivalent to approximately RMB16,902,000). None of these shares have been awarded to any participants under the Plan.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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 of Securities on the Stock Exchange (the “Listing Rules”). The Company considers that all of the independent non-executive directors are independent.

CORPORATE GOVERNANCE

The Company is committed to maintain the high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 32 to 39 of the annual report.

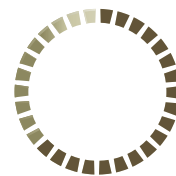
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased 5,828,000 ordinary shares in the Company through the Stock Exchange for a consideration of HK\$8,709,000 (equivalent to approximately RMB8,016,000). The repurchases were effected by the directors for the enhancement of shareholders' value.

The shares were cancelled upon repurchase.

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.



MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total sales and total purchases of the Group respectively.

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.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to RMB1,531,000.

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, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules throughout the year ended 31 December 2008.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 100 of the annual report.

AUDIT COMMITTEE

The audit committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2008.

AUDITOR

During the year, Messers. KPMG, who acted as auditor of the Company for the past three years, resigned and Messers. Deloitte Touche Tohmatsu was appointed as auditor of the Company. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messers. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Ji Wei
CHAIRMAN

Hong Kong
6 April 2009