

The directors herein present their report together with the audited financial statements of the Group and of the Company for the year ended 30 June 2005.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance by business and geographical segments for the year ended 30 June 2005 is set out in note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2005 and the state of the Group's and the Company's affairs at that date are set out in the financial statements on pages 30 to 32.

The directors have declared an interim dividend of HK\$0.005 per ordinary share, totalling HK\$4,094,750, which was paid on 18 April 2005.

The directors recommend the payment of a final dividend of HK\$0.01 per ordinary share, totalling HK\$9,889,500 in respect of the year ended 30 June 2005, to shareholders whose names appear on the register of members on 18 November 2005. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves sections of the balance sheet.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and in note 24 to the financial statements respectively.

DIRECTORS' REPORT

FIVE YEAR FINANCIAL INFORMATION

A summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years is set out below:

Results

	Year ended 30 June				
	2005	2004	2003	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	920,324	712,883	553,252	495,016	406,338
OPERATING PROFIT	93,903	70,452	48,687	47,831	38,185
Finance costs	(2,400)	(1,766)	(2,027)	(1,076)	(171)
Share of results of associated companies	18,068	6,156	–	–	–
PROFIT BEFORE TAXATION	109,571	74,842	46,660	46,755	38,014
Taxation	(3,365)	(1,173)	(32)	(8,347)	(6,559)
Minority interests	7	–	–	–	–
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	106,213	73,669	46,628	38,408	31,455

FIVE YEAR FINANCIAL INFORMATION *(Continued)*

Assets and liabilities

	At 30 June				
	2005	2004	2003	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS	360,685	190,109	63,797	18,600	11,950
CURRENT ASSETS	355,726	221,453	216,362	165,229	83,807
TOTAL ASSETS	716,411	411,562	280,159	183,829	95,757
CURRENT LIABILITIES	122,127	91,294	72,165	80,456	55,094
NON-CURRENT LIABILITIES	101,534	6,317	12,478	–	–
TOTAL LIABILITIES	223,661	97,611	84,643	80,456	55,094
MINORITY INTERESTS	28	–	–	–	–
SHAREHOLDERS' FUNDS	492,722	313,951	195,516	103,373	40,663

Notes:

1. The result for the year ended 30 June 2001 and of the assets and liabilities of the Group as at that date have been extracted from the Company's prospectus dated 20 November 2001.
2. Pursuant to the group reorganisation on 3 December 2001, the financial statements have been reflected in the above five year financial summary as if the current structure of the Group had been in existence from the earliest period presented.

FIXED ASSETS

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

CONSTRUCTION IN PROGRESS

Details of the movements in construction in progress of the Group are set out in note 14 to the financial statements.

DIRECTORS' REPORT

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

At 30 June 2005, the Company had distributable reserves of approximately HK\$326,501,000. Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company of approximately HK\$228,679,000 as at 30 June 2005, is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

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, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the year. Neither the Company, nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the sales to the Group's five largest customers taken together accounted for less than 30% of the Group's total sales for the year.

Purchases from the Group's five largest supplying principals taken together and the Group's largest supplying principal accounted for approximately 59% and 28%, respectively, of the Group's total purchases for the year.

None of the directors, their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had an interest in the major customers or supplying principals noted above.

DIRECTORS

The directors of the Company during the year were as follows:

Executive directors

Mr. Lam Kwok Hing
Mr. Chu Ki
Mr. Fong Yiu Ming, Anson
Ms. Lee Choi Lin, Joecy
Ms. Chan Yuk, Foebe
Mr. Peng Zhanrong
Mr. Chiau Che Kong

Independent non-executive directors

Mr. John Handley
Mr. Poon Yiu Cheung, Newman
Ms. Mak Yun Chu

In accordance with the Company's articles of association, Mr. Lam Kwok Hing, Mr. Chu Ki, Mr. Fong Yiu Ming, Anson, Ms. Lee Choi Lin, Joecy and Ms. Chan Yuk, Foebe will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received confirmation of independence from each of Mr. John Handley, Mr. Poon Yiu Cheung, Newman and Ms. Mak Yun Chu and considers that they meet the requirements of the independence guidelines as set out in Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors of the Company and senior management of the Group are set out on pages 14 to 16 of the annual report.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

Mr. Lam Kwok Hing, Mr. Chu Ki, Mr. Fong Yiu Ming, Anson and Ms. Lee Choi Lin, Joecy entered into service contracts with the Company respectively for an initial term of three years commencing on 1 July 2001, which continues thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

Ms. Chan Yuk, Foebe entered into a service contract with the Company on 13 May 2002 for a term of three years, which continues thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

Mr. Peng Zhanrong and Mr. Chiau Che Kong entered into service contracts with the Company on and with effective from 13 February 2004 and 8 April 2004 respectively which are terminated by either party giving not less than three months' notice in writing to the other party.

Save as disclosed above, 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.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS

At 30 June 2005, the interests and short positions of the directors, the chief executives of the Company and their respective associates in shares, underlying shares (in respect of equity derivatives) and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

(A) Interests in shares of the Company

Name of director	Notes	Number of issued ordinary shares held	Percentage of the issued share capital
Mr. Lam Kwok Hing	1	216,000,000	26.18%
Ms. Lee Choi Lin, Joecy	2	61,200,000	7.42%
Mr. Chu Ki	3	12,000,000	1.45%
Mr. Fong Yiu Ming, Anson	4	9,200,000	1.12%

Notes:

1. These shares are owned by Best Global Asia Limited ("Best Global"), a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of Best Global is beneficially owned by Mr. Lam Kwok Hing, the spouse of Ms. Lee Choi Lin, Joecy.
2. These shares are owned by World Invest Holdings Limited ("World Invest"), a company incorporated in the BVI. The entire issued share capital of World Invest is beneficially owned by Ms. Lee Choi Lin, Joecy, the spouse of Mr. Lam Kwok Hing.
3. These shares are owned by Asia Startup Group Limited ("Asia Startup"), a company incorporated in the BVI. The entire issued share capital of Asia Startup is beneficially owned by Mr. Chu Ki.
4. These shares are owned by Eshanghai Holdings Limited ("Eshanghai"), a company incorporated in the BVI. The entire issued share capital of Eshanghai is beneficially owned by Mr. Fong Yiu Ming, Anson.

All the interests disclosed above represent long position in the shares of the Company.

DIRECTORS' REPORT

DIRECTORS' INTERESTS AND SHORT POSITIONS *(Continued)*

(B) Interests in underlying shares of the Company – physically settled unlisted equity derivatives

None of the directors or the chief executives of the Company and their respective associates were interested in any long nor short positions in underlying shares of the Company.

Save as disclosed above, as at 30 June 2005, none of the directors or the chief executives of the Company and their respective associates had any interests or short positions in shares, underlying shares or debentures of the Company, its subsidiaries or any associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Directors' interests and short positions" above and under the heading "Share option scheme" in note 23 to the financial statements, 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, or the chief executives or their spouses 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.

SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in note 23 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2005, the interests and short positions of the substantial shareholders of the Company in shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

(A) Interests in shares of the Company

Name of substantial shareholder	Notes	Number of issued ordinary shares held	Percentage of the issued share capital
Best Global	1	216,000,000	26.18%
World Invest	2	61,200,000	7.42%
Value Partners Limited	3	82,152,000	9.96%
Mr. Cheah Cheng Hye	3	82,152,000	9.96%
Arisaig Greater China Fund ("Arisaig")	4	75,024,000	9.09%
Arisaig Partners (Mauritius) Limited ("Arisaig Mauritius")	5	75,024,000	9.09%
Lindsay William Ernest Cooper	6	75,024,000	9.09%
UBS AG	7	47,738,000	5.79%

Notes:

1. These shares were held by Best Global as beneficial owner and duplicate the interest held by Mr. Lam Kwok Hing in the Company.
2. These shares were held by World Invest as beneficial owner and duplicate the interest held by Ms. Lee Choi Lin, Joecy in the Company.
3. Value Partners Limited was holding the 82,152,000 shares as investment manager. Mr. Cheah Cheng Hye was deemed to be interested in the shares through 31.82% interest in Value Partners Limited.
4. This represented a direct shareholding of the Company by Arisaig.
5. Arisaig Mauritius was the investment manager of Arisaig. This represented an interest in the shares arising by virtue of Arisaig Mauritius acting as discretionary investment manager of Arisaig pursuant to the SFO.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(Continued)*

(A) Interests in shares of the Company *(Continued)*

6. Lindsay William Ernest Cooper was deemed to be interested, through his indirect 33.33% beneficial interest, in Arisaig Mauritius.
7. These shares are held by UBS AG as a person having a security interest in shares.

All the interests disclosed above represent long position in the shares of the Company.

(B) Interests in underlying shares of the Company

None of the substantial shareholders of the Company were interested in any long nor short position in underlying shares of the Company.

Save as disclosed above, as at 30 June 2005, no other parties had an interest or a short position in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company as recorded in the register required to be kept under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, there is a sufficient prescribed public float of the Company's issued shares under the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, no directors of the Company are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined by the Listing Rules, other than those businesses of which the directors of the Company have been appointed as directors to represent the interests of the Company and/or the Group.

CONNECTED TRANSACTIONS

During the year and up to the date of this report, no connected transactions were entered into between the Company or any of its subsidiaries and a connected person as defined under the Listing Rules.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 (which was in force prior to 1 January 2005) of the Listing Rules throughout the year. As the Code of Best Practice was replaced by the Code of Corporate Governance Practice (the "Code"), which subject to transitional arrangements became effective on 1 January 2005, the Company has taken actions to comply with the provisions of the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding director's securities transactions. Having made specific enquiry with all the directors, all of them confirmed that they have complied with the required standard set out in the Model Code throughout the year.

AUDIT COMMITTEE

The Company's audit committee is composed of all the three independent non-executive directors of the Company. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements for the year ended 30 June 2005 with the executive directors.

REMUNERATION COMMITTEE

The Company set up a remuneration committee (the "Remuneration Committee") on 1 July 2005 with specific written terms of reference in accordance with the Code. The Remuneration Committee comprises one executive director namely Mr. Lam Kwok Hing and two independent non-executive directors, namely Mr. Poon Yiu Cheung, Newman and Ms. Mak Yun Chu.

The main duties of the Remuneration Committee include making recommendations to the board of directors on the Company's policy and structure for all remuneration of directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management by reference to corporate goals and objectives resolved by the board of directors of the Company from time to time.

DIRECTORS' REPORT

NOMINATION COMMITTEE

The Company set up a nomination committee (the "Nomination Committee") on 1 July 2005 with specific written terms of reference in accordance with the Code. The Nomination Committee comprises one executive director namely Mr. Lam Kwok Hing and two independent non-executive directors, namely Mr. Poon Yiu Cheung, Newman and Ms. Mak Yun Chu. The principal duties of the Nomination Committee include the process of nominating and recommending candidates to fill vacancies on the board of directors.

POST BALANCE SHEET DATE EVENTS

Details of the significant post balance sheet date events of the Group are set out in note 28 to the financial statements.

AUDITORS

The financial statements for the financial year ended 30 June 2002 were audited by Ernst & Young. The financial statements for the three financial years ended 30 June 2003, 2004 and 2005 were audited by RSM Nelson wheeler.

RSM Nelson Wheeler retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Lam Kwok Hing

Chairman

Hong Kong
18 October 2005