

DIRECTORS' REPORT

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 2006.

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 22 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 2006 is set out in note 8 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2006 and the state of the Group's and the Company's affairs at that date are set out in the financial statements on pages 33 to 36.

The directors do not recommend the payment of any dividend in respect of the year.

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 32 to the financial statements respectively.

FIVE YEAR FINANCIAL INFORMATION

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

Results

	Year ended 30 June				
	2006	2005	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)	(Restated)	(Restated)	
Profit attributable to:					
– Equity holders of the Company	122,319	105,142	72,094	46,222	38,408
– Minority interests	1,299	(7)	–	–	–
Profit for the year	<u>123,618</u>	<u>105,135</u>	<u>72,094</u>	<u>46,222</u>	<u>38,408</u>

Assets, liabilities and equity

	At 30 June				
	2006	2005	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)	(Restated)	(Restated)	
Total assets	1,363,505	689,023	409,761	280,159	183,829
Total liabilities	<u>(224,389)</u>	<u>(223,661)</u>	<u>(97,611)</u>	<u>(84,643)</u>	<u>(80,456)</u>
Total Equity	<u>1,139,116</u>	<u>465,362</u>	<u>312,150</u>	<u>195,516</u>	<u>103,373</u>

Note: The results of the Group for the four years ended 30 June 2002, 2003, 2004 and 2005 and of the assets, liabilities and equity of the Group as at these dates have been extracted from the audited financial statements of the Company for the respective years and restated as appropriate. The results of the Group for the year ended 30 June 2006 and of the assets, liabilities and equity of the Group as at 30 June 2006 are those set out in page 33 and pages 34 to 35 of the financial statements, respectively.

DIRECTORS' REPORT

FIXED ASSETS

Details of the movements in fixed assets of the Group and of the Company are set out in note 16 to the financial statements.

CONSTRUCTION IN PROGRESS

Details of the movements in construction in progress of the Group are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 31 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 June 2006, the Company had distributable reserves of approximately HK\$861,702,000. Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company of approximately HK\$761,205,000 as at 30 June 2006 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, 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 year ended 30 June 2006.

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 52% and 26%, respectively, of the Group's total purchases for the year.

MAJOR CUSTOMERS AND SUPPLIERS *(Continued)*

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 any beneficial 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
Mr. Peng Zhanrong
Mr. Chiau Che Kong

Non-executive director

Ms. Chan Yuk, Foebe
(re-designated from executive director to non-executive director on 14 December 2005)

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, Ms. Chan Yuk, Foebe, Mr. John Handley, Mr. Poon Yiu Cheung, Newman and Ms. Mak Yun Chu will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Mr. John Handley, Mr. Poon Yiu Cheung, Newman and Ms. Mak Yun Chu were appointed for a term of three years expiring on 5 November 2007, 25 November 2006 and 7 April 2007 respectively.

DIRECTORS' REPORT

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 17 of the annual 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 14 December 2005 for a term of one year 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 IN SHARES AND UNDERLYING SHARES

At 30 June 2006, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the 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 Companies ("Model Code"), were as follows:

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	239,400,000	16.80%
Ms. Lee Choi Lin, Joecy	2	85,680,000	6.01%
Mr. Chu Ki	3	16,800,000	1.18%

Notes:

- 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.
- 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.
- 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.

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(Continued)

Save as disclosed above, as at 30 June 2006, none of the directors or chief executive 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 in shares and underlying shares" above, 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 31 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2006, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Interests in shares of the Company:

Name of substantial shareholder	Notes	Number of issued ordinary shares held	Nature of interests	Approximate percentage of interest
Best Global	1	239,400,000	Corporate interests	16.80%
World Invest	2	85,680,000	Corporate interests	6.01%
Value Partners Limited	3	170,733,800	Corporate interests	11.98%
Mr. Cheah Cheng Hye	3	170,733,800	Corporate interests	11.98%
Arisaig Greater China Fund ("Arisaig")	4	92,424,000	Corporate interests	6.49%
Arisaig Partners (Mauritius) Limited ("Arisaig Mauritius")	4	92,424,000	Corporate interests	6.49%
Lindsay William Ernest Cooper	4	92,424,000	Corporate interests	6.49%
Pope Asset Management, LLC		75,603,010	Corporate interests	5.30%
UBS AG		73,807,800	Corporate interests	5.18%

Notes:

- These shares were held by Best Global as beneficial owner and duplicate the interest held by Mr. Lam Kwok Hing in the Company.
- These shares were held by World Invest as beneficial owner and duplicate the interest held by Ms. Lee Choi Lin, Joecy in the Company.
- Value Partners Limited was holding 170,733,800 shares as investment manager. Mr. Cheah Cheng Hye was deemed to be interested in the shares through 32.77% interest in Value Partners Limited.
- This represented a direct shareholding of the Company by Arisaig. 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. Lindsay William Ernest Cooper was deemed to be interested, through his indirect 33.33% beneficial interest, in Arisaig Mauritius.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(Continued)*

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

Save as disclosed above, as at 30 June 2006, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to 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 public float of not less than 25% of the Company's issued shares in the market as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, no director of the Company is 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 were 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 on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules during the year ended 30 June 2006.

AUDIT COMMITTEE AND REVIEW OF THE FINAL RESULTS ANNOUNCEMENT

The Company has an Audit Committee which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee consists of three independent non-executive directors of the Company.

The financial statements of the Group for the year ended 30 June 2006 have been reviewed by the Audit Committee, who are of the opinion that such financial statements comply with the applicable accounting standards, and the requirements of the Listing Rules and the applicable laws, and that adequate disclosures have been made.

POST BALANCE SHEET DATE EVENTS

Details of the significant post balance sheet date events of the Group are set out in note 38 to the financial statements.

AUDITORS

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
20 October 2006