

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

DE-CONSOLIDATION OF CHAOYANG HUA LOONG TEXTILES AND DYEING LIMITED (“CHAOYANG HUA LOONG”)

On 12 April 2003, the Company entered into a sale and purchase agreement to dispose of the entire issued share capital of Park Well International Group Limited (“Park Well”), including the 100% equity interest in Chaoyang Hua Loong, a company established in the PRC which is engaged in fabric processing and manufacturing, held by a wholly-owned subsidiary of Park Well, to Show Good Inc., a company incorporated in the British Virgin Islands, (the “Park Well Disposal Agreement”). Based on the Receivers’ (who were appointed on 17 June 2003 and were discharged on 2 July 2004) investigations, they are of the view that despite the Park Well Disposal Agreement, the purported disposal of Park Well was rescinded and not completed and therefore the Company remains to be the beneficial owner of Park Well. The Receivers had since then taken steps to secure control over various companies comprising the Park Well Group. However, Chaoyang Hua Loong remains not under the control of the Company. Having obtained legal advice, in the opinion of the directors, the Group is still unable to exercise control over the financial and operating decisions of Chaoyang Hua Loong. Accordingly, Chaoyang Hua Loong was not regarded as a subsidiary of the Company with effect from 1 January 2004, and fully provision was made for the investment cost in and amount due from Chaoyang Hua Loong.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 29 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 17.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

RESERVES

Details of movements in reserves of the Group and of the Company during the year are set out in the statement of changes in equity on page 20.

DIRECTORS

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

Executive Directors:

Yue Jialin	(Chairman)
Lau Yau Cheung	(Chief Executive Officer)

Independent Non-Executive Directors:

Wong Wing Kuen, Albert
Tsui Robert Che Kwong
Wu Guo Jian

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Tsui Robert Che Kwong and Mr. Wu Guo Jian will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All of the remaining directors shall continue in office.

No director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2005, the interests and short positions held by the directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(a) Long positions in shares of the Company

Name of director	No. of ordinary shares	Capacity and nature of interest	% of issued share capital
Yue Jialin	262,602,000	Interest of controlled corporation in 262,602,000 shares (<i>Note</i>)	63.58%

Note: These shares are registered in the name of, and beneficially owned by, Profit Harbour Investments Limited ("Profit Harbour"), a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Yue Jialin.

(b) Long positions in underlying shares and debentures and short positions in shares, underlying shares and debentures

There were no long positions in the underlying shares and debentures or any short positions in the shares, underlying shares and debentures of the Company and its associated corporations, which were recorded in the register as required to be kept under Section 352 of Part XV of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

Save as disclosed above, neither the directors nor any of their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2005 as defined in Section 352 of the SFO.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 19 to the financial statements.

No options were granted to the directors during the year ended 31 December 2005 and no options were held by the directors as at 31 December 2005.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "SHARE OPTIONS" above, 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 the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the following shareholders were interested in more than 5% of the shares and underlying shares of the Company according to the register required to be kept under Section 336 of Part XV of the SFO:

Long positions in shares of the Company

Name of substantial shareholder	No. of ordinary shares	Capacity and nature of interest	% of issued share capital
Profit Harbour (<i>Note</i>)	262,602,000	Beneficial owner	63.58%
Yue Jialin	262,602,000	Interest of controlled corporation in 262,602,000 shares (<i>Note</i>)	63.58%

Note: The entire issued share capital of Profit Harbour is owned by Mr. Yue Jialin. Accordingly, Mr. Yue Jialin is deemed to be interested in all the shares in which Profit Harbour is interested pursuant to the SFO.

Save as disclosed above, no other person had interests or short positions in the shares and underlying shares of the Company, which are recorded in the register to be maintained by the Company pursuant to Section 336 of Part XV of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The directors are of the opinion that during the year ended 31 December 2005, the directors of the Company had no interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's three customers in aggregate accounted for the entire turnover of the Group and the largest customer, the sole agent of the Group's base metal trade, accounted for approximately 65.7% of the total turnover of the Group.

The aggregate purchases attributable to the Group's five suppliers during the year accounted for 99.4% purchases of the Group and the largest supplier, the sole agent of the Group's base metal trade, accounted for approximately 67.8% of the total purchases of the Group.

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 issued share capital, have an interest in any of the five largest customers and suppliers of the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining a 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 9 to 14.

PRE-EMPTIVE RIGHTS

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

POST BALANCE SHEET EVENTS

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

PUBLIC FLOAT

As at the date of this report, the Company has maintained a sufficient public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of its directors.

AUDITORS

Messrs. Deloitte Touche Tohmatsu were auditors of the Company for the year ended 31 December 2004 and they resigned as auditors on 22 March 2006. Graham H.Y. Chan & Co was appointed to fill the vacancy on 12 April 2006.

A resolution will be submitted to the annual general meeting to re-appoint Graham H.Y. Chan & Co as auditors of the Company.

On behalf of the Board

Yue Jialin
Chairman

Hong Kong, 24 April 2006