

REPORT OF THE DIRECTORS

The Directors submit their annual report together with the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. Its principal subsidiaries are engaged in the manufacturing and sale of PCBs. Details of the Company's principal subsidiaries as at 31 December 2005 are set out in note 16 to the financial statements.

Details of the analysis of the Group's turnover for the year by geographical location is set out in note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

The results for the year ended 31 December 2005 are set out in the consolidated income statement on page 33.

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's issued share capital and share options during the year, together with the reasons therefore, are set out in note 27 to the financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 29 to the financial statements.

DISTRIBUTABLE RESERVES

At as 31 December 2005, the distributable reserves of the Company available for distribution amounted to HK\$489,713,000, comprising retained earnings of HK\$22,944,000 and contributed surplus of HK\$466,769,000. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws though there are no restrictions against such rights under the laws of Bermuda.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations. Eligible participants of the Scheme include:-

- (i) any employee (whether full-time or part-time) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity;
- (ii) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of the Group or any Invested Entity;
- (v) any person or entity that provide research, development or other technological support to the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and
- (vii) for the purposes of the Scheme, the Options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who fall within any of the above classes of participants shall not, by itself, unless the Directors otherwise determined, be construed as a grant of Option under the Scheme.

The basis of eligibility of any of the above class of participants to the grant of any Options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group. The Scheme was conditionally adopted and approved by the shareholders of the Company on 30 May 2002 and unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of ordinary shares in respect of which options may be granted at any time under the Scheme and any other share option scheme of the Company cannot exceed 30% of the issued share capital of the Company from time to time. The total number of ordinary shares, which may be issued upon exercise of all options granted under the Scheme and any other share option scheme of the Group, must not in aggregate exceed 64,000,000 Shares, being 10% of the Shares in issue at the Listing Date. The Company may seek approval of its shareholders in general meeting to refresh the 10% limit provided that the total number of ordinary shares which may be issued upon exercise of all outstanding options granted under the Scheme and under any other share option scheme of the Group under the limit as "refreshed" must not exceed 10% of the ordinary shares in issue at the date of approval of the limit. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue, further grant in excess of this limit is subject to issue of a circular to the shareholders and shareholders' approval in a general meeting of the Company with the proposed grantees and their associates abstaining from voting.

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Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors, other than an independent non-executive director who is a proposed grantee. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period up to and including the date of such grant, are subject to shareholders' approval in advance in a general meeting in which the proposed grantees must abstain from voting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and will commence at any time on or after the date upon which the option is deemed to be granted and accepted and will expire not later than the 10th anniversary of that date.

The exercise price of the share options is determinable by the directors, but shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of the grant of the share options which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares on the offer date.

Apart from as disclosed above under the headings "Share option scheme" and "Directors' Interests in Shares and Share Options" below, none of the directors or their respective associates has any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations (as defined in the SDI Ordinance) or has any right to subscribe for equity or debt securities of the Company, as recorded in the register required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2005, the sales of products to the largest and the five largest customers amounted to 15% (2004: 13%) and 44% (2004: 44%) of the Company's turnover respectively.

For the financial year ended 31 December 2005, the purchases of materials from the largest and the five largest suppliers amounted to 14% (2004: 12%) and 40% (2004: 43%) of the total purchases respectively.

None of the directors, their respective associates had any interest in any of the five largest customers and suppliers of the Group for the financial year ended 31 December 2005.

To the knowledge of the Directors, one of the five largest suppliers owned more than 5% but less than 10% of the issued shares of the Company as at 31 December 2005.

Saved as disclosed above, none of any shareholders of the Company (which, to the knowledge of the Directors, own more than 5% of the issued share of the Company) had any interest in any of the five largest customers and suppliers of the Group for the financial year ended 31 December 2005.

CONNECTED TRANSACTIONS

The Group's connected transactions also constituted related party transactions, details of which are set out in note 35 to the financial statements.

REPORT OF THE DIRECTORS

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULE

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosures are included in respect of the Company's loan agreements, which contain covenants requiring performance obligations of the controlling shareholder of the Company.

Pursuant to loan agreements between the Company and certain banks, relating to two three-year term loan facilities and a three-year syndicated loan facility of HK\$56,000,000 and HK\$210,000,000, respectively, a termination event would arise if (i) Mr. Cheok Ho Fung, a director and controlling shareholder, and his family, collectively, cease to own beneficially directly or indirectly at least 50% of the issued share capital of the Company, or (ii) the Group fails to meet the financial covenants stipulated in the loan facilities.

DIRECTORS

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

Executive Directors:

Mr. Cheok Ho Fung
 Mr. Ng Chi Shing
 Mr. Wong Shui Hing
 Mr. Ting Sui Ping
 Mr. Ho Siu Man (Appointed on 31 October 2005)

Non-Executive Directors:

Mr. Tang Yok Lam, Andy
 Mr. Ng Kwok Ying, Alvin (Re-designated on 22 February 2005)
 Mr. Kwok Chi Kwong, Danny (Retired on 17 May 2005)

Independent Non-Executive Directors:

Mr. Leung Shu Kin, Alfred
 Mr. Wong Wing Kee
 Mr. Look Guy (Appointed on 21 March 2005)

In accordance with Bye-laws 99 and 102(B) of the Company's Bye-laws, Mr. Cheok Ho Fung, Mr. Wong Shui Hing, Mr. Ting Sui Ping and Mr. Ho Siu Man will retire. All the retiring directors, being eligible, except for Mr. Wong Shui Hing offer themselves for re-election at the forthcoming annual general meeting.

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BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Cheok Ho Fung

Mr. Cheok Ho Fung, aged 54, is the Chairman and Chief Executive Officer and founder of the Group. Mr. Cheok is responsible for overall strategic planning and the direction of the Group. With over 19 years of experience in the PCB industry, Mr. Cheok also spearheads the Group's efforts in seeking out business development, capital investment and joint venture opportunities. Prior to founding the Group in 1985, Mr. Cheok had held financial controller and various management positions in different multi-national companies involved in computers related products, application systems, motor vehicles and agricultural equipment, ship repair and oil-rig construction, business-form printing and PCB manufacturing. Mr. Cheok has been a fellow member of the Association of Chartered Certified Accountants since 1980, a member of the Chartered Institute of Management Accountants since 1981 and the Hong Kong Institute of Certified Public Accountants since 1990.

Mr. Ng Chi Shing

Mr. Ng Chi Shing, aged 45, is the Chief Operating Officer of the Group. Mr. Ng is responsible for overall management, including engineering, research and development and manufacturing activities of the Group. Mr. Ng has over 18 years of experience in the PCB industries. Prior to joining the Group in 1985, he was employed by a major PCB manufacturer in Hong Kong, where he was responsible for material control. Mr. Ng obtained his degree in Quantitative Analysis for Business from the City University of Hong Kong in 1995.

Mr. Wong Shui Hing

Mr. Wong Shui Hing, aged 52, is the Personal Assistant to the Chairman and an Executive Director of the Company and has worked for the Group for 18 years. He will involve in the formulation of our business strategies and development. Prior to joining the Group in 1987, Mr. Wong had gained extensive experiences in management accounting in companies engaged in ship repair, oil-rig construction and PRC offshore oil drilling services. Mr. Wong graduated from the Hong Kong Baptist College in 1978.

Mr. Ting Sui Ping

Mr. Ting Sui Ping, aged 48, is the Marketing Director of the Group overseeing all sales and marketing functions. He has over 21 years of experience in the PCB marketing. Prior to joining the Group in 2002, Mr. Ting was employed by a major PCB manufacturer in Hong Kong for over 10 years.

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Mr. Ho Siu Man

Mr. Ho Siu Man, Simon, aged 45, is the Finance Director of the Company overseeing our Finance, Purchasing, Human Resources and Training departments. Mr. Ho joined our Group in October 2005. He has over 18 years of experience in auditing, accounting and finance of which more than 10 years were in manufacturing environment. Mr. Ho holds a degree in Bachelor of Science in Engineering from the University of Hong Kong and an MBA from the Chinese University of Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Non-Executive Directors

Mr. Kwok Chi Kwong, Danny

Mr. Kwok Chi Kwong, Danny, aged 46, retired as a Non-Executive Director of the Company on 17 May 2005. Prior to joining the Group in 1986, Mr. Kwok had been an auditor in the Quality Assurance Department of a major PCB manufacturer in Hong Kong for two years. Mr. Kwok graduated from the Hong Kong Polytechnic in 1990.

Mr. Tang Yok Lam, Andy

Mr. Tang Yok Lam, Andy, aged 57, was re-designated from Independent Non-Executive director to Non-Executive Director of the Company on 1 December 2004. Mr. Tang has had over 31 years international working experience in Hong Kong, Japan, London, the US and the PRC in engineering, finance and investment banking areas. Mr. Tang had held various senior executive positions in multinational companies in Hong Kong, Japan, London, the US and the PRC. Mr. Tang has been a pioneer in non-recourse project financing for major power plant in the PRC since 1994. Mr. Tang is currently the president of Inflow Finance Limited in Beijing. The Company provides various investment and strategic advisory services to both private enterprises and public listed companies in Greater China. Mr. Tang studied naval architecture in Taiwan, then production management at Cambridge and earned his MBA at the Cranfield Institute of Technology (England) in 1977.

Mr. Ng Kwok Ying, Alvin

Mr. Ng Kwok Ying, Alvin, aged 58, was re-designated from Independent Non-Executive Director to Non-Executive Director of the Company on 22 February 2005. Mr. Ng is the founder and currently a senior partner of Ng and Partners, Solicitors. Prior to becoming a solicitor, Mr. Ng had worked in the shipping industry for 10 years. Mr. Ng graduated from the University of Hong Kong with a Bachelor of Social Science degree.

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Independent Non-Executive Directors

Mr. Leung Shu Kin, Alfred

Mr. Leung Shu Kin, Alfred, aged 53, has had extensive working experience in the banking industry. For over 20 years, Mr. Leung had held various senior credit management positions in Bank of America and the First National Bank of Boston before becoming the Group General Manager of Seng Heng Bank in Macau. Currently he serves as the Executive Director for the Elegance Printing Group. Mr. Leung holds a Bachelor's degree in Economics and a Bachelor's degree in Commerce from the University of Windsor, Canada, a Master's degree in Business Administration from the Chinese University of Hong Kong. Mr. Leung was appointed as the Company's Independent Non-Executive Director on 1 September 2004.

Mr. Wong Wing Kee

Mr. Wong Wing Kee, aged 59, holds a Bachelor of Science degree in Financial Services from the University of Manchester. He is also a Fellow of The Chartered Institute of Bankers, UK (FCIB). A Singaporean, Mr. Wong has extensive experience in the banking industry, having worked for Citibank, J.P. Morgan and DBS, and held management positions with local and regional responsibilities in audit, compliance and operational risk areas. Currently, he is the Advisor of Risk Management with a private bank in Indonesia. Mr. Wong was appointed as the Company's Independent Non-Executive Director on 1 December 2004.

Mr. Look Guy

Mr. Look Guy, age 49, currently serves as the Chief Financial Officer and an Executive Director of Sa Sa International Holdings Limited ("Sa Sa"). Prior to joining Sa Sa in 2002, Mr. Look was the Chief Financial Officer and an Executive Director of Tom.com Ltd. (renamed Tom Group Ltd.). Mr. Look has over 21 years of experience in local and overseas financial and general management. He had been a Deputy Managing Director of ONFEM Holdings Ltd.; a Director and the Chief Executive of Tung Wing Steel Holdings Ltd. (renamed Shougang Concord International Enterprises Co. Ltd.) and a Director of Santai Manufacturing Ltd. (renamed Shougang Concord Technology Holdings Ltd.); all of which are listed on the Stock Exchange. Mr. Look holds a Bachelor's degree in Commerce from the University of Birmingham, England and is currently an associate member of the Institute of Chartered Accountants in England and Wales, and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Look was appointed as the Company's Independent Non-Executive Director on 21 March 2005.

DIRECTORS' SERVICE CONTRACTS

On 30 May 2002, the Company entered into separate service agreements with Mr. Cheok Ho Fung, Mr. Ng Chi Shing and Mr. Wong Shui Hing respectively for an initial fixed term of three years and shall continue thereafter for successive terms of one year each commencing from the day next after the expiry of the then current terms of the service agreements. Under the respective service agreements with Mr. Ng Chi Shing and Mr. Wong Shui Hing, such agreements may be terminated by either party by giving not less than three months' written notice to the other party while under the service agreement with Mr. Cheok Ho Fung, such agreement may be terminated by either party by giving not less than six months' written notice to the other party.

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On 18 March 2005, a letter of appointment was issued by the Company and accepted by Mr. Look Guy. Mr. Look serves the Company as an independent non-executive Director with effect from 21 March 2005 for an initial period of three years, subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-Laws of the Company. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 29 August 2005, the Company entered into a service agreement with Mr. Ting Sui Ping with effect from 3 June 2005 for an initial period of three years, which is renewable thereafter. Under the service agreement with Mr. Ting, such agreement may be terminated by either party by giving not less than three months' written notice to the other party.

On 29 August 2005, a letter of appointment was issued by the Company and accepted by Mr. Leung Shu Kin, Alfred. Mr. Leung serves the Company as an independent non-executive Director with effect from 3 June 2005 to 31 August 2007, subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-Laws of the Company. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 29 August 2005, a letter of appointment was issued by the Company and accepted by Mr. Wong Wing Kee. Mr. Wong serves the Company as an independent non-executive Director with effect from 3 June 2005 to 30 November 2007, subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-Laws of the Company. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 29 August 2005, separate letters of appointment were issued by the Company and accepted by Mr. Tang Yok Lam, Andy and Mr. Ng Kwok Ying, Alvin respectively. Mr. Tang and Mr. Ng serve the Company as non-executive Directors with effect from 3 June 2005 for an initial period of three years, subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-Laws of the Company. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 8 July 2005, the Company entered into a service agreement with Mr. Ho Siu Man with effect from 3 October 2005 for an initial period of three years, which is renewable thereafter. Under the service agreement with Mr. Ho, such agreement may be terminated by either party by giving not less than three months' written notice to the other party.

Save as disclosed above, none of the Directors has or is proposed to have a service agreement with the Company or any of its subsidiaries, which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 35 to the financial statements, no contracts of significance in relation to the Group's business to which the Company, its holding or 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.

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DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

1. Directors' Interests in Shares

As at 31 December 2005, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as notified to the Company and the Stock Exchange or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) The Company

Name of director		Nature of interest		Number of ordinary shares held	Percentage of issued capital
Mr. Cheok Ho Fung		Direct	Long position	48,000,000	6.75%
	Note	Deemed	Long position	432,000,000	60.78%
Mr. Wong Shui Hing		Direct	Long Position	100,000	0.01%
Total				480,100,000	67.54%

Note: These shares are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and his wife.

Subsequent to the balance sheet date on 22 February 2006, Mr. Wong Shui Hing and Mr. Ng Chi Shing, both Executive Directors of the Company, exercise 450,000 and 600,000 share options respectively. Also on 23 February 2006, Mr. Wong Shui Hing sell 50,000 shares in open market. Mr. Wong Shui Hing is aggregately interested in 500,000 shares, representing 0.07% of the issued shares, and Mr. Ng Chi Shing is interested in 600,000 shares, representing 0.08% of the issued shares, as at the date of this report.

(b) Associated Corporation — Inni International Inc.

Name of director		Nature of interest		Number of ordinary shares held	Percentage of issued capital
Mr. Cheok Ho Fung		Direct		12,250	49.00%
	Note	Deemed		12,750	51.00%
				25,000	100.00%

Note: These shares are jointly owned by Mr. Cheok Ho Fung and his wife.

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(c) Subsidiary — Topsearch Industries (Holdings) Limited

Name of director	Nature of interest	Number of non-voting deferred shares held	Percentage of issued capital
Mr. Cheok Ho Fung	Direct	2,000,100	10.00%
	<i>Note</i> Deemed	17,999,900	89.99%
Total		20,000,000	99.99%

Note: These shares are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and his wife.

2. Directors' interests in share options of the Company

As at 31 December 2005, certain of the Company's directors held share options of the Company and particulars of those outstanding share options granted under the Scheme as defined in note 28 to the financial statements were as follows:

Name of Directors	Number of share options			At 31 December 2005	Date of grant of share options	Exercise period of share options	Exercise price of share options	Price of Company's Shares at grant date of share options	
	At 1 January 2005	Granted during the year	Exercise during the year					HK\$	HK\$
Mr. Ng Chi Shing	1,200,000	—	—	1,200,000	1 September 2004	6 July 2004 to 31 December 2006	0.694	0.70	
Mr. Wong Shui Hing	900,000	—	—	900,000	1 September 2004	6 July 2004 to 31 December 2006	0.694	0.70	
Mr. Ting Sui Ping	800,000	—	—	800,000	1 September 2004	6 July 2004 to 31 December 2006	0.694	0.70	
Mr. Tang Yok Lam, Andy	640,000	—	—	640,000	1 September 2004	6 July 2004 to 31 December 2006	0.694	0.70	
	—	1,860,000	—	1,860,000	12 January 2005	20 December 2004 to 31 December 2006	0.792	0.81	
	3,540,000	1,860,000	—	5,400,000					

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Saved as disclosed above, none of the Directors, chief executives or any of their associates had any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which would be required to be notified to the Company and the Stock Exchange or which would be required to be recorded in the register required to be kept under Section 352 of the SFO as at 31 December 2005.

Subsequent to the balance sheet date on 22 February 2006, 600,000 share options were exercised by Mr. Ng Chi Shing and 450,000 share options were exercised by Mr. Wong Shui Hing.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the interests or short positions of every person in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholders	Notes			Number of ordinary shares held	Percentage of issued capital
Inni International Inc.		Direct	Long position	432,000,000	60.78%
Mr. Cheok Ho Fung	(i)	Direct Deemed	Long position Long position	48,000,000 432,000,000	6.75% 60.78%
		Total		480,000,000	67.53%
Mrs. Cheok Chu Wai Min	(ii)	Deemed	Long position	480,000,000	67.53%
Hallgain Management Limited	(iii)	Deemed	Long position	63,910,000	8.99%
Kingboard Chemical Holdings Limited	(iii)	Direct Deemed	Long position Long position	2,766,000 61,144,000	0.39% 8.60%
Total				63,910,000	8.99%
Jamplan (BVI) Limited	(iii)	Deemed	Long position	61,144,000	8.60%
Kingboard Investments Limited		Direct	Long position	60,942,000	8.57%

Notes:

- (i) The above interest in the name of Inni International Inc. was also disclosed as interest of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in Shares and Share Options".
- (ii) Mrs. Cheok Chu Wai Min is the spouse of Mr. Cheok Ho Fung. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min. The shareholdings stated against Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min above represented the same block of shares, which were also included as interests of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in Shares and Share Options".

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- (iii) Kingboard Investments Limited and Kingboard Laminates Limited, holder of 202,000 shares in the Company, are wholly-owned subsidiaries of Jamplan (BVI) Limited which in turn is a wholly-owned subsidiary of Kingboard Chemical Holdings Limited. Hallgain Management Limited owns 36.18% equity shares in Kingboard Chemical Holdings Limited.

Saved as disclosed above, no person had any interests or shorts positions in the shares and underlying shares of the Company as recorded under Section 336 of the SFO as at 31 December 2005.

AUDIT COMMITTEE

The Company established an Audit Committee on 30 May 2002 with written terms of reference in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules. Details of the responsibilities of the Audit Committee are set out in the Corporate Governance Report. Meetings were held to review the interim financial statements of the Company for the financial period ended 30 June 2005, and financial statements of the Company for the year ended 31 December 2005.

As at the date of this report, the Committee comprised three independent non-executive directors, namely Mr. Leung Shu Kin, Alfred, Mr. Wong Wing Kee and Mr. Look Guy and one non-executive director namely Mr. Ng Kwok Ying, Alvin.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet events of the Group are set out in note 37 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

CHEOK HO FUNG

Chairman and Chief Executive Officer

Hong Kong, 6 April 2006