



## Report of the Directors

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

### Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries and associate are set out in notes 38 and 20 respectively to the financial statements.

### Results and Appropriations

The results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2005 are set out in the consolidated income statement on page 32.

An interim dividend of HK0.8 cent per share amounting to HK\$2,997,000 was paid to the shareholders on 11 November 2005. The Directors do not recommend the payment of a final dividend.

### Major Suppliers and Customers

The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

The largest and the top five customers of the Group accounted for about 27% and 72% respectively of the Group's total turnover for the year.

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 share capital) have a beneficial interest in any of the Group's five largest customers during the year.

### Property, Plant and Equipment

During the year, the Group acquired property, plant and equipment of approximately HK\$27,781,000. Construction in progress of approximately HK\$47,050,000 was completed and transferred to the buildings, plant and machinery, leasehold improvements, furniture and fixtures, and computer equipment.

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 17 to the financial statements.



### Distributable Reserves

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. In the opinion of the Directors, as at 31 December 2005, the Company's reserves available for distribution amounted to HK\$174,849,000 which consisted of share premium of HK\$168,244,000 and accumulated profits of HK\$6,605,000.

### Share Capital

Details of movements during the year in the share capital of the Company are set out in note 29 to the financial statements.

### Directors

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

#### Executive Directors:

Ms. Chen Wai Yuk (*Chairman*)

Mr. Wang Shu (*Managing Director*)

Miss Chen Wai Wah

#### Non-executive Director:

Mr. Ho Hao Veng (redesignated from independent non-executive director to as non-executive director on 8 September 2005)

#### Independent non-executive Directors:

Mr. Wei Tong Li

Mr. Hui Chuen Fan, Matthew

Mr. Ang Siu Lun, Lawrence (appointed on 8 September 2005)

In accordance with the provisions of the Company's Articles of Association, Mr. Wang Shu, Mr. Ho Hao Veng and Mr. Ang Siu Lun, Lawrence will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The term of office of each Independent non-executive Director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

### Directors' Service Contracts

No Director being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by Group within one year without payment of compensation (other than statutory compensation).



### Directors' Interests in Contracts of Significance

Save as disclosed in note 37 to the consolidated financial statements, no contracts of significance to which the Company, its holding companies 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.

### Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

At 31 December 2005, the interests and short positions of the Directors, chief executives and their associates in the shares, underlying shares and debentures 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 of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code, were as follows:

#### Long positions in the shares of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of Company
Ms. Chen Wai Yuk	Held by controlled corporation	208,356,000 <sup>(a)</sup>	55.61%
Mr. Wang Shu	Held by spouse	208,356,000 <sup>(b)</sup>	55.61%
Mr. Ho Hao Veng	Beneficially held	10,000,000	2.67%

(a) These shares were held by Twinning Wealth Limited, the entire issued capital of which is beneficially owned by Ms. Chen Wai Yuk.

(b) Mr. Wang Shu is deemed to be interested in 208,356,000 shares of the Company, being the interests held beneficially by his spouse, Ms. Chen Wai Yuk. Ms. Chen Wai Yuk beneficially owned one share of US\$1 in Twinning Wealth Limited, an associated corporation (within the meaning of the Section 352 of the SFO) of the Company, representing the entire issued share in Twinning Wealth Limited.

Save as disclosed above, none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures 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 as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



### Share Option Scheme

Particulars of the Company's share option scheme ("Share Option Scheme") are set out in note 34 to the consolidated financial statements. As at the 31 December 2005, no share options have been granted to any eligible participants under the Share Option Scheme.

### Arrangements to Purchase Shares or Debentures

Other than the Share Option Scheme as disclosed 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 and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company or had exercised any such right.

### Management Contracts

During the year, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered or existed.

### Substantial Shareholders

Other than as disclosed above in the section "Directors and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" at 31 December 2005, the shareholder (other than Directors or chief executives of the Company) who had interests of 5% or more or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company were as follows:

#### Long positions in the shares of the Company

Name of shareholder	Capacity	Number of shares beneficially held	Percentage of holding
Arisaig Greater China Fund Limited <sup>(Note)</sup>	Beneficial	39,212,000	10.47%

Note:

The above interests are beneficially owned by Arisaig Greater China Fund Limited. Arisaig Partners (Mauritius) Ltd is the investment manager of Arisaig Greater China Fund Limited and is thereby deemed to have an interest in the shares in which Arisaig Greater China Fund Limited is interested.

Lindsay William Ernest Cooper has an indirect 33% beneficial interest in Arisaig Partners (Mauritius) Ltd but is thereby deemed to have interests in the shares in which Arisaig Partners (Mauritius) Ltd is interested.



Save as disclosed above, as at 31 December 2005, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### **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 the Company's Listed Securities**

There was no purchase, sales or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the year ended 31 December 2005.

### **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 Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

### **Sufficiency of Public Float**

The Company has maintained a sufficient public float throughout the year ended 31 December 2005.

### **Auditors**

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Ms. Chen Wai Yuk**

*Chairman*

20 April 2006