

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries are set out in note 27 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2005 are set out in the consolidated income statement on page 23.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 58.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of HK\$1,456,000 for the purpose of expanding its business. Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 21 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31st December 2005, the company's reserves available for distribution consisted of contributed surplus of HK\$468,576,000 (2004: HK\$468,576,000) and accumulated profits of HK\$7,780,000 (2004: HK\$8,629,000).

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers during the year accounted for approximately 25% of the Group's total sales and the Group's largest customer accounted for approximately 12% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 34% of the Group's total purchases and the Group's largest supplier accounted for approximately 10% of the Group's total purchases.

At no time during the year did a director, an associate of a director or any shareholder (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 Group's five largest suppliers.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors :

Mr. SHIH Chian Fang

Mr. LIAW Yuan Chian ("Mr. Liaw")

Ms. Chen Ling (appointed on 28 March 2006)

Mr. Chaiteerath Boonchai (resigned on 28 March 2006)

Independent non-executive directors:

Mr. Fu Heng Yang

Mr. YU Chi Jui

Ms. Li Xiao Wei

In accordance with Articles 99 and 116 of the Company's Articles of Association, Mr. Shih Chian Fang, Ms. Chen Ling and Mr. Fu Heng Yang retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The terms of office of each of the independent non-executive directors is the period up to his retirement by rotation as required by the Company's Articles of Association.

Mr. Liaw have entered into a service contract with the Company for an initial term of three years commencing from 5th January 2000, which will continue thereafter unless and until terminated by either party by giving to the other party not less than six months' prior written notice.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (Cont'd)

None of the directors 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).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Profiles of Directors and Senior Management" on pages 7 to 8 of this annual report.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December 2005, the interests of the directors and their associates in the ordinary shares in the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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, were as follows:

Name of director	Number of ordinary shares held			Approximate % of the issued share capital
	Beneficial Owner	Held by controlled corporation (Note)	Total	
Mr. Liaw	–	363,500,039	363,500,039	52.96%
Mr. Fu Heng Yang	216,000	–	216,000	0.03%

Note: Mr. Liaw was deemed to be interested in 363,500,039 ordinary shares in the Company, which were held by Joyce Services Limited, a company in which Mr. Liaw has a 62.59% beneficial interest.

As at 31st December 2005, Mr. Liaw held 126,000 non-voting deferred shares in Hua Lien (Hong Kong) Company Limited, the Company's subsidiary. The rights and restrictions of such non-voting deferred shares are set out in note 27 to the financial statements.

Save as disclosed above and other than one nominee ordinary share in Hua Lien (Hong Kong) Company Limited held by Mr. Liaw in trust for Hua Lien Group (Holding) Company, Limited, the Company's subsidiary, none of the directors or their associates had any interests or short positions in any securities of the Company or any of its associated corporation as at 31st December, 2005.

SHARE OPTIONS

The Company's share option scheme (the "Scheme") which was adopted pursuant to a resolution passed by shareholders on 4th January 2000 for the primary purpose of providing incentives to directors and eligible employees, will expire on 3rd January 2010. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 30 days of the date of offer, upon payment of HK\$1 per grant. Options may be exercised at any time from the period commencing on the date falling 6 months after the date of grant of the share option to the 5th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the shares.

No options have been granted or agreed to be granted under the Scheme since its adoption.

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 share in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed under the heading "Directors' interest in securities", the following shareholders had notified the Company of the relevant interests or short positions in the issued share capital of the Company.

Name of Shareholder	Capacity	Number of ordinary shares held	% of the issued share capital
Wong Pi Chao	Beneficial Owner	48,826,000	7.1%

SUBSTANTIAL SHAREHOLDERS (Cont'd)

The interest disclosed above represents long position in the shares of the Company.

Save as disclosed herein, the Company has not been notified of any other person (other than a directors or a chief executive of the Company) who had an interest or a short position in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31st December 2005.

CONNECTED TRANSACTIONS

Details of a discloseable connected transaction in respect of a lease agreement entered into between Xian Hua Lien Tannery Co., Ltd. (the "Xian Hua Lien"), a subsidiary of the Company, and a minority shareholder of Xian Hua Lien are set out on note 26(a) to the financial statements. In the opinion of the independent non-executive directors, the transaction entered into by the Group was in the ordinary course of business and in accordance with the terms of the lease agreement.

Save as disclosed above, there were no other transactions which is required to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company, its holding company, fellow subsidiaries or 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.

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws in the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

EMOLUMENT POLICY

The remuneration committee reviews the Group emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating result, individual performance and comparable market statistics.

The Company has adopted a share option scheme as incentive to directors and eligible employees, details of the scheme are set out as "Share Options" above.

CORPORATE GOVERNANCE

Details of corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

AUDIT COMMITTEE

The audit committee comprises all three independent non-executive Directors. Mr. Fu Heng Yang is the Chairman of the Committee. Summary of duties and works of the Committee is set out in the "Corporate Governance Report" in this annual report.

REMUNERATION COMMITTEE

Pursuant to the requirement of the CG code, the Board has established the Remuneration Committee on 1st January 2005. The remuneration committee comprises all three independent non-executive Directors. Mr. Fu Heng Yang is the Chairman of the Committee. Summary of duties and works of the Committee is set out in the "Corporate Governance Report" in this annual report.

AUDITORS

Except for the period from 1st January 2003 to 31st December 2003, in which Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants acted as auditors of the Company, Messrs. HLM & Co. have acted as auditors of the Company for the past two years. A resolution will be submitted to the annual general meeting to re-appoint Messrs. HLM & Co. as the Company's auditors.

On behalf of the Board

Liaw Yuan Chian

Hong Kong, 24th April 2006