

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its principal subsidiaries are engaged in the production and distribution of wine products and manufacture and trading of electronic and healthcare products. The Group's head office is located in Hong Kong and all of its manufacturing operations are located in the People's Republic of China.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2005 are set out in the consolidated income statement on page 25.

The directors do not recommend the payment of a dividend for the year ended 31 December 2005 (Six months ended 31 December 2004: Nil).

SEGMENTAL INFORMATION

Details of segmental information are set out in note 5 to the financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 76.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the aggregate purchases attributable to the Group's five largest suppliers comprised of approximately 21% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 8%.

The aggregate sales attributable to the Group's five largest customers was approximately 80% and the sales attributable to the Group's largest customer was approximately 34%.

None of the Directors, their associates or any shareholder which, to the knowledge of the Directors, owned more than 5% of the Company's issued share capital had any beneficial interest in the five largest suppliers or customers of the Group.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 25 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 consolidated statements of changes in equity on page 29 of this Annual Report.

The Company's reserves available for distribution to shareholders are set out in note 26 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group and of the Company during the year are set out in note 16 to the financial statements.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors:

Mr Fu Kwan (*Chairman*)
 Mr Wu Xiang Dong (*Deputy Chairman*)
 Mr Shu Shi Ping (*Managing Director*)
 Mr Chan Yeuk
 Mr Zhang Jian

Non-executive Director:

Mr Hung Kin Sang, Raymond

Independent Non-executive Directors:

Mr Cao Kuangyu
 Mr Ting Leung Huel, Stephen
 Mr E Meng

In accordance with Bye-laws 87 and 88 of the Company's Bye-laws, Mr Hung Kin Sang, Raymond and Mr Chan Yeuk and Mr Zhang Jian will retire at the forthcoming annual general meeting. Except for Mr. Hung Kin Sang, Raymond, the rest, being eligible, will offer themselves for re-election. All of the remaining directors will continue in office.

The term of office of each Non-executive Director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

Pursuant to the regulations prescribed by the Listing Rules, each of the Independent Non-executive Directors of the Company has confirmed with the Company their independence. The Company has received such confirmation from the Independent Non-executive Directors and considers the Independent Non-executive Directors as independent.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

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 ended 31 December 2005.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Details of the share option schemes of the Company are set out in note 38 to the financial statements.

Save as disclosed above, at no time during the period was the Company or any of its holding companies or fellow 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 debt securities, including debentures, of the Company or any other body corporate.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES

At 31 December 2005, the interests of the Directors 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 (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

A) Long positions in ordinary shares of the Company

Name of Director	Number of issued ordinary shares held by controlled corporations (Note)	Percentage of the issued share capital of the Company
Mr Fu Kwan	861,880,281	74.99%

Note: These 861,880,281 Shares are registered in the name of MACRO-LINK International Investment Co., Ltd., the entire issued share capital of which is wholly-owned by MACRO-LINK Sdn. Bhd.. Mr Fu Kwan, the Director of the Company owns 40% of the issued share capital of MACRO-LINK Sdn. Bhd. Under the SFO, Mr Fu Kwan is deemed to be interested in the 861,880,281 Shares held by MACRO-LINK International Investment Co., Ltd..

B) Interests in the shares in associated corporation

Name of associated corporation	Name of Director	Number of ordinary share Personal Interest	Percentage of the issued share
MACRO-LINK Sdh. Bhd.	Mr Fu Kwan (Note)	400,000	40%
MACRO-LINK Sdh. Bhd.	Mr Wu Xiang Dong	150,000	15%

Note: These 861,880,281 Shares are registered in the name of MACRO-LINK International Investment Co., Ltd., the entire issued share capital of which is wholly-owned by MACRO-LINK Sdn. Bhd.. Mr Fu Kwan, the Director of the Company owns 40% of the issued share capital of MACRO-LINK Sdn. Bhd. Under the SFO, Mr Fu Kwan is deemed to be interested in the 861,880,281 Shares held by MACRO-LINK International Investment Co., Ltd..

Save as disclosed above and other than certain nominee shares in the subsidiaries held in trust for the Group, none of the Directors, chief executives or 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 at 31 December 2005.

SUBSTANTIAL SHAREHOLDERS

Other than as disclosed under the heading "Directors' interests in shares" above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31 December 2005.

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

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

DIRECTORS' REPORT

CORPORATE GOVERNANCE

Details of the corporate governance practices duly adopted by the Company are set out in page 16 to page 23 of the Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the revised Listing Rules which came into effect on 31 March 2004 as its code of conduct regarding securities transactions by Directors ("Code of Conduct").

Having made specific enquiry to all directors, all of them confirmed that they have complied with the Code of Conduct during the year ended 31 December 2005.

AUDIT COMMITTEE

As of the date of this report, the Audit Committee comprises of three Independent Non-Executive Directors namely Mr. Ting Leung Huel, Stephen (Chairman), Mr. Cao Kuangyu and Mr. E. Meng and one Non-Executive Director, Mr. Hung Kin Sang, Raymond.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited financial statements and report of the Group for the year ended 31 December 2005. The Audit Committee was content that the accounting policies of the Group are in accordance with current best practice in Hong Kong.

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.

AUDITORS

HLB Hodgson Impey Cheng were appointed as the auditors of the Company in succession to Deloitte Touche Tohmatsu who resigned from the office with effect from 10 January 2006. HLB Hodgson Impey Cheng will retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting.

A resolution for the re-appointment of HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

PUBLIC FLOAT

Based on the information which is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of the Annual Report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

On behalf of the Board

Fu Kwan
Chairman

Hong Kong, 21 April 2005