

REPORT OF THE DIRECTORS

The Directors are pleased to present their report together with the audited financial statements of Maxx Bioscience Holdings Limited (hereinafter as the “Company”) and its subsidiaries (collectively as the “Group”) for the year ended 31 December 2005.

Principal Activities

The Company is an investment holding company. Details of the principal activities of the principal subsidiaries and associates are set out in note 16 and note 17 to the financial statements respectively. There were no significant changes in the nature of the Group’s principal activities during the year.

Results and Appropriations

The results of the Group for the year ended 31 December 2005 and the state of affairs of the Company and the Group at that date are set out on pages 19 to 75 to the financial statements.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2005.

Reserves

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 38 to the financial statements respectively.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 36 to the financial statements.

Pre-emptive Rights

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

Subsidiaries and Associates

Particulars of the Company’s subsidiaries and associates at 31 December 2005 are set out in notes 16 and 17 respectively to the financial statements.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

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Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group during the year are set out in Notes 29 to 30 to the financial statements.

Major Customers and Suppliers

For the year ended 31 December 2005, the five largest customers of the Group accounted for approximately 85% (2004: 80%) of the Group's total turnover, with the largest customer accounted for approximately 69% (2004: 70%).

The five largest suppliers, for the year ended 31 December 2005, accounted for approximately 55% (2004: 56%) of the Group's total purchases, with the largest supplier accounted for approximately 15% (2004: 14%).

At no time during the year were the Directors, their associates, or any shareholder of the Company which to the knowledge of the Directors owned more than 5% of the Company's share capital had any interest in these major customers and suppliers.

Financial Summary

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

Directors

The directors who held office during the year and up to the date of this report are:

Executive Directors

Ms Lo Yuk Yee (*Chairman*)

Ms He Jin Hong

Mr Siu Siu Ling, Robert

Mr Ha Sze Tung Sharp Stone

Mr Hu Min

Dr Cao Wu (Resigned on 15 September 2005)

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Independent non-executive Directors

Mr Wong Wai Kin

Mr Ma Shiu Kin

Ms So Tosi Wan, Winnie

Mr Leung Wai Chuen (Resigned on 15 September 2005)

In accordance with the Company's bye-law 87(1), Mr Siu Siu Ling, Robert and Mr Wong Wai Kin retire from the Board by rotation and, being eligible, offers themselves for re-election.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the section "Share Option Scheme" below, at no time during the year was the Company, its holding company, subsidiaries or any of its fellow subsidiaries a party to any arrangements to enable the directors or the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other corporate.

Share Option Scheme

The share option scheme of the Company was adopted in 2002 under which the board of directors may, at its discretion, offer to grant employees and directors of the Group and other eligible persons options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

No share options were granted or exercised under the share option scheme during the year ended 31 December 2005 and there were no outstanding share options as at 31 December 2005.

Directors' Service Contracts

There is no unexpired service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Directors' Interests in Contracts

No contract of significance in relation to the Group's business to which the Company, its holding company, subsidiaries or any of its fellow subsidiaries was a party and in which a director of the Company had a material interest, whether direct or indirect, subsisted at the end of the year or at any time during the year.

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Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Equity Derivatives

As at 31 December 2005, the interests or short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions in the shares of the Company

Name of Director	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr Siu Siu Ling, Robert	Corporate	14,942,000 (<i>Note</i>)	1.39%

Note: These shares were held by Wise Capital International Limited, the entire issued share capital of which was wholly owned by Mr Siu Siu Ling, Robert.

Save as disclosed herein, as at 31 December 2005, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests

As at 31 December 2005, the following persons (other than a director or the chief executive of the Company) had an interest or short position in the share and underlying shares 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.

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Long positions in the shares of the Company

Name of shareholder	Number of shares held	Percentage of the Company's issued share capital
Outwit Investments Limited	548,554,454	51.08%
Mr Hu Kaijun (<i>Note</i>)	548,554,454	51.08%

Note: These shares are held by Outwit Investments Limited, the entire issued share capital of which is wholly owned by Mr Hu Kaijun.

Save as disclosed herein, as at 31 December 2005, no other person (other than a director or the chief executive of the Company) had an interest or short position in the share and underlying shares 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.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2005.

Sufficiency of Public Float

On the basis of information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 8 to 11.

Auditors

The accounts for the year ended 31 December 2003 was audited by Moores Rowland Mazars which resigned on 26 August 2004 as a consensus about the auditors' remuneration could not be reached. On a special general meeting held on 23 September 2004, the shareholders approved the appointment of KLL Associates CPA Limited as auditors of the Company. The accounts for the year ended 31 December 2004 was audited by KLL Associates CPA Limited which resigned on 15 March 2006 due to the combination of their practices with that of BDO McCabe Lo Limited. On a special general meeting held on 30 March 2006, the shareholders approved the appointment of BDO McCabe Lo Limited as auditors of the Company.

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The accounts for the year ended 31 December 2005 was audited by BDO McCabe Lo Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO McCabe Lo Limited as auditors of the Company.

On behalf of the Board

Lo Yuk Yee

Chairman

Hong Kong, 26 April 2006