

REPORT OF THE DIRECTORS

The Board of Directors take pleasure in submitting their annual report together with the financial statements of the Company for the year ended 31 December 2005.

CORPORATE REORGANISATION

Details of the corporate reorganisation of the Group are set out in Note 1 to the financial statements.

ISSUE AND LISTING OF SHARES

The shares of the Company were listed on the Main Board of the Stock Exchange on 23 June 2005 by way of placing and public offer.

Under the placing and public offer, 90 million shares were issued at the share offer of HK\$2.18 per share.

PRINCIPAL ACTIVITIES

Details of the principal activities of the Group are set out in Note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 35.

On 27 April 2006, the Board recommends a final dividend of HK\$0.013 per share (equivalent to RMB0.0134 per share) to the shareholders of the Company whose names appear on the register of members of the Company on 29 May 2006, amounting to RMB4.82 million, and the retention of the remaining profit for the year.

RESERVES

Details of distributable reserves of the Company are set out in Note 30 to the financial statements.

Details of movements in the reserves of the Group and of the Company during the year are set out in Note 26 to the financial statements.

DONATIONS

No charitable and other donations were made by the Group during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and of the Company during the year are set out in Note 14 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 26(c) to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders under the Bye-Laws of Company, except if an ordinary resolution is passed by the shareholders of the Company (before the issue of any new shares) to determine that such shares shall be offered to them in the first instance. As at the date hereof the shareholders have not passed such a resolution.

DIRECTORS

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

Executive Directors

Mr. Zhou Cheng (*Chief Executive Officer*)

Mr. Li Ping

Mr. Lu Guo

Non-executive Directors

Mr. Zhao John Huan (*Chairman*)

Mr. Liu Jinduo

Mr. Raymond Koon-Kwong Auyeung (Appointed on 3 October 2005)

Independent non-executive Directors

Mr. Song Jun

Mr. Wong Wai Ming

Mr. Zhang Baiheng

Pursuant to the Bye-Law 99 of the Company, one third of the Directors will retire from office at the forthcoming annual general meeting. The retiring Directors shall be eligible for re-election.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and the Company considers the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Details of the Directors' emoluments are set out in Note 9 to the financial statements.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

During the year ended 31 December 2005, the Company and JV Investments, a subsidiary of the Company, has entered into a management services agreement (“Management Services Agreement”) with Well Faith Management Limited (“Well Faith”), Mei Long and Pilkington Italy on 30 December 2005. Pursuant to the Management Services Agreement, Well Faith is the exclusive provider of management services to JV Investments. Well Faith will be responsible for the daily operation of JV Investments, investment project sourcing, planning, negotiation, and the submission of selected investment projects to the board of JV Investments for approval. It will also assist JV Investments in monitoring and supervising acquisitions of JV Investments’ assets. After the board of JV Investments approves to invest in the proposed projects, Well Faith will be responsible for the execution. JV Investments will engage Well Faith exclusively to provide the above services. Mr. Zhao John Huan, a Director of the Company, is also a director of Well Faith which is a wholly-owned subsidiary of Hony Capital Limited (“HCL”). Well Faith is a connected person of the Company by virtue of it being an associate of HCL. HCL is a connected person of the Company under the Listing Rules by virtue of it being an associate of Mei Long, a substantial shareholder of JV Investments. HCL is a wholly-owned subsidiary of Right Lane Limited. Right Lane Limited also wholly-owns Mei Long. The Company agreed to pay the relevant management fee at US\$285,527 per annum for 3 years.

The Management Services Agreement stated above constitutes a continuing connected transaction of the Company which is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and the annual review requirements set out in Rule 14A.37 to 14A.40 of the Listing Rules. The independent non-executive Directors of the Company considers that the Management Services Agreement is in the ordinary and usual course of business of the Group and on normal commercial terms, and believes that its terms, are fair and reasonable and in the interests of the shareholders as a whole.

The auditors of the Company also confirmed that the continuing connected transaction stated above:

- (a) was approved by the Board of the Company;
- (b) was in accordance with the pricing policies of the Management Services Agreement;
- (c) was entered into in accordance with the Management Services Agreement; and
- (d) has not exceeded the cap disclosed in the Company’s announcement dated 14 February 2006.

Other than disclosed above, the Group did not enter into any connected transactions during the year ended 31 December 2005.

DIRECTORS’ INTERESTS IN CONTRACTS

During the year ended 31 December 2005, the Company has entered into a management consultancy agreement (“Management Consultancy Agreement”) with HCL for the term from 1 July 2005 to 31 December 2005 at RMB960,000. Pursuant to this Management Consultancy Agreement, HCL would provide research report, merger and acquisition consultancy services, etc. for the glass industry to the Company. Mr. Zhao John Huan, a Director of the Company, is also a director of HCL. HCL is a connected person of the Company as stated in the section headed “Connected Transactions” above.

The Management Consultancy Agreement stated above constitutes a de minimis connected transaction of the Company which is exempted from the reporting, announcement and independent shareholders' approval requirements in accordance with Rule 14A.31(2) of the Listing Rules.

Other than the Management Consultancy Agreement disclosed above and the Management Services Agreement disclosed in "Connected Transactions" in the Report of the Directors of this annual report, no contracts of significance in relation to which the Company, any of its holding company or any of its subsidiaries and fellow subsidiaries was a party, in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2005 or at any time during the year.

No Director is interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or in any other body corporate.

CONTRACT OF SIGNIFICANCE

Other than the Management Services Agreement and the Management Consultancy Agreement disclosed in "Connected Transactions" and "Directors' Interest in Contracts" in the Report of the Directors of this annual report, respectively, no contracts of significance of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2005.

USE OF PROCEEDS FROM CAPITAL RAISING

The Group raised approximately HK\$173 million, net of related expenses, from the placing and public offer of 90 million new shares of the Company at HK\$2.18 per share in June 2005. The Company's shares were listed on the Main Board of the Stock Exchange on 23 June 2005. The Directors have applied the net proceeds as to approximately HK\$145 million for the construction of the third production line and HK\$20 million for the repayment of bank loans. The remaining net proceeds from the placing and public offer are currently placed with licensed banks in Hong Kong and PRC, and would be used in accordance with the intended use of proceeds as stated in the Prospectus.

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INTERESTS AND/OR SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2005, the interests and/or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), or otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

Name of Director	Company/name of associated corporation	Capacity	Number and class of securities ⁽¹⁾	Percentage of interest in such corporation in class
Zhou Cheng	The Company	Interest of a controlled corporation ⁽²⁾	31,617,000 Shares (L)	8.78%
Liu Jinduo	The Company	Interest of a controlled corporation ⁽³⁾	225,207,000 Shares (L)	62.56%
			72,000,000 Shares (S) ⁽⁴⁾	20.00%
Liu Jinduo	First Fortune Enterprises Limited (“First Fortune”)	Interest of a controlled corporation ⁽⁵⁾	1 ordinary share (L)	100%
Liu Jinduo	Hony International Limited (“Hony International”)	Interest of a controlled corporation ⁽⁶⁾	6 ordinary shares (L)	60%
Liu Jinduo	Easylead Management Limited (“EML”)	Beneficial owner	1 ordinary share (L)	33 1/3%
Liu Jinduo	Beijing Wanhang Best Joint Investment Adviser Ltd.	Interest of a controlled corporation ⁽⁷⁾	800,000 ordinary shares (L)	100%
Liu Jinduo	Best Joint Investments Limited	Interest of a controlled corporation ⁽⁸⁾	100 ordinary shares (L)	100%
Liu Jinduo	Brightway Enterprises Ltd.	Interest of a controlled corporation ⁽⁹⁾	85 class L shares (L)	100%
Liu Jinduo	Grand Smart Management Limited	Interest of a controlled corporation ⁽¹⁰⁾	1 ordinary share (L)	100%

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Name of Director	Company/name of associated corporation	Capacity	Number and class of securities ⁽¹⁾	Percentage of interest in such corporation in class
Liu Jinduo	Kenmore Enterprises Holdings Ltd.	Interest of a controlled corporation ⁽¹¹⁾	1 ordinary share (L)	100%
Liu Jinduo	Kinluck Enterprises Ltd.	Interest of a controlled corporation ⁽¹²⁾	1 ordinary share (L)	100%
Liu Jinduo	Milford Enterprises Holdings Ltd.	Interest of a controlled corporation ⁽¹³⁾	1 ordinary share (L)	100%
Liu Jinduo	New Power Investments Inc.	Interest of a controlled corporation ⁽¹⁴⁾	1 ordinary share (L)	100%
Liu Jinduo	Norisa Investments Inc.	Interest of a controlled corporation ⁽¹⁵⁾	1 ordinary share (L)	100%
Liu Jinduo	Marketway Development Limited	Interest of a controlled corporation ⁽¹⁶⁾	1 ordinary share (L)	100%
Liu Jinduo	Castle Power Holding Limited	Interest of a controlled corporation ⁽¹⁷⁾	1 ordinary share (L)	100%
Liu Jinduo	Time Region Investments Limited	Interest of a controlled corporation ⁽¹⁸⁾	1 ordinary share (L)	100%
Liu Jinduo	Huge Option Investments Limited	Interest of a controlled corporation ⁽¹⁹⁾	1 ordinary share (L)	100%
Liu Jinduo	Newtone Limited	Interest of a controlled corporation ⁽²⁰⁾	2 ordinary shares (L)	100%
Liu Jinduo	Sino Express Limited	Interest of a controlled corporation ⁽²¹⁾	2 ordinary shares (L)	100%
Liu Jinduo	Koway Investments Limited	Interest of a controlled corporation ⁽²²⁾	2 ordinary shares (L)	100%
Liu Jinduo	Pacific Crown Limited	Interest of a controlled corporation ⁽²³⁾	2 ordinary shares (L)	100%

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Name of Director	Company/name of associated corporation	Capacity	Number and class of securities ⁽¹⁾	Percentage of interest in such corporation in class
Liu Jinduo	Rich Sunshine Limited	Interest of a controlled corporation ⁽²⁴⁾	2 ordinary shares (L)	100%
Liu Jinduo	GoldSCO Investments Limited	Interest of a controlled corporation ⁽²⁵⁾	2 ordinary shares (L)	100%
Liu Jinduo	Jiangsu Glass Group Company Limited	Interest of a controlled corporation ⁽²⁶⁾	101,686,927 ordinary shares (L)	92%
Liu Jinduo	Sugian Subo Development Co., Ltd.	Interest of a controlled corporation ⁽²⁷⁾	42,011,400 ordinary shares (L)	60%

Notes:

- (1) The letters "L" and "S" denote the Director's long position and short position in such securities, respectively.
- (2) These Shares are beneficially-owned by Swift Glory Investments Limited ("Swift Glory"), which is owned as to 90% by Zhou Cheng. He is taken to be interested in these Shares by virtue of Part XV of the SFO.
- (3) These Shares are beneficially-owned by First Fortune, the indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these Shares by virtue of Part XV of the SFO.
- (4) 72,000,000 Shares are the subject of the first option granted by First Fortune in favour of Pilkington Italy Limited pursuant to an option agreement dated 3 June 2005.
- (5) These shares are beneficially-owned by Hony International, a subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.
- (6) These shares are beneficially-owned by EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.
- (7) These shares are beneficially-owned by Hony International, a subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.
- (8) These shares are beneficially-owned by Hony International, a subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.
- (9) These shares are beneficially-owned by Best Joint Investments Limited, an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.
- (10) These shares are beneficially-owned by Best Joint Investments Limited, an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.
- (11) These shares are beneficially-owned by Brightway Enterprises Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.
- (12) These shares are beneficially-owned by Brightway Enterprises Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.
- (13) These shares are beneficially-owned by Brightway Enterprises Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.
- (14) These shares are beneficially-owned by Brightway Enterprises Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

- (15) These shares are beneficially-owned by Brightway Enterprises Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.
- (16) These shares are beneficially-owned by Brightway Enterprises Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.
- (17) These shares are beneficially-owned by Brightway Enterprises Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.
- (18) These shares are beneficially-owned by Brightway Enterprises Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.
- (19) These shares are beneficially-owned by Brightway Enterprises Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.
- (20) These shares are beneficially-owned by Kenmore Enterprises Holdings Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.
- (21) These shares are beneficially-owned by Kinluck Enterprises Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.
- (22) These shares are beneficially-owned by Milford Enterprises Holdings Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.
- (23) These shares are beneficially-owned by New Power Investments Inc., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.
- (24) These shares are beneficially-owned by Norisa Investments Inc., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.
- (25) These shares are beneficially-owned by Marketway Development Limited, an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.
- (26) These shares are beneficially-owned by Suqian Subo Development Co., Ltd., a Subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.
- (27) These shares are beneficially-owned by EML, which is beneficially owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2005, the interest and/or a short position of the persons, other than Directors and chief executive of the Company, in the Shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

The Company

Name	Capacity	Class and number of Shares ⁽¹⁾	Approximate percentage of shareholding
First Fortune	Beneficial owner	225,207,000 Shares (L)	62.56%
		72,000,000 Shares (S) ⁽²⁾⁽³⁾	20.00%
Hony International	Interest of a controlled corporation ⁽⁴⁾	225,207,000 Shares (L)	62.56%
		72,000,000 Shares (S) ⁽²⁾⁽³⁾	20.00%

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Name	Capacity	Class and number of Shares ⁽¹⁾	Approximate percentage of shareholding
EML	Interest of a controlled corporation ⁽⁵⁾	225,207,000 Shares (L) 72,000,000 Shares (S) ^{(2) (3)}	62.56% 20.00%
Right Lane Limited	Interest of a controlled corporation ⁽⁵⁾	225,207,000 Shares (L) 72,000,000 Shares (S) ^{(2) (3)}	62.56% 20.00%
Cao Zhijiang	Interest of a controlled corporation ⁽⁶⁾	225,207,000 Shares (L) 72,000,000 Shares (S) ^{(2) (3)}	62.56% 20.00%
Zhang Zuxiang	Interest of a controlled corporation ⁽⁶⁾	225,207,000 Shares (L) 72,000,000 Shares (S) ^{(2) (3)}	62.56% 20.00%
Liu Jinduo	Interest of a controlled corporation ⁽⁶⁾	225,207,000 Shares (L) 72,000,000 Shares (S) ^{(2) (3)}	62.56% 20.00%
Legend Holdings Limited ⁽⁷⁾	Interest of a controlled corporation ⁽⁸⁾	225,207,000 Shares (L) 72,000,000 Shares (S) ^{(2) (3)}	62.56% 20.00%
Employees' Shareholding Society of Legend Holdings Limited	Interest of a controlled corporation ⁽⁹⁾	225,207,000 Shares (L) 72,000,000 Shares (S) ^{(2) (3)}	62.56% 20.00%
Swift Glory	Beneficial owner	31,617,000 Shares (L)	8.78%
Zhou Cheng	Interest of a controlled corporation ⁽¹⁰⁾	31,617,000 Shares (L)	8.78%
Pilkington plc ⁽¹¹⁾	Interest of a controlled corporation	72,000,000 Shares (L)	20%
Pilkington Brothers Limited ⁽¹²⁾	Interest of a controlled corporation	72,000,000 Shares (L)	20%
Pilkington Italy Limited ⁽¹³⁾	Beneficial owner	72,000,000 Shares (L)	20%

Notes:

- (1) The letters "L" and "S" denote the person's long position and short position in such securities, respectively.
- (2) 13,500,000 Shares of which are the subject of the stock borrowing agreement between First Fortune and Guotai Junan Securities (Hong Kong) Limited.

- (3) 72,000,000 Shares of which are the subject of the first option granted by First Fortune in favour of Pilkington Italy Limited pursuant to an option agreement dated 3 June 2005.
- (4) First Fortune is a wholly-owned subsidiary of Hony International. Hony International is taken to be interested in these Shares by virtue of Part XV of the SFO.
- (5) Hony International is owned as to 60% by EML and 40% by Right Lane Limited. EML and Right Lane Limited are taken to be interested in these Shares by virtue of Part XV of the SFO.
- (6) EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Each of them is taken to be interested in these Shares by virtue of Part XV of the SFO.
- (7) The English company name "Legend Holdings Limited" is a direct transliteration of its Chinese company name "聯想控股有限公司".
- (8) These Shares are beneficially held by Right Lane Limited, a direct wholly-owned subsidiary of Legend Holdings Limited.
- (9) Employees' Shareholding Society of Legend Holdings Limited is an equity holder of Legend Holdings Limited which in turn wholly owns Right Lane Limited. It is therefore taken to be interested in these Shares by virtue of Part XV of the SFO.
- (10) Swift Glory is owned as to 90% by Zhou Cheng. Zhou Cheng will be taken to be interested in these Shares by virtue of Part XV of the SFO.
- (11) Pilkington plc is a UK listed company.
- (12) Pilkington Brothers Limited is a direct subsidiary of Pilkington plc.
- (13) Pilkington Italy Limited is a company incorporated in England and a wholly-owned direct subsidiary of Pilkington Brothers Limited. It has an option to acquire 20% of the enlarged capital of the Company pursuant to an option agreement dated 3 June 2005.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Zhou Cheng (周誠), aged 49, is an executive Director and the chief executive officer of the Company. Mr Zhou is a senior engineer. He graduated from Nanjing Institute of Chemical Engineering in 1980, majoring in inorganic chemistry. Mr Zhou joined the Group in January 1997 and has previously served as head of Jiangsu Glass Factory and chairman and general manager of Jiangsu Glass Group. He has 25 years of experience in inorganic chemical industry, building materials industry and enterprise administration and management.

Mr. Li Ping (李平), aged 45, is an executive Director and senior vice president of the Company and chairman of the board of Su Hua Da. He graduated in 1982 from Zhejiang University, majoring in materials, with a bachelor degree in engineering and a master's degree in business administration. He is a senior engineer at postgraduate level. Mr Li joined the Group in February 1982 and has formerly worked as deputy head of Jiangsu Glass Factory, deputy general manager and general manager of Jiangsu Glass Group. He has 23 years of experience in the building materials industry and enterprise management.

Mr. Lu Guo (呂國), aged 43, is an executive Director and vice president of the Company, a director and general manager of Su Hua Da. Mr Lu is a senior engineer. He graduated in 1984 with a bachelor degree from Wuhan Institute of Building Material, majoring in glass. Mr Lu joined the Group in August 1984 and has worked as head of a branch factory of Jiangsu Glass Factory, assistant to the general manager and deputy general manager of Jiangsu Glass Group. He has over 20 years of experience in the PRC glass industry.

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Non-executive Directors

Mr. Zhao John Huan (趙令歡), aged 43, is a non-executive Director and the chairman of the Board of the Company. Mr Zhao graduated from Nanjing University with a bachelors degree and from Northwestern University in the US with a masters degree. Mr Zhao has extensive experience in senior management positions at several US and PRC companies. Mr Zhao is currently a vice president of Legend Holdings Limited and was appointed as a Director of the Company in January 2005.

Mr. Liu Jinduo (劉金鐸), aged 67, is a non-executive Director of the Company. Mr Liu has extensive experience in enterprise management. Before retiring in 2001 he served as vice president of Legend Holdings Limited. He is currently also a director of Easylead Management Limited and was appointed as a Director of the Company in January 2005.

Mr. Raymond Koon-Kwong Auyeung (歐陽貫光), aged 51, was appointed as a non-executive Director of the Company in October 2005. Mr Auyeung is the group country manager of Pilkington (Asia) Limited which is a subsidiary of a listed company in London, Pilkington plc (“Pilkington”), one of the world’s leading float glass companies and the founder of float glass technology, mainly responsible for the management of business of Pilkington in the PRC. From 2001 to 2004, Mr. Auyeung was the North East Asia general manager of Saint-Gobain Abrasives (Shanghai) Company. From 1998 to 2001, he was the general manager and development director in different glass businesses of Saint-Gobain in China.

Independent Non-executive Directors

Mr. Song Jun (宋軍), aged 45, is an independent non-executive Director of the Company. Mr Song graduated from Tsinghua University in 1990 with a PhD in physics. Mr Song has served as a senior manager in numerous affiliated companies of Tsinghua University and has extensive experience in management and operations. Mr Song is currently also the deputy secretary of Tsinghua University as well as the chief executive officer of Tsinghua Holdings Company Limited and was appointed as a Director of the Company in January 2005.

Mr. Wong Wai Ming (黃偉明), aged 48, an independent non-executive Director of the Company, is an executive director and chief executive officer of Roly International Holdings Limited, a company listed on the Singapore Stock Exchange and an executive director of Linmark, a company listed on the Hong Kong Stock Exchange. The principal business of Roly Group is the provision of supply chain management services and distribution of consumer products in the PRC. Mr. Wong is also an independent non-executive director of Lenovo Group Limited, I.T. Limited and China Unicom Limited, all of which are listed on the Hong Kong Stock Exchange. Mr. Wong is a chartered accountant and holds a Bachelor of Science degree (with Honours) in Management Sciences from the Victoria University of Manchester, the UK.

Mr. Zhang Baiheng (張佰恆), aged 45, an independent non-executive Director of the Company. He was an officer of the China Air Force. Mr Zhang has extensive experience in the building material industry, and he currently served as the general secretary of the China Architectural and Industrial Glass Association and was appointed as a Director of the Company in January 2005.

Senior Management

Mr. Zhou Qiping (周齊平), aged 51, is a vice president of the Company and a director of Su Hua Da. Mr Zhou is a senior engineer. He graduated from Zhejiang University in 1980, majoring in glass craftsmanship. Mr Zhou originally joined the Group in 1972 and has worked as head of No. 2 branch factory of Jiangsu Glass Factory, deputy head of Jiangsu Glass Factory and chairman of the supervisory committee of Jiangsu Glass Group. He has over 33 years of experience in glass production technology.

Mr. Jiang Hongfang (蔣宏方), aged 43, is a deputy general manager and secretary of the board of Su Hua Da. Mr Jiang is an engineer with a master's degree in business administration. He joined the Group in July 1985 and has worked as the head of No. 2 branch factory of Jiangsu Glass Factory, an assistant to the general manager and a deputy general manager of Jiangsu Glass Group. Mr Jiang has 19 years of experience in the glass industry.

Mr. Zhang Zuozhen (張作振), aged 60, is a deputy general manager, chief financial officer and accountant of Su Hua Da. He joined the Group in June 1995 and has previously served as an assistant to the factory head of Jiangsu Glass Factory and a chief accountant of Jiangsu Glass Factory. Mr Zhang has over 30 years of experience in accounting and management.

Mr. Lau Ying Kit (劉英傑), aged 32, was appointed as the company secretary and qualified accountant of the Company in December 2004. Mr Lau holds a Bachelor of Business degree from Victoria University of Technology, Australia and is an Associate Member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, Mr Lau was the financial controller and company secretary for a listed company in Hong Kong. He has gained extensive experience in auditing, accounting, corporate finance from accounting firms and a publicly listed company in Hong Kong.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 30 May 2005 in order to provide an incentive for the qualified participants to work with commitment forwards enhancing the value of the Company and its shares. The following is a summary of the principal terms of the rules of the share option scheme.

(a) Who may join

The Board of Directors may at its discretion grant options to: (i) any executive Director, or employee (whether full time or part time) of the Company, any member of the Group or any entity in which any member of the Group holds an equity interest ("Invested Entity"); (ii) any non-executive Directors (including independent non-executive Directors) of the Company, any member of the Group or any Invested Entity; (iii) any supplier of goods or services to the Company, any member of the Group or any Invested Entity; (iv) any customer of the Company, any member of the Group or any Invested Entity; and (v) any person or entity that provides research, development or technological support to the Company, any member of the Group or any Invested Entity (collectively, "Qualified Participants").

REPORT OF THE DIRECTORS

(b) The purpose of the share option scheme

The share option scheme seeks to provide an incentive for the Qualified Participants to work with commitment towards enhancing the value of the Company and its shares for the benefit of its shareholders, and to maintain or attract business relationships with the Qualified Participants whose contributions are or may be beneficial to the growth of the Group.

(c) Subscription Price

The subscription price ("Subscription Price") shall, subject to any adjustment pursuant to paragraph (m), be a price determined by the Board of Directors but in any event shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date on which the option is offered to a Qualified Participant ("Offer Date"); (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the shares.

(d) Grant of Option

An offer of the grant of an option shall be made to a Qualified Participant by letter ("Offer Letter") in such form as the Board of Directors may from time to time determine specifying the terms and subject to the conditions on which the option is to be granted. Subject to the terms of the Offer Letter, there shall be no general performance target to or minimum holding period for the vesting or exercise of options.

An option is deemed to have been accepted and to have taken effect when the duplicate Offer Letter comprising acceptance of the option duly signed by the option-holder together with a remittance in favour of the Company of HK\$1 by way of consideration for the grant of the option shall have been received by the Company on or before the last day for acceptance as set out in the Offer Letter.

(e) Maximum number of shares

The maximum number of shares in respect of which options may be granted under the share option scheme and any other share option schemes of the Company shall not in aggregate exceed the number of shares that shall represent 10% ("Scheme Mandate") of the total number of shares in issue (which equals 360 million shares as at the date of this annual report).

(f) Timing for exercise of options

The period during which an option may be exercised in accordance with the terms of the share option scheme ("Option Period") shall be a period of time to be notified by the Board of Directors to each option-holder, which the Board of Directors may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the Offer Date.

(g) Life of the share option scheme

The share option scheme shall be valid and effective for a period of ten (10) years commencing from the date on which the share option scheme is deemed to take effect in accordance with its terms, after which period no further options will be granted but the provisions of the share option scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of such period shall continue to be valid and exercisable after the end of such period in accordance with the terms of the share option scheme.

As at 31 December 2005, no option has been granted by the Company under the share option scheme. The remaining life of the share option scheme is 8 years and 5 months.

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

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

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on information that is publicly available to the Company and to the best knowledge of the Directors as at the latest practicable date prior to the issue of this report.

MATERIAL ACQUISITION OR DISPOSAL

Save as disclosed in the Prospectus, the Group had not made any material acquisitions or disposals during the year ended 31 December 2005.

POST BALANCE SHEET EVENTS

Details of post balance sheet events of the Group are set out in Note 32 to the financial statements.

CONVERTIBLE NOTES

Details of the convertible notes are set out in Note 24 to the financial statements.

AUDIT COMMITTEE

The audit committee of the Company comprises three non-executive Directors, two of whom are independent. The current committee members are Mr. Wong Wai Ming (Chairman), Mr. Song Jun and Mr. Zhao John Huan. The audit committee has reviewed with the Company's management and the external auditors the accounting principles and practices adopted by the Group, and has discussed auditing, internal control and financial reporting matters, including the review of the annual results for the year ended 31 December 2005.

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INVESTOR RELATIONS AND COMMUNICATIONS

The Company adopts a proactive policy in promoting investor relations and communications. Regular meetings are held with institutional investors and financial analysts to ensure two-way communications on the Company's performance and development.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, save as disclosed below, the Company has complied with the Code on Corporate Governance Practices (the "CCGP"), as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2005.

Under Code Provisions B.1.4 and C.3.4 of the CCGP, the Company should make available the terms of reference of its remuneration committee and audit committee on request and by including the information on its website. Since the Company has not yet established its own website, the above requirement with regard to providing such information on a website cannot be met accordingly. However, the terms of reference of the two committees are available on request.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct rules (the "Code of Conduct") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules, and that having made specific enquiry of all the Directors, the Company confirms that all the Directors have complied with the required standard set out in the Code of Conduct and the Model Code.

AUDITORS

The financial statements have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 24 May 2006 to Monday, 29 May 2006 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and the entitlement to attend and vote at the forthcoming annual general meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 23 May 2006.

By order of the Board

Zhao John Huan

Chairman

Hong Kong, 27 April 2006